Contents

Company information / Capital composition

Quantity of shares (Units)	Current quarter 06/30/2019
Paid-in capital	
Common	46,445,314
Preferred	42,014,484
Total	88,459,798
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet - Assets

(In thousands of reais)

Code of account	Account description	Current quarter 06/30/2019	Prior year 12/31/2018
1	Total assets	919,556	826,985
1.01	Current assets	360,256	274,335
1.01.01	Cash and cash equivalents	1,634	5,157
1.01.01.01	Cash and banks	314	2,056
1.01.01.02	Interbank funds applied	1,320	3,101
1.01.02	Interest earning bank deposits	888	1,801
1.01.03	Accounts receivable	99,344	114,744
1.01.03.01	Trade accounts receivable	99,344	114,744
1.01.04	Inventories	133,973	103,818
1.01.06	Recoverable taxes	86,555	14,991
1.01.06.01	Recoverable current taxes	86,555	14,991
1.01.07	Prepaid expenses	1,573	2,366
1.01.08	Other current assets	36,289	31,458
1.01.08.03	Other	36,289	31,458
1.01.08.03.03	Related parties - Financial loan	28,847	24,978
1.01.08.03.04	Other accounts receivable	7,442	6,480
1.02	Non-current assets	559,300	552,650
1.02.01	Long term assets	72,750	69,017
1.02.01.03	Interest earning bank deposits measured at amortized cost	818	746
1.02.01.07	Deferred taxes	44,653	44,653
1.02.01.07.01	Deferred income tax and social contribution	44,653	44,653
1.02.01.09	Related party credits	20,143	18,164
1.02.01.09.04	Other related party credits	20,143	18,164
1.02.01.10	Other non-current assets	7,136	5,454
1.02.01.10.03	Recoverable tax	121	121
1.02.01.10.04	Other	7,015	5,333
1.02.02	Investments	444,900	444,978
1.02.02.01	Equity interest	444,900	444,978
1.02.02.01.02	Interest in subsidiaries	444,710	444,788
1.02.02.01.04	Other investments	190	190
1.02.03	Property, plant and equipment	33,142	32,599
1.02.03.01	Fixed assets in operation	27,855	30,201
1.02.03.03	Constructions in progress	5,287	2,398
1.02.04	Intangible assets	8,508	6,056
1.02.04.01	Intangible assets	8,508	6,056

Individual financial statements - Balance sheet - Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 06/30/2019	Prior year 12/31/2018
2	Total liabilities	919,556	826,985
2.01	Current liabilities	641,618	546,826
2.01.01	Social and labor obligations	11,278	14,116
2.01.01.01	Social charges	1,412	4,905
2.01.01.02	Labor obligations	9,866	9,211
2.01.02	Suppliers	174,089	155,932
2.01.02.01	Domestic suppliers	153,623	129,968
2.01.02.02	Foreign suppliers	20,466	25,964
2.01.03	Tax liabilities	52,033	14,903
2.01.03.01	Federal tax liabilities	50,512	11,157
2.01.03.01.01	Income tax and social contribution payable	18,466	0
2.01.03.01.02	Other Taxes	32,046	11,157
2.01.03.02	State tax liabilities	1,519	3,744
2.01.03.03	Municipal tax liabilities	2	2
2.01.04	Loans and financing	143,340	113,126
2.01.04.01	Loans and financing	130,106	103,676
2.01.04.01.01	In domestic currency	12,788	8,260
2.01.04.01.02	In foreign currency	117,318	95,416
2.01.04.02	Debentures	13,234	9,450
2.01.05	Other liabilities	192,415	183,594
2.01.05.02	Other	192,415	183,594
2.01.05.02.01	Dividends and interest on own capital	3	3
2.01.05.02.04	Financial loan	48,367	59,057
2.01.05.02.05	Foreign exchange withdrawals	50,198	43,795
2.01.05.02.07	Advance from receivables	38,216	48,455
2.01.05.02.08	Advance from clients	50,099	27,848
2.01.05.02.09	Other liabilities	5,532	4,436
2.01.06	Provisions	68,463	65,155
2.01.06.01	Tax, social security, labor and civil provisions	54,948	52,501
2.01.06.01.01	Tax provisions	27,689	27,689
2.01.06.01.02	Social security and labor provisions	5,732	3,162
2.01.06.01.04	Civil provisions	21,527	21,650
2.01.06.02	Other provisions	13,515	12,654
2.01.06.02.01	Provision for guarantees	13,515	12,654
2.02	Non-current liabilities	583,654	687,122
2.02.01	Loans and financing	470,156	576,766
2.02.01.01	Loans and financing	408,281	501,128
2.02.01.01.01	In domestic currency	14,184	18,131
2.02.01.01.02	In foreign currency	394,097	482,997
2.02.01.02	Debentures	61,875	75,638
2.02.02	Other liabilities	66,680	66,257
2.02.02.01	Liabilities from Related parties	49,909	49,310
2.02.02.01.02	Debits with subsidiaries	6,173	6,241
2.02.02.01.04	Debts with other related parties	43,736	43,069
2.02.02.02	Other	16,771	16,947
2.02.02.02.03	Taxes payable	264	549

Individual financial statements - Balance sheet - Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 06/30/2019	Prior year 12/31/2018
2.02.02.02.04	Provision for unsecured liability	16,507	16,165
2.02.02.02.06	Suppliers	0	233
2.02.04	Provisions	46,818	44,099
2.02.04.01	Tax, social security, labor and civil provisions	46,818	44,099
2.02.04.01.02	Social security and labor provisions	31,697	32,583
2.02.04.01.04	Civil provisions	15,121	11,516
2.03	Shareholders' equity	-305,716	-406,963
2.03.01	Realized capital	520,253	465,218
2.03.02	Capital reserves	-31,116	-31,170
2.03.02.09	Capital transactions	-31,116	-31,170
2.03.05	Retained Earnings/Losses	-964,658	-1,012,915
2.03.06	Equity valuation adjustments	46,440	47,023
2.03.07	Accumulated translation adjustments	123,365	124,881

Individual financial statements / Statement of income

(In thousands of reais)

Code of account	Account description	Current quarter 04/01/2019–06/30/2019	Accumulated of the current year 01/01/2019–06/30/2019	Same quarter of the prior year 04/01/2018–06/30/2018	Accumulated of the prior year 01/01/2018–06/30/2018
3.01	Revenue from sales of goods and/or services	163,537	323,704	149,851	302,257
3.02	Cost of goods and/or services sold	-109,183	-218,354	-100,974	-208,488
3.03	Gross income	54,354	105,350	48,877	93,769
3.04	Operating expenses/revenue	-3,290	-26,668	-27,303	-45,668
3.04.01	Sales expenses	-11,701	-23,951	-12,106	-19,952
3.04.02	General and administrative expenses	-16,205	-31,128	-10,795	-25,851
3.04.03	Loss due to the non-recoverability of assets	675	-781	928	-684
3.04.04	Other operating revenue	37,402	37,929	4,120	5,170
3.04.05	Other operating expenses	-8,681	-9,832	-1,203	-3,263
3.04.06	Equity in net income of subsidiaries	-4,780	1,095	-8,247	-1,088
3.05	Income (loss) before financial income and taxes	51,064	78,682	21,574	48,101
3.06	Financial income (loss)	-948	-12,541	-114,969	-140,032
3.06.01	Financial revenues	29,478	33,267	15,966	17,511
3.06.02	Financial expenses	-30,426	-45,808	-130,935	-157,543
3.07	Income (loss) before income tax	50,116	66,141	-93,395	-91,931
3.08	Income tax and social contribution	-6,489	-18,466	-382	-653
3.08.01	Current	-6,489	-18,466	-382	-653
3.09	Net income (loss) from continued operations	43,627	47,675	-93,777	-92,584
3.11	Income/loss for the period	43,627	47,675	-93,777	-92,584
3.99	Earnings per share - (Reais / Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.51164	0.59300	1.44968	1.43120
3.99.01.02	Preferred shares	0.51164	0.59300	1.44968	1.43120
3.99.02	Diluted earning per share				
3.99.02.01	Common shares	0.51164	0.53900	1.44968	1.43120
3.99.02.02	Preferred shares	0.51164	0.53900	1.44968	1.43120

Individual financial statements / Statement of comprehensive income

(In thousands of reais)

Code of account	Account description	Current quarter 04/01/2019–06/30/2019	Accumulated of the current year 01/01/2019–06/30/2019	Same quarter of the prior year 04/01/2018–06/30/2018	Accumulated of the prior year 01/01/2018–06/30/2018
4.01	Net income for the period	43,627	47,675	-93,777	-92,584
4.02	Other comprehensive income	-2,436	-1,517	28,459	29,325
4.02.01	Translation adjustments in the period	-2,436	-1,517	28,459	29,325
4.03	Comprehensive income for the period	41,191	46,158	-65,318	-63,259

Individual financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2019–06/30/2019	Accumulated of the prior year 01/01/2018–06/30/2018
6.01	Net cash from operating activities	65,517	14,920
6.01.01	Cash generated in operations	89,424	33,872
6.01.01.01	Net income (loss) for the year before income tax and social contribution	66,141	-91,931
6.01.01.02	Depreciation and amortization	3,778	3,738
6.01.01.03	Cost of permanent asset written-off	3	120
6.01.01.04	Allowance for doubtful accounts	834	681
6.01.01.05	Equity in net income of subsidiaries	-1,095	1,088
6.01.01.08	Provision for interest on loans and financing	15,738	28,076
6.01.01.10	Provision for inventory loss	-512	-5,015
6.01.01.11	Provision for contingencies	5,166	1,768
6.01.01.12	Provision for guarantees	861	0
6.01.01.13	Exchange rate change on loans and other	-1,490	95,347
6.01.02	Changes in assets and liabilities	-23,907	-18,952
6.01.02.01	(Increase) decrease in trade accounts receivable	14,566	-25,603
6.01.02.02	(Increase) decrease in inventories	-29,643	-3,928
6.01.02.03	(Increase) decrease in other accounts receivable	-73,417	-8,926
6.01.02.04	(Decrease) increase in suppliers	17,924	9,702
6.01.02.05	(Decrease) Increase in accounts payable and provisions	46,663	9,803
6.02	Net cash used in investment activities	-11,783	-3,071
6.02.01	Receivables with related companies	-5,848	-1,432
6.02.04	In property, plant and equipment	-3,888	-1,434
6.02.05	In intangible assets	-2,888	-34
6.02.06	Interest earning bank deposits	841	-171
6.03	Net cash from financing activities	-57,257	-13,037
6.03.02	Borrowings	17,293	10,226
6.03.03	Payments of loans	-89,989	-15,291
6.03.05	Capital increase	55,035	0
6.03.06	Payment of Interest on loans	-29,505	-5,317
6.03.09	Debts with related companies	-10,091	-2,655
6.05	Increase (decrease) in cash and cash equivalents	-3,523	-1,188
6.05.01	Opening balance of cash and cash equivalents	5,157	2,543
6.05.02	Closing balance of cash and cash equivalents	1,634	1,355

Individual financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2019–06/30/2019

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	465,218	-31,170	0	-1,012,915	171,904	-406,963
5.03	Adjusted opening balances	465,218	-31,170	0	-1,012,915	171,904	-406,963
5.04	Capital transactions with partners	55,035	54	0	0	0	55,089
5.04.01	Capital increases	55,035	0	0	0	0	55,035
5.04.02	Expenses with issuance of shares	0	54	0	0	0	54
5.05	Total comprehensive income	0	0	0	48,257	-2,099	46,158
5.05.01	Net income for the period	0	0	0	47,675	0	47,675
5.05.02	Other comprehensive income	0	0	0	582	-2,099	-1,517
5.05.02.04	Translation adjustments in the period	0	0	0	0	-1,517	-1,517
5.05.02.06	Realization of equity valuation adjustments	0	0	0	582	-582	0
5.07	Closing balances	520,253	-31,116	0	-964,658	169,805	-305,716

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018–06/30/2018

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	404,489	-40,996	0	-952,635	143,909	-445,233
5.02	Prior-year adjustments	0	0	0	-1,635	0	-1,635
5.02.01	Initial adoption of IFRS 9	0	0	0	-1,635	0	-1,635
5.03	Adjusted opening balances	404,489	-40,996	0	-954,270	143,909	-446,868
5.05	Total comprehensive income	0	0	0	-91,968	28,709	-63,259
5.05.01	Net income for the period	0	0	0	-92,584	0	-92,584
5.05.02	Other comprehensive income	0	0	0	616	28,709	29,325
5.05.02.04	Translation adjustments in the period	0	0	0	0	29,325	29,325
5.05.02.06	Realization of equity valuation adjustments	0	0	0	616	-616	0
5.07	Closing balances	404,489	-40,996	0	-1,046,238	172,618	-510,127

Individual financial statements/ Statement of added value

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2019–06/30/2019	Accumulated of the prior year 01/01/2018–06/30/2018
7.01	Revenues	424,245	367,332
7.01.01	Sale of merchandise, products and services	387,097	359,952
7.01.02	Other revenues	37,929	6,699
7.01.04	Formation/reversal of allowance for doubtful accounts	-781	681
7.02	Inputs acquired from third parties	-243,603	-214,288
7.02.01	Cost of products, merchandise and services sold	-214,896	-190,170
7.02.02	Materials, energy, outsourced services and other	-28,707	-24,118
7.03	Gross added value	180,642	153,044
7.04	Retentions	-3,778	-3,737
7.04.01	Depreciation, amortization and depletion	-3,778	-3,737
7.05	Net added value produced	176,864	149,307
7.06	Added value received as transfer	34,362	16,423
7.06.01	Equity in net income of subsidiaries	1,095	-1,088
7.06.02	Financial revenues	33,267	17,511
7.07	Total added value payable	211,226	165,730
7.08	Distribution of added value	211,226	165,730
7.08.01	Personnel	29,508	33,222
7.08.01.01	Direct remuneration	22,423	28,309
7.08.01.02	Benefits	5,465	3,384
7.08.01.03	Severance Pay Fund (FGTS)	1,620	1,529
7.08.02	Taxes, duties and contributions	88,087	67,301
7.08.02.01	Federal	69,436	48,908
7.08.02.02	State	18,629	18,372
7.08.02.03	Municipal	22	21
7.08.03	Third-party capital remuneration	45,956	157,791
7.08.03.01	Interest	45,806	157,692
7.08.03.02	Rentals	150	99
7.08.04	Remuneration of own capital	47,675	-92,584
7.08.04.03	Retained earnings / Loss for the period	47,675	-92,584

Consolidated financial statements or Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Current quarter 06/30/2019	Prior year 12/31/2018
1	Total assets	1,012,429	921,156
1.01	Current assets	706,128	616,217
1.01.01	Cash and cash equivalents	15,690	26,766
1.01.01.01	Cash and banks	14,364	23,562
1.01.01.02	Marketable securities	1,326	3,204
1.01.02	Interest earning bank deposits	888	1,801
1.01.03	Accounts receivable	141,350	140,420
1.01.03.01	Trade accounts receivable	141,350	140,420
1.01.04	Inventories	300,888	277,037
1.01.06	Recoverable taxes	104,240	29,461
1.01.06.01	Recoverable current taxes	104,240	29,461
1.01.07	Prepaid expenses	10,895	6,309
1.01.08	Other current assets	132,177	134,423
1.01.08.01	Non-current assets held for sale	122,158	122,551
1.01.08.03	Other	10,019	11,872
1.01.08.03.02	Other accounts receivable	10,019	11,872
1.02	Non-current assets	306,301	304,939
1.02.01	Long term assets	87,758	84,539
1.02.01.03	Interest earning bank deposits measured at amortized cost	818	1,053
1.02.01.07	Deferred taxes	74,046	73,419
1.02.01.07.01	Deferred income tax and social contribution	74,046	73,419
1.02.01.10	Other non-current assets	12,894	10,067
1.02.01.10.03	Recoverable taxes	246	246
1.02.01.10.04	Other	12,648	9,821
1.02.02	Investments	192	192
1.02.02.01	Equity interest	192	192
1.02.02.01.05	Other investments	192	192
1.02.03	Property, plant and equipment	142,866	144,429
1.02.03.01	Fixed assets in operation	133,052	140,137
1.02.03.03	Constructions in progress	9,814	4,292
1.02.04	Intangible assets	75,485	75,779
1.02.04.01	Intangible assets	75,485	75,779

Consolidated financial statements / Balance sheet - Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 06/30/2019	Prior year 12/31/2018
2	Total liabilities	1,012,429	921,156
2.01	Current liabilities	624,784	535,626
2.01.01	Social and labor obligations	32,482	31,946
2.01.01.01	Social charges	10,916	14,695
2.01.01.02	Labor obligations	21,566	17,251
2.01.02	Suppliers	93,667	94,707
2.01.02.01	Domestic suppliers	63,472	55,921
2.01.02.02	Foreign suppliers	30,195	38,786
2.01.03	Tax liabilities	84,101	41,902
2.01.03.01	Federal tax liabilities	82,518	37,729
2.01.03.01.01	Income tax and social contribution payable	29,366	8,135
2.01.03.01.02	Other Taxes	53,152	29,594
2.01.03.02	State tax liabilities	1,568	4,165
2.01.03.03	Municipal tax liabilities	15	8
2.01.04	Loans and financing	143,340	113,126
2.01.04.01	Loans and financing	130,106	103,676
2.01.04.01.01	In domestic currency	12,788	8,260
2.01.04.01.02	In foreign currency	117,318	95,416
2.01.04.02	Debentures	13,234	9,450
2.01.05	Other liabilities	187,683	175,769
2.01.05.02	Other	187,683	175,769
2.01.05.02.01	Dividends and interest on own capital	3	3
2.01.05.02.05	Foreign exchange withdrawals	50,198	43,795
2.01.05.02.08	Advance from receivables	38,216	48,455
2.01.05.02.09	Advance from clients	50,368	28,793
2.01.05.02.10	Liabilities from non-current assets held for sale	32,028	33,270
2.01.05.02.11	Other liabilities	16,870	21,453
2.01.06	Provisions	83,511	78,176
2.01.06.01	Tax, social security, labor and civil provisions	64,789	60,273
2.01.06.01.01	Tax provisions	27,689	27,689
2.01.06.01.02	Social security and labor provisions	10,602	5,235
2.01.06.01.04	Civil provisions	26,498	27,349
2.01.06.02	Other provisions	18,722	17,903
2.01.06.02.01	Provision for guarantees	18,722	17,903
2.02	Non-current liabilities	693,361	792,493
2.02.01	Loans and financing	607,205	703,565
2.02.01.01	Loans and financing	545,330	627,927
2.02.01.01.01	In domestic currency	14,184	18,131
2.02.01.01.02	In foreign currency	531,146	609,796
2.02.01.02	Debentures	61,875	75,638
2.02.02	Other liabilities	292	987
2.02.02.02	Other	292	987
2.02.02.02.04	Taxes payable	292	592
2.02.02.02.06	Suppliers	0	395
2.02.03	Deferred taxes	19,664	20,804
2.02.03.01	Deferred income tax and social contribution	19,664	20,804

Consolidated financial statements / Balance sheet - Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 06/30/2019	Prior year 12/31/2018
2.02.04	Provisions	66,200	67,137
2.02.04.01	Tax, social security, labor and civil provisions	60,683	61,558
2.02.04.01.02	Social security and labor provisions	45,562	49,842
2.02.04.01.04	Civil provisions	15,121	11,716
2.02.04.02	Other provisions	5,517	5,579
2.02.04.02.01	Provision for guarantees	5,517	5,579
2.03	Consolidated shareholders' equity	-305,716	-406,963
2.03.01	Realized capital	520,253	465,218
2.03.02	Capital reserves	-31,116	-31,170
2.03.02.09	Capital transactions	-31,116	-31,170
2.03.05	Retained Earnings/Losses	-964,658	-1,012,915
2.03.06	Equity valuation adjustments	46,440	47,023
2.03.07	Accumulated translation adjustments	123,365	124,881

Consolidated financial statements / Statement of income

(In thousands of reais)

Code of account	Account description	Current quarter 04/01/2019–06/30/2019	Accumulated of the current year 01/01/2019–06/30/2019	Same quarter of the prior year 04/01/2018–06/30/2018	Accumulated of the prior year 01/01/2018–06/30/2018
3.01	Revenue from sales of goods and/or services	232,985	485,070	200,200	431,243
3.02	Cost of goods and/or services sold	-152,630	-312,671	-121,467	-272,798
3.03	Gross income	80,355	172,399	78,733	158,445
3.04	Operating expenses/revenue	-31,513	-92,681	-51,573	-102,174
3.04.01	Sales expenses	-28,843	-56,754	-19,727	-48,167
3.04.02	General and administrative expenses	-34,204	-66,728	-30,013	-60,777
3.04.03	Loss due to the non-recoverability of assets	654	-268	-5,638	-372
3.04.04	Other operating revenue	39,352	40,183	4,862	16,024
3.04.05	Other operating expenses	-8,472	-9,114	-1,057	-8,882
3.05	Income (loss) before financial income and taxes	48,842	79,718	27,160	56,271
3.06	Financial income (loss)	-1,494	-13,521	-118,587	-144,761
3.06.01	Financial revenues	29,936	34,149	16,413	18,626
3.06.02	Financial expenses	-31,430	-47,670	-135,000	-163,387
3.07	Income (loss) before income tax	47,348	66,197	-91,427	-88,490
3.08	Income tax and social contribution	-4,361	-18,636	421	-1,536
3.08.01	Current	-6,619	-20,294	-257	-2,341
3.08.02	Deferred	2,258	1,658	678	805
3.09	Net income (loss) from continued operations	42,987	47,561	-91,006	-90,026
3.10	Net income (loss) from discontinued operations	640	114	-2,771	-2,558
3.10.01	Net income (loss) of discontinued operations	640	114	-2,771	-2,558
3.11	Income/loss for the period	43,627	47,675	-93,777	-92,584
3.11.01	Attributed to the Parent company's partners	43,627	47,675	-93,777	-92,584
3.99	Earnings per share - (Reais / Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.51164	0.59300	-1.44968	-1.43120
3.99.01.02	Preferred shares	0.51164	0.59300	-1.44968	-1.43120
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.51164	0.53900	1.44968	-1.43120

Consolidated financial statements / Statement of income

(In thousands of reais)

Code of account	Account description	Current quarter 04/01/2019–06/30/2019	Accumulated of the current year 01/01/2019–06/30/2019	Same quarter of the prior year 04/01/2018–06/30/2018	Accumulated of the prior year 01/01/2018–06/30/2018
3.99.02.02	Preferred shares	0.51164	0.53900	1.44968	-1.43120

Consolidated financial statements / Statement of comprehensive income

(In thousands of reais)

Code of account	Account description	Current quarter 04/01/2019–06/30/2019	Accumulated of the current year 01/01/2019–06/30/2019	Same quarter of the prior year 04/01/2018–06/30/2018	Accumulated of the prior year 01/01/2018–06/30/2018
4.01	Consolidated net income for the period	43,627	47,675	-93,777	-92,584
4.02	Other comprehensive income	-2,436	-1,517	28,459	29,325
4.02.01	Translation adjustments in the period	-2,436	-1,517	28,459	29,325
4.03	Consolidated comprehensive income for the period	41,191	46,158	-65,318	-63,259
4.03.01	Attributed to the Parent company's partners	41,191	46,158	-65,318	-63,259

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2019–06/30/2019	Accumulated of the prior year 01/01/2018–06/30/2018
6.01	Net cash from operating activities	43,480	44,999
6.01.01	Cash generated in operations	106,797	77,513
6.01.01.01	Net income (loss) before income tax and social contribution	66,197	-88,490
6.01.01.02	Depreciation and amortization	15,177	16,657
6.01.01.03	Cost of permanent assets written-off	256	6,158
6.01.01.06	Provision for Derivative financial instruments	0	-188
6.01.01.07	Allowance for doubtful accounts	143	138
6.01.01.10	Provision for interest on loans and financing	15,738	30,207
6.01.01.15	Write-off of assets held for sale	-849	0
6.01.01.16	Provision for inventory loss	3,468	-5,190
6.01.01.17	Provision for guarantees	757	1,406
6.01.01.18	Net cash from discontinued operations	6,068	-2,307
6.01.01.19	Provision for contingencies	3,641	2,838
6.01.01.20	Exchange rate change on loans and other	-3,799	116,284
6.01.02	Changes in assets and liabilities	-61,768	-31,834
6.01.02.01	(Increase) decrease in trade accounts receivable	6,649	-21,208
6.01.02.02	(Increase) decrease in inventories	-27,319	-26,054
6.01.02.03	(Increase) decrease in other accounts receivable	-80,339	-1,810
6.01.02.04	Increase (decrease) in suppliers	-1,435	9,036
6.01.02.05	Increase (Decrease) in accounts payable and provisions	40,676	8,202
6.01.03	Other	-1,549	-680
6.01.03.02	Payment of IRPJ (Corporate Income Tax) and CSLL (Social contribution tax)	-1,549	-680
6.02	Net cash used in investment activities	-15,211	-7,530
6.02.04	In property, plant and equipment	-12,146	-5,651
6.02.05	In intangible assets	-1,430	-164
6.02.06	Interest earning bank deposits	1,148	-197
6.02.07	Net cash from discontinued investment activities	-2,783	-1,518
6.03	Net cash from financing activities	-39,345	-37,359
6.03.02	Borrowings	30,023	10,226
6.03.03	Payment of loans	-90,161	-34,962
6.03.05	Capital increase	55,035	0
6.03.10	Payment of Interest on loans	-29,505	-5,328
6.03.12	Other	-4,737	0
6.03.13	Net cash from discontinued financing activities	0	-7,295
6.05	Increase (decrease) in cash and cash equivalents	-11,076	110
6.05.01	Opening balance of cash and cash equivalents	26,766	6,679
6.05.02	Closing balance of cash and cash equivalents	15,690	6,789

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2019–06/30/2019

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	465,218	-31,170	0	-1,012,915	171,904	-406,963	0	-406,963
5.03	Adjusted opening balances	465,218	-31,170	**0**	-1,012,915	171,904	-406,963	**0**	-406,963
5.04	Capital transactions with partners	55,035	54	**0**	**0**	**0**	55,089	**0**	55,089
5.04.01	Capital increases	55,035	**0**	**0**	**0**	**0**	55,035	**0**	55,035
5.04.02	Expenses with issuance of shares	**0**	54	**0**	**0**	**0**	54	**0**	54
5.05	Total comprehensive income	**0**	**0**	**0**	48,257	-2,099	46,158	**0**	46,158
5.05.01	Net income for the period	**0**	**0**	**0**	47,675	**0**	47,675	**0**	47,675
5.05.02	Other comprehensive income	**0**	**0**	**0**	582	-2,099	-1,517	**0**	-1,517
5.05.02.04	Translation adjustments in the period	**0**	**0**	**0**	**0**	-1,517	-1,517	**0**	-1,517
5.05.02.06	Realization of equity valuation adjustments	**0**	**0**	**0**	582	-582	**0**	**0**	**0**
5.07	Closing balances	520,253	-31,116	**0**	-964,658	169,805	-305,716	**0**	-305,716

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018–06/30/2018

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	404,489	-40,996	0	-952,635	143,909	-445,233	0	-445,233
5.02	Prior-year adjustments	**0**	**0**	**0**	-1,635	**0**	-1,635	**0**	-1,635
5.03	Adjusted opening balances	404,489	-40,996	**0**	-954,270	143,909	-446,868	**0**	-446,868
5.05	Total comprehensive income	**0**	**0**	**0**	-91,968	28,709	-63,259	**0**	-63,259
5.05.01	Net income for the period	**0**	**0**	**0**	-92,584	**0**	-92,584	**0**	-92,584
5.05.02	Other comprehensive income	**0**	**0**	**0**	616	28,709	29,325	**0**	29,325
5.05.02.04	Translation adjustments in the period	**0**	**0**	**0**	**0**	29,325	29,325	**0**	29,325
5.05.02.06	Realization of equity valuation adjustments	**0**	**0**	**0**	616	-616	**0**	**0**	**0**
5.07	Closing balances	404,489	-40,996	**0**	-1,046,238	172,618	-510,127	**0**	-510,127

Consolidated financial statements/ Statement of added value

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2019–06/30/2019	Accumulated of the prior year 01/01/2018–06/30/2018
7.01	Revenues	596,762	538,500
7.01.01	Sale of merchandise, products and services	556,847	518,859
7.01.02	Other revenues	40,183	19,503
7.01.04	Formation/reversal of allowance for doubtful accounts	-268	138
7.02	Inputs acquired from third parties	-348,859	-318,729
7.02.01	Cost of products, merchandise and services sold	-307,394	-270,287
7.02.02	Materials, energy, outsourced services and other	-41,465	-48,442
7.03	Gross added value	247,903	219,771
7.04	Retentions	-15,177	-16,657
7.04.01	Depreciation, amortization and depletion	-15,177	-16,657
7.05	Net added value produced	232,726	203,114
7.06	Added value received as transfer	34,263	16,068
7.06.02	Financial revenues	34,149	18,626
7.06.03	Other	114	-2,558
7.06.03.20	Undistributed value added from discontinued operations	114	-2,558
7.07	Total added value payable	266,989	219,182
7.08	Distribution of added value	266,989	219,182
7.08.01	Personnel	67,531	81,023
7.08.01.01	Direct remuneration	52,007	69,286
7.08.01.02	Benefits	11,662	8,169
7.08.01.03	Severance Pay Fund (FGTS)	3,862	3,568
7.08.02	Taxes, duties and contributions	103,553	73,523
7.08.02.01	Federal	84,142	54,276
7.08.02.02	State	19,235	19,065
7.08.02.03	Municipal	176	182
7.08.03	Third-party capital remuneration	48,230	157,220
7.08.03.01	Interest	47,667	156,864
7.08.03.02	Rentals	563	356
7.08.05	Other	47,675	-92,584
7.08.05.01	Retained losses, net of realization of equity valuation adjustments - Continued Operation	47,561	-90,026
7.08.05.02	Retained losses, net of realization of equity valuation adjustments - Discontinued Operation	114	-2,558

TAURUS™
COMPROMISSO COM A EXCELÊNCIA

TAURUS ENDS THE 1S19 WITH IMPROVEMENT IN OPERATING AND FINANCIAL INDICATORS, LEADING TO NET INCOME OF R$ 47.6 MILLION

***São Leopoldo, August 14, 2019** – Taurus Armas S.A. ("Taurus" or "Company") (B3: FJTA3; FJTA4), listed in Level 2 for B3 Corporate Governance (Symbols: **FJTA3, FJTA4**), one of the largest manufacturers of light firearms in the world, operating with brands Taurus, Rossi and Heritage, presents its profit or loss for the **2nd quarter of 2019 (2Q19)** and accumulated for the **1st semester of 2019 (1S19).** Financial and operating information below, except where otherwise indicated, are presented in Brazilian Reais (R$), follow international accounting standards (IFRS) and Brazilian accounting principles. Comparisons refer to the same periods of 2018, unless otherwise indicated.*

Consolidated Financial Highlights 2Q19 vs. 2Q18

Increase of 16.4% in operating revenues totaling R$ 233.0 million, and gross margin of 34.5%.

Record EBITDA of R$ 56.4 million, sixth consecutive quarter that the indicator has positive value, with margin of 24.2%.

Operating highlights 2Q19

Company is granted the Export Award RS - 47th Edition, winning in the Master Exporting Trajectory category.

Launching of 5 models of revolvers and pistols in the Brazilian market.

MAIN INDICATORS

R$ million	**2Q19**	**2Q18**	**Change %**	**1Q19**	**Change %**	**1S19**	**1S18**	**Change %**
Net operating revenue	233.0	200.2	*16.4%*	252.1	*-7.6%*	485.1	431.2	*12.5%*
Domestic market	37.2	33.6	*10.7%*	37.7	*-1.3%*	74.9	68.4	*9.5%*
Foreign market	195.8	166.6	*17.5%*	214.4	*-8.7%*	410.2	362.8	*13.1%*
CPV	-152.6	-121.5	*25 7%*	-160.0	*-4.6%*	-312.7	-272.8	*14.6%*
Gross income	80.4	78.7	*2.1%*	92.0	*-12.7%*	172.4	158.4	*8.8%*
Gross margin (%)	*34.5%*	*39.3%*	*-4.8 p.p.*	*36.5%*	*-2,0pp.*	*35.5%*	*36.7%*	*-1.2 p.p*
Operating expenses - SG&A	-31.5	-51.6	*-38.9%*	-61.1	*-48.4%*	-92.6	-102.2	*-9.4%*
Operating income (EBIT)	48.9	27.1	*80.4%*	30.9	*58 0%*	79.8	56.3	*41.9%*
EBIT margin %	*21.0%*	*13.5%*	*+7.4 p.p.*	*12.3%*	*+ 8.8 p.p.*	*16.5%*	*13.0%*	*+3.4 p.p.*
Net financial income (loss)	-1.5	-118.6	*-98.7%*	-12.0	*-87.6%*	-13.5	-144.8	*-90.7%*
Income tax and social contribution	-4.4	0.4	-	-14.3	*-69.5%*	-18.6	-1.5	*1113.3%*
Net income / (loss) (continued operations)	**43.0**	**-91.1**	**-**	**4.5**	***856,6%***	47.5	**-90.0**	-
Net income (loss) from discontinued operations	0.6	-2.8	-	-0.5	-	0.1	-2.6	-
Net income / (loss)	**43.6**	**-93.8**	**-**	**4.0**	***997.1%***	**47.6**	**-92.6**	**-**
Ebitda*	**56.4**	35.9	*57.3%*	38.5	*46.6%*	**95.0**	73.0	*30.1%*
*Ebitda margin**	24.2%	17.9%	*+6.3 p.p.*	*15.3%*	*+8.9 p.p.*	19.6%	16.9%	*+2.7 p.p.*
Net debt (at the end of the period)	821.6	805.3	*2 0%*	835.5	*-1 7%*			

Note - Ebitda (stands for income before interest, taxes, depreciation and amortization) is not an indicator used in accounting practices. The calculation spreadsheet is presented in "EBITDA" item of this report.

MESSAGE FROM THE BOARD

We ended the first semester of 2019 with much to celebrate: we had good results for the 6th consecutive quarter, which led the Company to accumulate net income of R$ 47.6 million in the first semester of 2019. The results of these first six months of the year validate the work that has being conducted to renovate Taurus, setting a new standard of performance. Our efforts are being rewarded and, according to our plan, the changes made are solid and sustainable. In terms of revenue, gross income, operating income, EBITDA and net income, we had the best performance for the first semester in the last few years.

The development and launch of new products adopted by this management is a fundamental aspect for the future of Taurus, as one of the points of the successfully adopted strategic planning. The objective is provide the consumer with a diversified mix, including resistant, reliable, innovative and safe firearms. The relevance of the newly launched items is made more evident by the fact that, in the first semester of 2019, the sale of new products accounted for 57% of the Company's net revenue. In the last quarter, we focused the launchings on the domestic market, and introduced five models. Among them are the .357 and .44 caliber Raging Hunter revolver - introduced to the US market in late 2018, which won the 2019 American Handgun of the Year award –, and the TH Hammer TH9c pistol, which reinforce our complete portfolio of products with pistols, revolvers, tactical and long firearms.

Another reason for celebration for us is related to the financial aspect. Accompanying the positive evolution in the operational field, we are also moving ahead in financial terms, as the two aspects must necessarily go together. In June, we had a very important milestone for Taurus, which was the payment of the first installment of the principal debt, after the renegotiation signed about a year ago with the banks' union. The increase in operating cash generation achieved in recent quarters and the Company's capital increase strategy helped us to take this important step further, leaving behind the first "wall" regarding the debt reprofiling with the banks' union, with the payment of R$ 58.7 million, without affecting in any way the Company's business and cash flows. It was also relevant for Taurus' finances, with the recovery of

R$ 37 million in prior-year taxes recorded in 2Q19. Even so, we had a significant reduction in net financial expenses in the semester compared to the same period of the previous year, which supported to the good results achieved.

It is worth mentioning that the ongoing capital increase has three tranches falling due, two in 2021, in July and October, and one in October 2022. In order to overcome the next “wall” of the bank debt, we are also reserving the sale of the assets that are available - the land of the former head office in Porto Alegre and the helmets operation - which are allocated for repayment of and decreasing our debt. These assets are strategic so that the Company's next largest financial obligations are easily paid off.

The success we are achieving is due to the management model adopted by Taurus, based on robust processes and a defined project. In production, we have established a process with three basic pillars, namely: production stability, product integrity, and productivity/profitability, which translates into low costs. For the consumer market, these three pillars translate, respectively, into product availability, absolute quality and appropriate price. Supporting this production process is the backlog of the logistics process, which has also been extensively revised, ensuring low levels of raw materials while maintaining full availability of items for the production line. To achieve this standard there is a comprehensive quality-focused process that involves all operational steps and begins with supplier qualification so that the part reaches the qualified production line, observing factory standards and controls, the after-sales process, and technical support.

We believe Taurus is prepared and qualified to consolidate a new performance standard. We continue to manage the Company's business, guided by the strategic plan defined, aiming at generating sustainable profitability, product quality and improving our financial and operating indicators. And, based on the advances already achieved, we are confident that we will continue to show results.

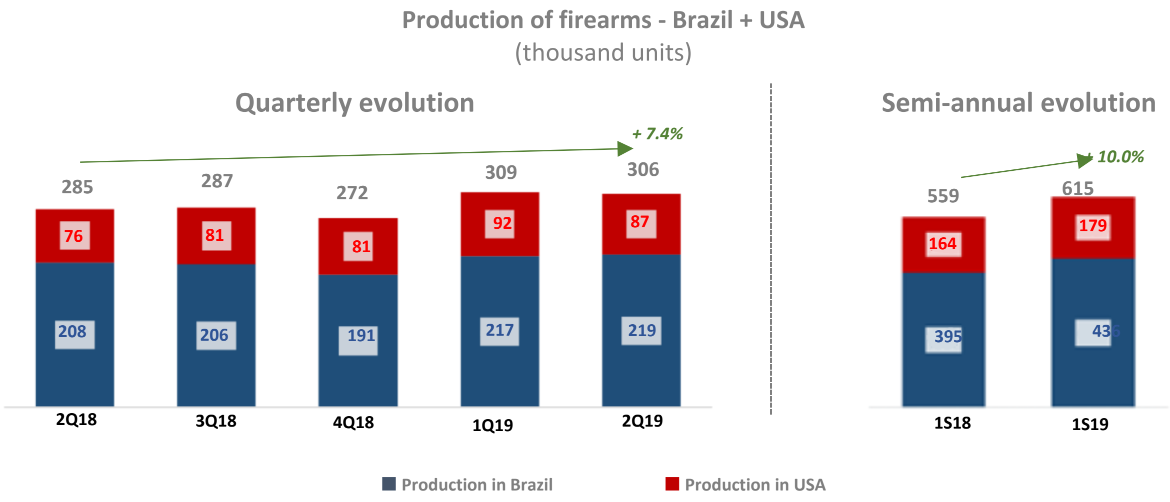
Salesio Nuhs

CEO

OPERATING PERFORMANCE

In 2019, Taurus will have the 80th anniversary since its establishment, its operation focuses on production and trading of light firearms under brands Taurus, Rossi and Heritage, manufactured in its unit in Brazil and in the USA, with sales to more than 100 countries.

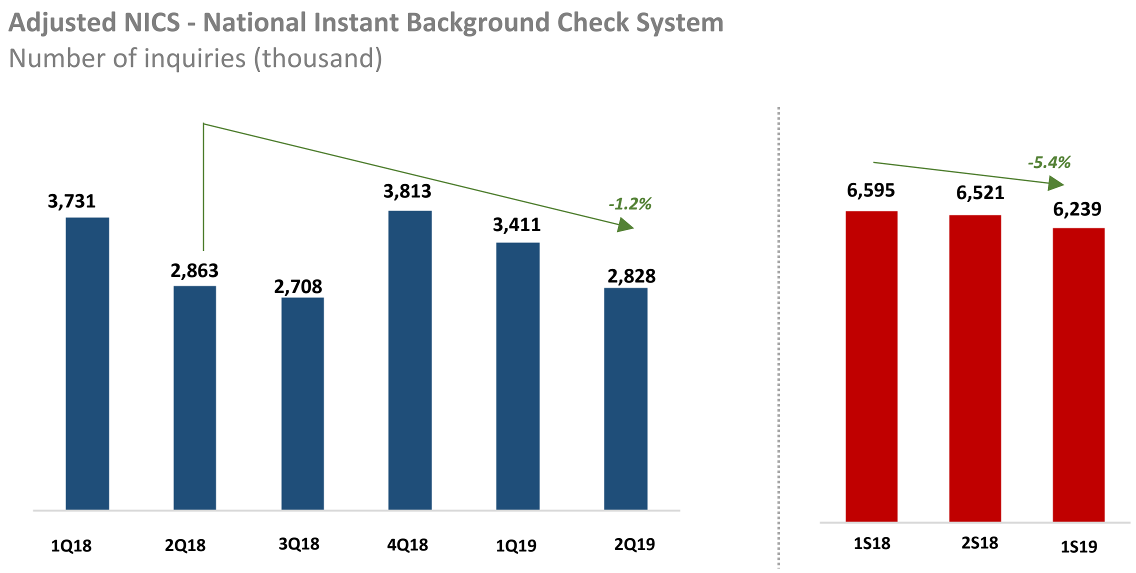
The Company also operates in the production and commercialization of injected metal parts (Metal Injection Molding - MIM), with production mainly for its own use, as well as for sales to third parties. In January 2018, Taurus put its helmets operations up for sale, so the figures related to this segment has since been accounted for under "discontinued operations".



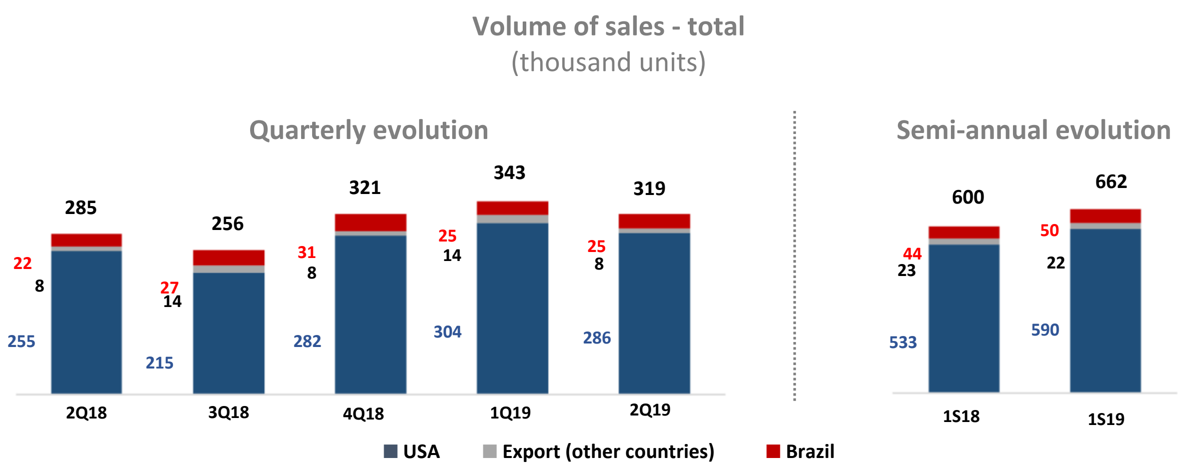
Production of firearms in the industrial unit of São Leopoldo, Rio Grande do Sul State, RS, is directed to the domestic market, as well as to sale to USA, and for export to other countries. Taurus unit in the US directs its entire production to the US market. In the 2Q19, the Company's total firearm production exceeded by 7.4% production recorded in the same period of 2018, reaching 306 thousand units, with 71.5% manufactured in Brazil. Considering the first six months of 2019, production totaled 615 thousand units, a 10.0% increase in comparison with the 1S18.

Currently, the daily production capacity of Taurus is more than 5,000 guns a day, which is equivalent to 1.4 million guns/year, of which 1 million is manufactured by the Brazilian unit. With transfer of the US plant from Florida to Georgia, which will occur in 2019, production capacity in that country will double from current 400 thousand firearms/year to 800 thousand firearms/year.

The **sales** of guns in **the US**, the primary world market for the segment and, therefore, also the primary market for Taurus, remained low in the last months. The firearm purchase intent index measured by the Adjusted NICS (National Instant Background Check System) has been declining since 2017, indicating a very competitive market for manufacturers. In 2Q19, it decreased by 1.2% and, in the first six months of the year, decreased by 5.4% compared to the same periods of 2018.



The market conditions make the Company's US sales performance even more significant. By offering innovative and quality products, Taurus products have been well received by the US consumer, thus recovering the brand's image and credibility. The Company's sales in the US for the 2Q19 totaled 286 thousand units, leading to a total volume of 590 thousand units in the 1S19, representing an increase of 12.2% and 10.3%, respectively, compared to the same periods of the previous year. With an indication of market contraction, the increase in Taurus sales indicates that the Company has expanded its market share in the period, without changing its price structure.



Sales in the **domestic market** also continue to grow. Compared to the same periods of the previous year, the number of firearms sold in the Brazilian market increased by 13.6% between 2019 and 2018, both in comparison with the same quarter of the previous year and the semester of the previous year. This performance was supported by the launching of five models, among them the RT357 H- Raging Hunter revolver, introduced to the US market by the end of 2018, which won the 2019 American Handgun of Year award, one of the most important international awards of the segment.

Models launched in the Brazilian market over the 1st semester of 2019

Pistol G2c .40 S&W Stainless steel

Revolver Taurus 044

Pistol TH9 C

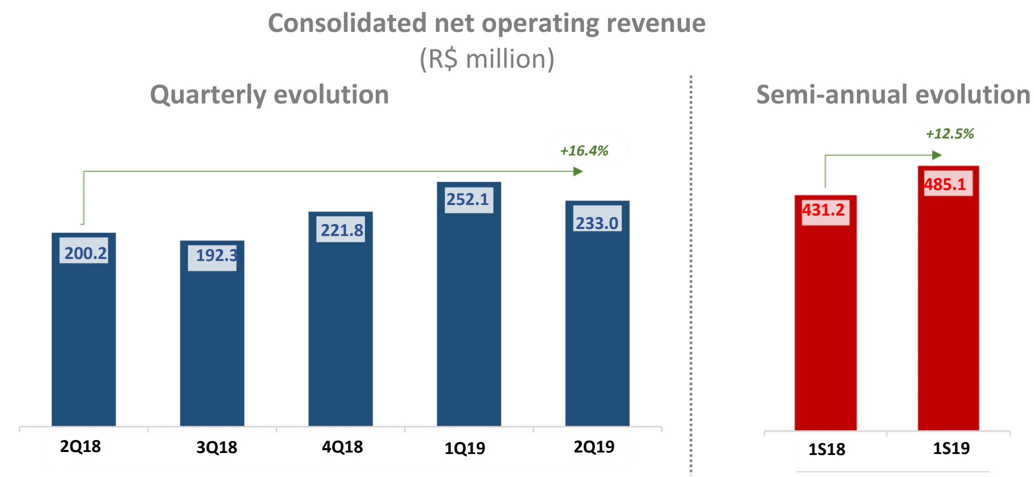
RT357 H

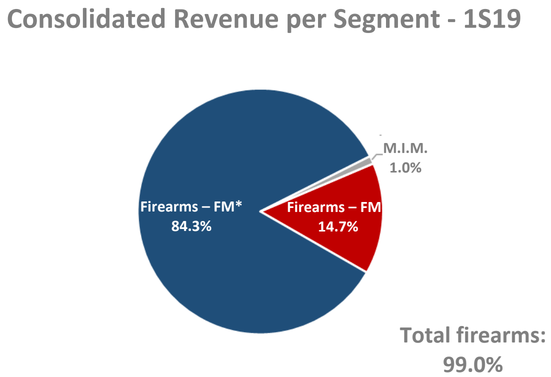
RT 44H Dual-Tone

As for **exports to countries other than the US**, the main sales in the quarter were directed to the African continent, with the TH9 pistol for police and military use, and various models for civil use, especially in South Africa. At the moment, new contacts are being made for new markets.

ECONOMIC FINANCIAL PERFORMANCE

Net operating revenue





** Firearms – FM includes revenue in the US and exports to other countries*

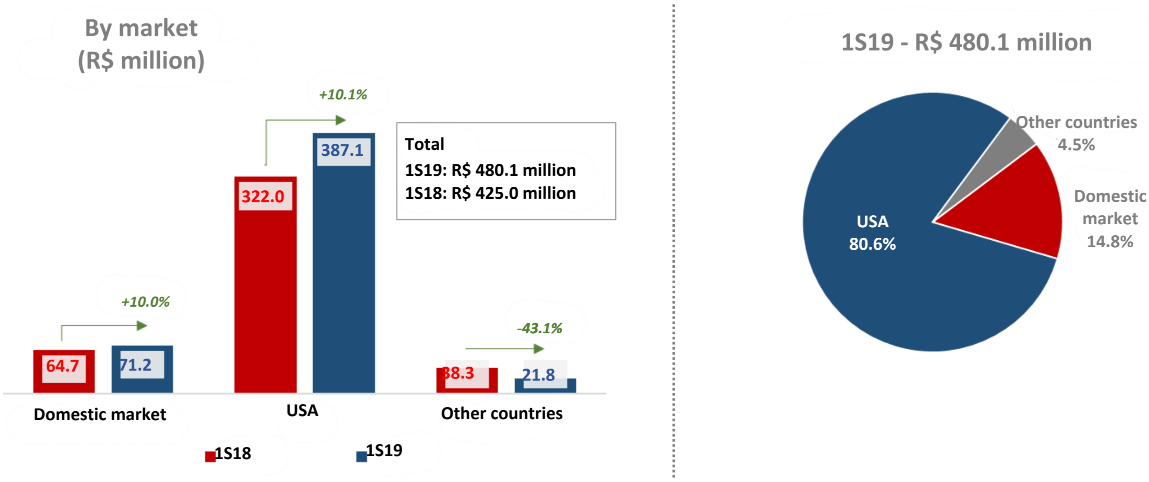
The revenue for the 1S19, of R$ 485.1 million, is a record in Taurus' history.

The Company has been presenting consistent growth in consolidated revenues when compared to the same period of the previous year for six consecutive quarters. With an increase in the volume of firearms sold and foreign exchange gains due to the sales made in the foreign market being recorded in Brazilian currency, the **consolidated net revenue** in 1S19 reached
R$ 485.1 million, 12.5% higher in comparison with the 1S18. It should be noted that there is seasonality in firearms sales, especially in the US market, which accounts for most of the Company's sales. Accordingly, comparison between equal period is the most indicated, as it eliminates possible distortions in evaluation.

The performance confirms that the improvement in the Company's income observed since the beginning of 2018 is a result of the strategic actions adopted and consolidated as a new performance standard, not due to random and occasional events. Taurus' current positioning involves the renewal and expansion of the portfolio, introducing innovative releases to the market in order to regain credibility and admiration for this 80-year-old brand. In the first semester of 2019, sales of new products accounted for 57.1% of firearms sales revenue, or 56.5% of the Company's total net sales.

In addition to producing and trading light firearms, the Company carries out occasional sale of metal-injected parts (M.I.M. *metal injection molding*). MIM production is mainly for own use, therefore, revenue deriving from sales to third parties is not very expressive to Taurus. The segment had a net revenue of R$ 5.0 million in the 1S19, which represents 1.0% of total revenue for the period.

Net Operating Revenue – Firearms, per market



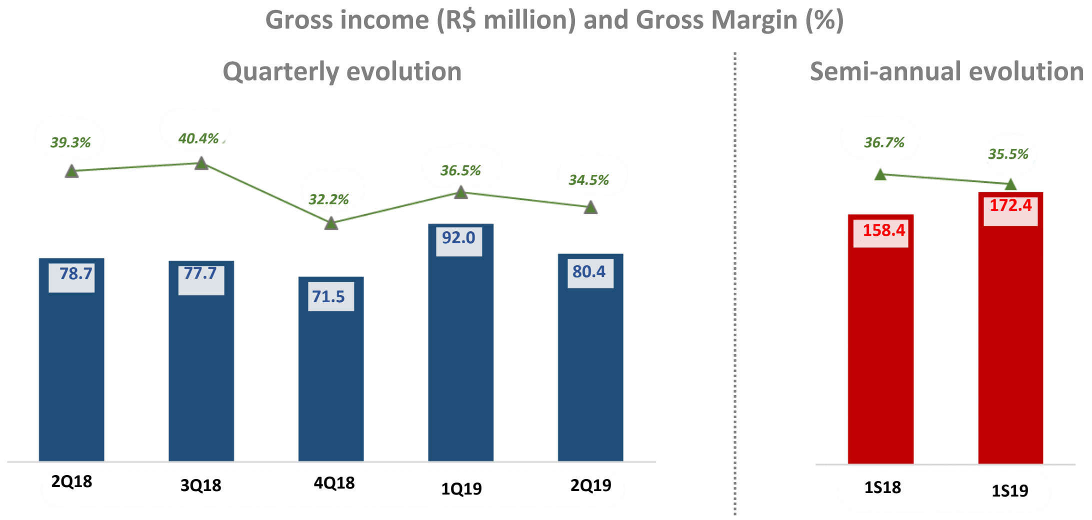
The Company's revenue from **firearm sales in the US market** in the 1S19 increased by 20.2% over the first semester of 2018, as a result of the efforts to introduce new products that combine quality, price and innovation, meeting the consumers' demands. With the growth in the number of units sold, in addition to the positive effect of the 8.6% appreciation of the average dollar against the Brazilian currency in the period, resulting in a foreign exchange gain in the conversion of revenue originally obtained in dollars, there was an actual increase (in dollars) in sales revenue made in the US for the semester, totaling R$ 387.1 million.

In the **domestic market**, sales are directed to police, armed forces, their members and CAC's (hunters, sports shooters and collectors). The Company's second market, after the US, the domestic revenues in the first semester of the year also had an increase in comparison with the 1S18, indicating constant improvement in operating performance and a new level of results. The sales of firearms in Brazil generated net revenues of R$ 71.2 million in the semester, 10.0% higher in comparison with the same period of the previous year.

Revenue from **exports to other countries** is less significant for Taurus. In the 1S19, it represented 5.3% of the revenue from sales of firearms abroad. Business contacts and efforts are being made to develop new markets for the Company's products, seeking to broaden the geographic diversification of sales. During the semester, revenue from exports to countries other than the US totaled R$ 21.8 million.

Gross income

With an increase in revenue in the first two quarters of the year compared to the same periods of 2018 and expenses being kept under control, the Company posted gross income of R$ 172.4 million in the 1S19, up 8.8% over the same period of the previous year. It is the best gross result in Taurus' history for the first semester of the year, generated almost exclusively by the operation of firearms. Gross margin of 35.5% decreased 1.2 p.p. in comparison with the 1S18, which is in line with the Company's expectation that gross profitability will stabilize at around 35% and confirms its ability to maintain increase in revenue without decreasing its margin.



Operating expenses

	2Q19	2Q18	Change %	1Q19	Change %	1S19	1S18	Change %
Sales expenses	-28.8	-25.4	*13.7%*	-27.9	*3.3%*	-56.8	-48.5	*16.9%*
General and administrative expenses	-34.2	-30.0	*14.0%*	-32.5	*5.2%*	-66.7	-60.8	*9.8%*
Other operating revenues/expenses*	31.5	3.8	*728.8%*	-0.7	-	30.8	7.1	*331.3%*
Operating expenses (SG&A)	**-31.5**	**-51.6**	*-38.9%*	**-61.2**	*-48.5%*	**-92.7**	**-102.2**	*-9.3%*
Net Oper. Exp./ Revenue (%)	*12.5%*	*25.8%*	*-13.3 p.p.*	*24.3%*	*-11.8 p.p.*	*19.1%*	*23.7%*	*-4.6 p.p.*

The Company's main group of expenses, represented by **general and administrative expenses**, totaled R$ 67.0 million in the 1S19, representing a 10.2% increase in comparison with the 1S18, offset by the increase in revenue over the same period (+12.5%).

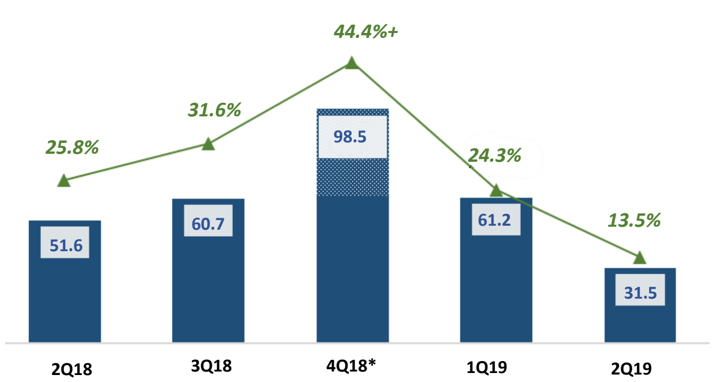
Also considering the semiannual performance, the increase in sales and marketing efforts made to support such growth and improve the brand recognition in Brazil and abroad led to a 15.0% increase in **selling expenses**, an increase in net revenues slightly higher in comparison with the previous year's, in line with the strategy of constant launching new products.

The positive net balance of R$ 30.9 million was recorded in **other operating revenues/(expenses)** for the 2Q19, leading to a revenue of R$ 30.1 million in the first semester of the year. The performance is mainly related to the recording, in the 2Q19, of taxes recovered from previous years, excluding the ICMS from the PIS and COFINS calculation basis, and the reimbursement of the fire claim that took place in one of the manufacturing plants located in the city of Leopoldo, state of Rio Grande do Sul, in April 2019.

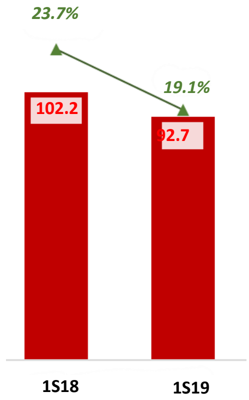
The **operating expenses totaled** R$ 92.7 million in the 1S19, affected by other extraordinary operating revenues recorded in the second quarter of the year. In comparison with the 1S18, the account shows a decrease of 9.3%, a 4.6 p.p. decrease in terms of expenses over the net revenue, i.e. operating margin gain (EBIT).

Operating expenses (in millions of Reais) and its share in the net revenue

Quarterly evolution



Semi-annual evolution



** 4Q18 includes R$ 37.1 million of non-recurring expenses referring to lawsuit (*Burrow Case*).*

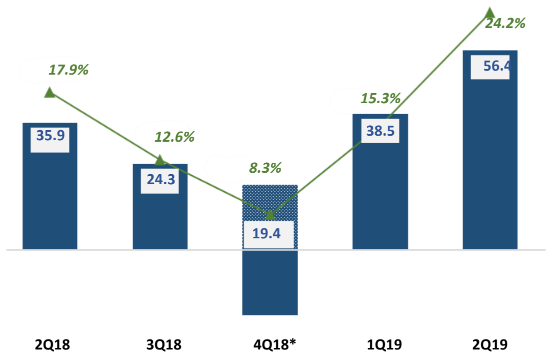
Ebitda

With revenue growth, maintenance of costs under control and reduction of operating expenses, in the 2Q19, Taurus recorded operating cash generation measured by EBITDA of R$ 56.4 million, leading the indicator to total R$ 94.9 million in the 1S19, the best result since 2011. In comparison with the same periods of 2018, there was a 57.1% increase for the quarter, and 30.0% for the semester. The EBITDA margin was also a record for Taurus, reaching 24.2% in 2Q19, with a positive increase of 6.3 p.p. compared to the 2Q18. The accumulated for the first semesters of the year, the EBITDA margin was 19.6%, 2.7 p.p. higher in comparison with the 1S18, and the highest since 1S13.

This performance was affected by other extraordinary operating revenues in the 2Q19, as described in the item referring to operating revenues/(expenses).

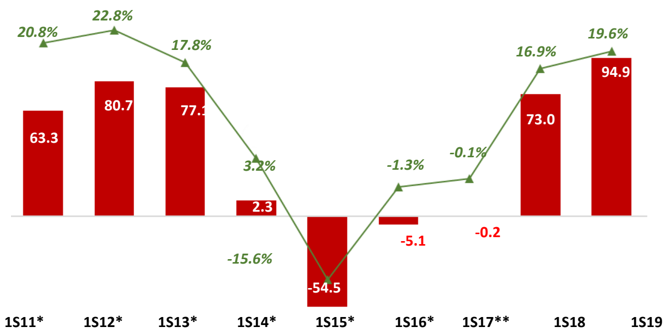
EBITDA (R$ million) and margin

Quarterly evolution



Semi-annual evolution

Best operating performance in the first semester of recent years



Taurus' strategic plan, which seeks to simultaneously improve operating and financial indicators, has been showing its positive effects on business performance. With the exception of the 4Q18, when extraordinary and non-recurring expenses related to a legal settlement signed in the US, the Company posted a positive EBITDA in every quarter as from 1Q18 - reversing the negative results from 2014 to 2017 - and at levels compatible with or even higher than foreign firearms companies that disclose their income (loss) because they are, like Taurus, publicly traded.

Ebitda calculation – reconciliation in accordance with ICVM 527/12

2Q18

R$ million	2Q19	2Q18	*Change %*	1Q19	*Change %*	1S19	1S18	*Change %*
Income (loss) before financial income (loss) and taxes (Ebit)	48.8	27.2	*79.8%*	30.9	*58.2%*	79.7	56.3	*41.7%*
Depreciation and amortization	7.6	8.7	*-12.9%*	7.6	*-0.3%*	15.2	16.7	*-8.9%*
Ebitda	**56.4**	**35.9**	***57.3%***	**38.5**	***46.6%***	**94.9**	**73.0**	***30.0%***
EBITDA margin	*24.2%*	*17.9%*	*+6.3 p.p.*	*15.3%*	*+ 8.9 p.p.*	*19.6%*	*16.9%*	*+ 2.7 p.p.*

Ebitda (earnings before interest, taxes, depreciation and amortization) is not a financial measurement according to BR GAAP, International Accounting Standard and IFRS and should not be considered on its own as an operating performance measurement or alternative to operating cash flow as liquidity measurement. This indicator is a managerial measurement, presented to offer additional information on operating cash generation. Other companies may calculate Ebitda differently.

Financial income (loss)

The strategic plan involves aligning the Company's financial aspects, as the payment of the cost of debt, has been consuming a significant amount of resources in recent years and jeopardizing Taurus' results. The actions taken with the objective of enabling the recovery of healthy results and the improvement in financial indicators are showing their positive results.

With a net expense balance of R$ 13.5 million in the semester, Taurus's financial income (loss) decreased by 90.7% in comparison with the 1S18, as a result of the simultaneous increase in revenues and a decrease in financial expenses in the comparison between these periods. This is mainly a consequence of the performance recorded in the second quarter, when the net financial balance went from an expense of R$ 144.8 million in the 2Q18 to an expense of R$ 1.5 million in the 2Q19 (98.7% decrease), also due to increased revenues and decreased expenses.

R$ million	2Q19	2Q18	Change %	1Q19	Change %	1S19	1S18	Change %
Financial revenues	29.9	16.4	*82.4%*	4.2	*610.6%*	34.1	18.6	*83.3%*
Financial expenses	-31.4	-135.0	*-76.7%*	-16.2	*93.5%*	-47.7	-163.4	*-70.8%*
Financial income (loss)	**-1.5**	**-118.6**	*-98.7%*	**-12.0**	*-87.6%*	**-13.5**	**-144.8**	*-90.7%*

Two key factors supported the financial revenue of the 2Q19: (i) the recovery of taxes related to the exclusion of ICMS from the PIS/COFINS tax base, as mentioned in item operating revenues/ (expenses), since interest on recovered taxes is recorded in this account; and (i) the effect of the foreign exchange gains. The simultaneous decrease in financial expenses is related to the agreement signed in July 2018 with the union of creditor banks, which reduced the cost of debt by 50%.

Net income

For another consecutive quarter, Taurus' performance reinforces that the improvement of the economic and financial indicators that have been presented since the beginning of 2018 is sustainable, setting a new standard of stability for the Company. The increase in net revenue, the higher generation of operating cash, with higher EBIT and EBITDA, in addition to the improvement in the financial income (loss) allowed the net income of R$ 43.6 million in the 2Q19, totaling R$ 47.7 million in the first semester of the year, thus reversing the negative results for the same periods of 2018.

Considering a historical series of results obtained in the first semester of each year since 2011, the income for the 1S19 is a record for the Company.

The helmets operations set for sale and, therefore, classified as "discontinued operation", generated a positive result of R$ 0.1 million, in addition to the disbursement of R$ 18.6 million related to the payment of income tax and social contribution.

INDEBTEDNESS

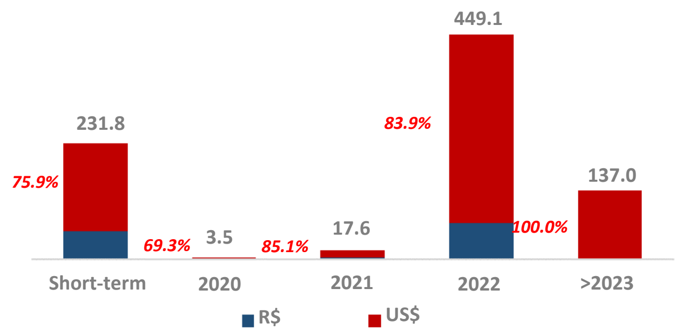
At the end of almost one year from the completion of the bank debt renegotiation (July 2018), which resulted in the extension of the debt maturity profile and decrease in cost, the Company recorded gross debt of R$ 839.0 million on June 30, 2019, which, considering the cash position and interest earning bank deposits, represented net debt of R$ 821.6 million.

In the last three months – comparing the position on June 30, 2019 with the one as at March 31, 2019 –, there was a decrease of R$ 30.2 million in gross debt. This difference is mainly a consequence of the payment of the first installment of the principal amount of debt with the banks' union, in addition to the effect of the depreciation of the US Dollar against the Brazilian currency, by 1.9% between these dates, as the larger portion of the debt – 84.3% on June 30, 2019 - was recorded in US Dollar. It is worth pointing out that the Company also has the larger portion of its revenue (84.0% in the 2Q19) in US Dollar, therefore, a natural hedge.

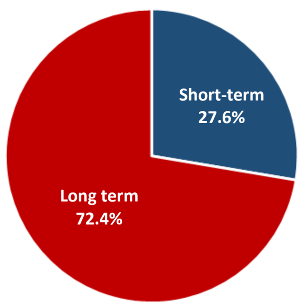
Compared to the position recorded at the end of 2018, the **decrease** in total **gross debt** totaled **R$ 69.9 million**, despite the 5.0% appreciation of the US Dollar between these dates.

R$ million	06/30/2019	03/31/2019	Change %	12/31/2018	Change %	06/30/2018	Change %
Loans and financing	130.1	61.8	*110.6%*	103.7	*25.5%*	578.2	*-77.5%*
Debentures	13.2	3.6	*263.6%*	9.5	*40.0%*	81.1	*-83.7%*
Advance from receivables	38.2	42.1	*-9.2%*	48.5	*-21.1%*	0.5	*7543.2%*
Foreign exchange withdrawals	50.2	44.4	*13.1%*	43.8	*14.6%*	15.6	*221.8%*
Financial instruments	0.0	0.0	-	0.0	-	0.1	-
Short-term	**231.8**	**151.9**	***52.6%***	**205.4**	***12.8%***	**675.5**	***-65.7%***
Loans and financing	545.3	641.9	*-15.0%*	627.9	*-13.2%*	139.6	*290.6%*
Debentures	61.9	75.4	*-17.9%*	75.6	*-18.2%*	0.0	-
Long term	**607.2**	**717.3**	***-15.3%***	**703.6**	***-13.7%***	**139.6**	**335.0%**
Gross indebtedness	**839.0**	**869.2**	***-3.5%***	**908.9**	***-7.7%***	**815.1**	***6.6%***
Cash and investments	17.4	33.7	*-48.4%*	27.8	*-37.4%*	9.8	*77.5%*
Net indebtedness	821.6	835.5	*-1.7%*	881.1	*-6.8%*	805.3	*2.0%*

Debt Maturity Schedule per Currency – R$ million as at June 30, 2019



Gross debt at 06/30/2019 - R$ 839.0 million



PERFORMANCE OF SHARES

	FJTA3	FJTA4	IBOV	Market value
03/29/2019	R$ 4.05	R$ 3.87	95,416	R$ 350.7 million
06/28/2019	R$ 3.40	R$ 3.40	100,967	R$ 300.8 million

The document may contain statements that form future perspectives of the Company's business. The projections, results and their impacts depend on estimates, information or methods that may be inaccurate and may not be realized. These estimates are also subject to risks, uncertainties and assumptions, including, but not limited to: general economic, political and commercial conditions in Brazil and in the foreign markets where the Company operates and current and future government regulations. Shareholders and possible investors are herein warned that none of these forecasts and/or expectations is guarantee of future performance, since they involve risks and uncertainties. Future results and the perspective of creation of value for shareholders may significantly differ from those expressed or suggested by statements on the future. Many of the factors that will determine these results and values are beyond Taurus's control or foresight capacity. The Company does not assume, and specifically denies any obligation to update any forecasts, which makes sense only on the date in which they had been made.

ATTACHMENTS

Statement of income

	2Q19	2Q18	Change %	1S19	1S18	Change %
Revenue from sales of goods and/or services	233.0	200.2	*16.4%*	485.1	431.2	*12.5%*
Cost of goods and/or services sold	-152.6	-121.5	*25.7%*	-312.7	-272.8	*14.6%*
Gross income	80.4	78.7	*2.1%*	172.4	158.4	*8.8%*
Operating expenses/revenue	-31.5	-51.6	*-38.9%*	-92.7	-102.2	*-9.3%*
Loss due to the non-recoverability of assets	0.7	-5.6	-	-0.3	-0.4	*-25.0%*
Sales expenses	-28.8	-19.7	*46.2%*	-56.8	-48.2	*17.8%*
General and administrative expenses	-34.2	-30.0	*14.0%*	-66.7	-60.8	*9.8%*
Other operating revenue	39.4	4.9	*704.1%*	40.2	16.0	*151.3%*
Other operating expenses	-8.5	-1.1	*672.7%*	-9.1	-8.9	*2.6%*
Equity in net income of subsidiaries	-	-	-	-	-	-
Income (loss) before financial income (loss) and taxes	**48.8**	**27.2**	***79.4%***	**79.7**	**56.3**	***41.6%***
Financial income (loss)	-1.5	-118.6	*-98.7%*	-13.5	-144.8	*-90.7%*
Financial revenues	29.9	16.4	*82.4%*	34.1	18.6	*83.3%*
Financial expenses	-31.4	-135.0	*-76.7%*	-47.7	-163.4	*-70.8%*
Income (loss) before income tax	**47.3**	**-91.4**	**-**	**66.2**	**-88.5**	**-**
Income tax and social contribution	-4.4	0.4	-	-18.6	-1.5	*1140.0%*
Current	-6.6	-0.3	*2100.0%*	-20.3	-2.3	*782.6%*
Deferred	2.3	0.7	*228.6%*	1.7	0.8	*112.5%*
Net income (loss) of continued operations	**43.0**	**-91.0**	**-**	**47.6**	**-90.0**	**-**
Net income (loss) from discontinued operations	0.6	-2.8	-	0.1	-2.6	-
Consolidated income/loss for the period	**43.6**	**-93.8**	**-**	**47.7**	**-92.6**	**-**
Attributed to the Parent company's partners	43.6	-93.8	-	47.7	-92.6	-
Earnings per share - (Reais / Shares)						
Basic earnings per share						
Common shares	*0.51164*	*-1.44968*	-	*0.59300*	*-1.43120*	-
PN	*0.51164*	*-1.44968*	-	*0.59300*	*-1.43120*	-
Diluted earnings per share						
Common shares	*0.51164*	*-1.44968*	-	*0.59300*	*-1.43120*	-
PN	*0.51164*	*-1.44968*	-	*0.593*	*-1.4312*	-

Assets

R$ million	06/31/2019	06/31/2018	Change %
Total assets	**1,012.4**	**921.2**	***9.9%***
Current assets	**706.1**	**616.2**	***14.6%***
Cash and cash equivalents	15.7	26.8	*-41.4%*
Cash and banks	14.4	23.6	*-39.0%*
Marketable securities	1.3	3.2	*-58.6%*
Interest earning bank deposits	0.9	1.8	*-50.7%*
Accounts receivable	141.4	140.4	*0.7%*
Inventories	300.9	277.0	*8.6%*
Recoverable taxes	104.2	29.5	*253.8%*
Prepaid expenses	10.9	6.3	*72.7%*
Other current assets	132.2	134.4	*-1.7%*
Non-current assets held for sale	122.2	122.6	*-0.3%*
Assets from discontinued operations	0.0	0.0	-
Other	10.0	11.9	*-15.6%*
Non-current assets	**306.3**	**304.9**	***0.4%***
Long term assets	87.8	84.5	*3.8%*
Interest earning bank deposits valued at fair value	0.8	1.1	*-22.3%*
Deferred taxes	74.0	73.4	*0.9%*
Other non-current assets	12.9	10.1	*28.1%*
Recoverable taxes	0.2	0.2	*0.0%*
Other	12.6	9.8	*28.8%*
Investments	0.2	0.2	*0.0%*
Property, plant and equipment	142.9	144.4	*-1.1%*
Fixed assets in operation	133.1	140.1	*-5.1%*
Constructions in progress	9.8	4.3	*128.7%*
Intangible assets	75.5	75.8	*-0 4%*

Liabilities

R$ million	06/31/2019	06/31/2018	Change %
Total liabilities	**1012.4**	**921.2**	***9.9%***
Current liabilities	**624.8**	**535.6**	***16.6%***
Social and labor obligations	32.5	31.9	*1.7%*
Social charges	10.9	14.7	*-25.7%*
Labor obligations	21.6	17.3	*25.0%*
Suppliers	93.7	94.7	*-1.1%*
Domestic suppliers	63.5	55.9	*13.5%*
Foreign suppliers	30.2	38.8	*-22.1%*
Tax liabilities	84.1	41.9	*100.7%*
Federal tax liabilities	82.5	37.7	*118.7%*
Income tax and social contribution payable	29.4	8.1	*261.0%*
Other Taxes	53.2	29.6	*79.6%*
State tax liabilities	1.6	4.2	*-62.4%*
Municipal tax liabilities	0.0	0.0	
Loans and financing	143.3	113.1	*26.7%*
In domestic currency	12.8	8.3	*54.8%*
In foreign currency	117.3	95.4	*23.0%*
Debentures	13.2	9.5	*40.0%*
Other liabilities	187.7	175.8	*6.8%*
Dividends and interest on own capital	0.0	0.0	*0.0%*
Foreign exchange withdrawals	50.2	43.8	*14.6%*
Advance from receivables	38.2	48.5	*-21.1%*
Advance from clients	50.4	28.8	*74.9%*
Liabilities in non-current assets held for sale	32.0	33.3	*-3.7%*
Other liabilities	16.9	21.5	*-21.4%*
Provisions	83.5	78.2	*6.8%*
Tax, social security, labor and civil provisions	64.8	60.3	*7.5%*
Tax provisions	27.7	27.7	*0.0%*
Social security and labor provisions	10.6	5.2	*102.5%*
Civil provisions	26.5	27.3	*-3.1%*
Other provisions	18.7	17.9	*4.6%*
Provision for guarantees	18.7	17.9	*4.6%*
Non-current liabilities	**693.4**	**792.5**	***-12.5%***
Loans and financing	607.2	703.6	*-13.7%*
In domestic currency	14.2	18.1	*-21.8%*
In foreign currency	531.1	609.8	*-12.9%*
Debentures	61.9	75.6	*-18.2%*
Other liabilities	0.3	1.0	*-70.4%*
Taxes payable	0.3	0.6	*-50.7%*
Suppliers	0.0	0.4	*-100.0%*
Deferred income tax and social contribution	19.7	20.8	*-5.5%*
Provisions	66.2	67.1	*-1.4%*
Social security and labor provisions	45.6	49.8	*-8.6%*
Civil provisions	15.1	11.7	*29.1%*
Other provisions	5.5	5.6	*-1.1%*
Consolidated shareholders' equity	**-305.7**	**-407.0**	***-24.9%***
Realized capital	520.3	465.2	*11.8%*
Capital reserves	-31.1	-31.2	*-0.2%*
Disposal of subscription bonus	9.9	0.0	
Options granted	0.0	0.0	
Capital transactions	-41.0	-31.2	*31.5%*
Retained Earnings/Losses	-964.7	-1012.9	*-4.8%*
Equity valuation adjustments	46.4	47.0	*-1.2%*
Accumulated translation adjustments	123.4	124.9	*-1.2%*

1. Operations

Taurus Armas S.A. (“Company”) is headquartered in São Leopoldo/RS, established on November 17, 1939, a Brazilian publicly-held company since 1982, and since 2011, ranked Level 2 in Corporate Governance of B3 (former BM&FBOVESPA) (trading symbols are FJTA3, FJTA4).

On June 29, 2018, the Annual Shareholders' Meeting approved change of trade name from Forjas Taurus S.A. to Taurus Armas S.A.

The Company operates in the segments of Firearms and Accessories and Metal Injection Molding (MIM), with two industrial plants, one in Brazil, located in the state of Rio Grande do Sul, and another in Miami, Florida, USA.

In Brazil, sales are directed to state, federal, civil and military police, in addition to the civilian market. Taurus is an accredited Strategic Defense Company and is permitted to supply products to the Brazilian armed forces.

Abroad, besides distributing products of the TAURUS and ROSSI trademarks produced in Brazil, the Miami unit manufactures models of TAURUS pistols and HERITAGE revolvers. Sales to the United States cover, mainly, the U.S. civil market and government bodies in the other regions.

In March 2018, Company Management assumed the commitment to dispose of the helmets’ operation. To carry out this process, a specialized consulting firm was engaged. Due to the decision to sell the investment, it was classified as “held for sale” and accounted for according to technical pronouncement CPC 31 and IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations. The helmet operation has two production units, one in Mandirituba, Paraná, and another in Simões Filho, Bahia.

On December 3, 2018, production activities in Simões Filho, Bahia State, BA, were ended.

Economic /Financial Balance

On July 18, 2018, Company’s Management concluded the process of rescheduling and formalization of debt agreements with the Bank Syndicate (Banco do Brasil, Banco Santander, Banco Itaú and Banco Bradesco), as well as the process of rescheduling of its 3rd public issuance of debentures with Haitong Bank. The terms of the Operation include the extension of the maturity term of debts with Creditors in the approximate amount of US$ 162.000 million. The total term for payment of the operations is now 5 (five) years, with grace period for payment of principal and interest in year 2018. The amortization of principal and interest will be made in monthly payments, starting on January 21, 2019. The costs of the operation were Libor Month + 3% p.a. for operations in U.S. dollar and CDI + 2.00% for the 3rd Issue of debentures.

The operation is backed by the following real guarantees: (i) Lien of all quotas of the companies Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda. (“Chattel Mortage”); (ii) 2nd degree mortgage of 02 properties located in Mandirituba/PR, and 02 properties located in Porto Alegre, RS and 1st degree mortgage of 01 property located in São Leopoldo, RS (“Mortgage”); and (iii) lien of credit receivables derived from total funds object of possible sale of quotas object of the Lien and Mortgage, as well as rights inherent in the title of the Company’s restricted account to be opened with the purpose of receiving the funds.

As additional option to assist in the economic and financial rebalance, the Company maintains its strategy: (a) divestitures of non-core assets, namely: the helmets operation (historically advantageous and profitable), whose decision of sale and authorization for selling efforts were made by the Board of Directors in March 2018, in addition to a large land in an affluent residential region of Porto Alegre, where the former facilities of the Company were located and; (b) strong restructuring plan, already in course and conducted by specialized consulting firm already contracted.

The aforementioned restructuring plan, which is already in progress, presented positive results throughout 2018 and the Company hopes that will continue to bring efficiency gains in 2019. The plan is divided into 4 areas: i) Renegotiation of Debt; ii) Operating Efficiency, iii) Commercial Efficiency, and (iv) Evaluation of Results. Below is a summary of the actions:

I - Debt Renegotiation (completed):

The debt rescheduling was conducted through direct and extrajudicial renegotiation with creditors, including the following activities:

- Preparation, analysis and validation of operating and financial projections;
- Preparation of negotiation strategies in different scenarios;
- Negotiation with committee of creditors through meetings and presentations;
- Proper formalizations of the process;
- Together with the Bank Syndicate, in the rescheduling the Company obtained a reduction of around 50% of the interest rate of loans.
- There has been a significant change in the amortization schedule, in which the first payment of principal would be in 2018 and after quarterly amortizations, with the rescheduling, there was a grace period for the payment of principal in 2018 and as of 2019, and payments will be on monthly basis. The table below shows the percentages of amortizations.

AMORTIZATION SYSTEM BEFORE RENEGOTIATION	AMORTIZATION SYSTEM AFTER RENEGOTIATION
PPEs AND DEBENTURES BANKS	**PPEs AND DEBENTURES BANKS**
BRADESCO, BRASIL, SANTANDER, ITAU, HAITONG.	**BRADESCO, BRASIL, SANTANDER, ITAU, HAITONG.**
23.07% OF THE DEBT IN 2018	10.71% OF THE DEBT IN 2019
30.76% OF THE DEBT IN 2019	15.90% OF THE DEBT IN 2020
30.76% OF THE DEBT IN 2020	2.80% OF THE DEBT IN 2021
15.41% OF THE DEBT IN 2021	70.59% OF THE DEBT IN 2022

- In the rescheduling with Banco Pine, the Company also obtained extension of term and reduction of rates. The characteristics of the rescheduling were different, since the Bank did not have funding (line abroad) to support the entire operation, thus at each maturity of Export pre-payment (“PPE”) an Advances on Exchange Contracts (“ACC”) operation will be released in the amount of the portion with initial term of 180 days and automatically renewed at each maturity for other 180 days. In the third and fourth maturities, the renewal will correspond to 99.30% of the value of the ACC operation, in the fifth maturity, it will correspond to 99.10% of the value of the ACC operation, in the following maturities it will correspond to 97.20% of the ACC operation and up to 10/17/2022, all the ACC operations will be settled. Prior to the rescheduling, the rate of the operation was 112.00% of CDI, for the new operations renegotiated under ACC, the rate will be 5.50% p.a. + exchange-rate change.
- We point out that in the renegotiations, in addition to the extension of debt, there will be a projected reduction of more than R$ 120 million charges on such indebtedness during the period of 5 years.

Debt renegotiation provides for extraordinary amortization with amounts deriving from sale of assets or subscription of shares. In these situations, amounts are deposited in a special account denominated Escrow; once amounts are transferred to this account, the Company no longer has the ability to deal with it, only the fiduciary agent may use the account and exclusively for amortization of contract renegotiated with the banks' Union.

II - Operating efficiency

On macro basis, Management carried out a revaluation of the Organizational Structure of the Company through analysis of activities and processes, Span of Control and average remuneration:

Stages concluded:

- Realignment of the structure with the strategic purposes;
- Streamlining of the hierarchical levels for gain of promptness in decision making;
- Normalization of the areas so as to prevent conflicts and redundancies;
- Review of responsibilities and functions of each position;
- Revaluation of service levels;
- Development of a participatory environment proper to changes.

Stages in progress:

- Clear definition of the metrics;
- Redesign of the relationship with other units of the Company;
- Revaluation of outsourcing of non-core activities;
- Revaluation of the centralization of activities;
- Elimination of activities that do not aggregate value;
- Analyses of gains of efficiency in the processes;
- Intelligent and long-lasting reduction of costs;

On a specific manner, the operating planning and management will be segmented as follows with their respective action plans already in course:

Stages concluded:

Operating Master Planning:

- Review the S&OP model.

Research and Development:

- Identification of Capex needs;
- Integration with all the industrial units.

Stages in progress:

CGS - Cost of goods sold

- Analyze the evolution of Variable Costs and general manufacturing expenditures (GGF) to identify the main deviations and opportunities.

Operating Master Planning:

- Improve the methodology to determine the expected demand;
- Review the logical process and model of production and inventory planning.

Efficiency of the Operating Management:

- Review metrics, goals and routines of analysis of results of key indicators of the processes;
- Map critical points of improvement of each process and develop/ implement applicable corrective actions.

Losses of Materials (yield and scrap):

- Identify critical points of improvement and implement applicable corrective actions.

Research and Development:

- Schedule of actions.

Tools used:

- Explosion of Ideas;
- Data analysis;
- Simulations of scenarios;
- Analyses of Cause/Effect;
- Compensation Matrix.

III - Commercial efficiency

In order to capture higher gains of efficiency in the commercial area, three areas are being focused as follows:

Stages concluded:

Market analysis

- Reviewing the pricing model

Portfolio of products

- Analysis for streamlining of SKUs.

Commercial Performance

- Assess the management model of sales routine;
- Restructuring of the monitoring model for attainment of goals.
- Revaluation and design of a variable remuneration program to the sales team.

Stages in progress:

Market analysis

- Mapping of sales channels and analysis of strategies per channel;
- Analysis of opportunities for reduction of the number of *Layers* and approximation of the point of sale.

Product portfolio

- Performance analysis of the categories of products;
- Definition of the positioning of each category.

IV - Evaluation of results (in progress)

These initiatives aim to adjust the key processes of Taurus so as to increase the Company's profitability and competition.

Accordingly, with the definition of roles and responsibilities, performance metrics and a culture of discipline in the performance of action plans, the Company continues to take actions aimed at higher operating and financial efficiency, in order to cover the demand for its products, improve its margins, recover profitability and the balance of its cash flows.

Management evaluates that the set of actions related to improvement of above-mentioned operating efficiency, plus sales of non-core assets, capital transactions and the already perceptible improvement in operations performance will be sufficient to guarantee normal continuity of operations.

2. Presentation of interim information

2.1. Preparation basis

a) Compliance statement

The Company presents its Interim Information of the Parent Company and Consolidated, included in the Quarterly Information Form - ITR, simultaneously prepared, in accordance with Technical Pronouncement CPC 21 - Interim Financial Reporting and with IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board (IASB), and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Quarterly Information - ITR and identified as “Parent Company” and “Consolidated”, respectively.

Accounting practices adopted in Brazil and applied to individual financial statements do not differ from IFRS, which started to allow the application of equity method in subsidiaries, associated companies and jointly-controlled companies in separate statements. Therefore, the Individual Financial Statements are also in compliance with IFRS, and all relevant information specific to the quarterly information, and only such information, is being evidenced, and corresponds to the information used by its Management.

Preparation of Parent Company and Consolidated Interim Information, in accordance with Technical Pronouncement CPC 21 and IAS 34, requires the use of some accounting estimates by the Company’s management.

The Quarterly Information of the Parent Company and Consolidated was prepared using historical cost as the value base, except for the valuation of certain financial instruments, which are measured at fair value.

b) Statement of the Board of Directors

The Company management states it has utilized all of the relevant information for its interim financial statements for the quarter ended June 30, 2019 and only them correspond to those of its management.

The issue of quarterly, individual and consolidated financial statements was authorized by the Board of Directors on August 08, 2019.

2.2. Basis of consolidation

		Ownership interest	
	Country	2019	2018
Taurus Blindagens Ltda.*	Brazil	**100.00%**	**100.00%**
Taurus Blindagens Nordeste Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Holdings, Inc.	United States	**100.00%**	**100.00%**
Taurus Máquinas-Ferramenta Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Investimentos Imobiliários Ltda.	Brazil	**100.00%**	**100.00%**
Polimetal Metalurgia e Plásticos Ltda. *	Brazil	**100.00%**	**100.00%**
T. Investments Co. Inc.*	Panama	**100.00%**	**100.00%**
Taurus Plásticos Ltda.*	Brazil	**100.00%**	**100.00%**

(*) Presented interest represents the percentage directly and indirectly held by the Company in the capital of subsidiaries.

The process of consolidating the balance sheets and the result follows, by their nature, complemented by the elimination of the following:

- Shares of the parent company in capital, reserves and retained earnings of the consolidated companies;
- Balances of asset and liability accounts maintained between the consolidated companies;
- Balances of revenues and expenses from consolidated intercompany transactions; and
- Unrealized gains originating from transactions with investees recorded under the equity method in the proportion of the Company's interest in the investee. Unrealized losses in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

2.3. Functional and presentation currency

The individual and consolidated financial information, which is the functional and presentation currency of the Company and its subsidiaries based in Brazil as it is the currency of the principal economic environment in which the Company operates and generates cash inflows and outflows. The functional currency of the subsidiary Taurus Holdings, Inc., headquartered in the US, and controlled T. Investments Co. Inc., headquartered in Panama is the US dollar and its assets and liabilities are converted into Reais, marked at the exchange rate on date of the balance sheet, their results are converted to the monthly average exchange rate. Exchange differences arising from the translation process of foreign subsidiaries are reported in other comprehensive income, and presented as shareholders' equity.

Transactions in foreign currency are translated into the functional currency of the Company at the current exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. All differences are reported in the income statement.

3. Significant accounting judgments and sources of uncertainties about estimates

When applying the accounting practices, Management must make judgments and prepare estimates on book values of assets, liabilities, expenses and revenues that are not easily obtained from other sources. Estimates and respective assumptions are based on historic experience and on other factors that are considered relevant. The actual results of these book values may differ from these estimates.

Information regarding critical judgments referring to the accounting policies adopted which impact the amounts recognized in the individual and consolidated quarterly information and information on uncertainties, assumptions and estimates are included in the following notes: 9 - Clients (allowance for doubtful accounts), 10 - Inventories (Provision for inventory loss), 13 - Income tax and social contribution, 14 - Assets held for sale (impairment), 16 - Property, plant and equipment (Impairment), 17 - Intangible assets (Impairment), 23 - Provision for civil, labor and tax risks and 24 - Financial instruments.

(i) Measurement of fair value

A series of Company's accounting policies and disclosures requires the measurement of fair value, for financial and non-financial assets and liabilities.

The Company established controls related to the measurement at fair value which includes the regular evaluation of significant non-observable data and evaluation adjustments.

When measuring fair value of an asset or liability, the Company uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

Level 1: Prices quoted (not adjusted) in active markets for identical assets and liabilities to which the entity may have access on the measurement date.

Level 2: Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).

Level 3: Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

The Company uses Level 2 information for measurement of fair value.

4. Significant accounting policies

The accounting policies and calculation methods used by the Company in the preparation of these individual and consolidated interim financial statements have been consistently applied by the Company and its subsidiaries and are the same as compared to the annual financial statement as of December 31, 2018.
The amounts are expressed in thousands of reais, unless otherwise stated.

a) Financial instruments

(i) Non-derivative financial assets

The Company has the following non-derivative financial assets: cash and cash equivalents, interest earning bank deposits and escrow accounts, trade accounts receivable credits with related persons and other accounts receivable.

(ii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: loans, financing, non-convertible debentures, suppliers and other accounts payable. Such liabilities are initially recognized at fair value plus any transaction costs directly assignable. After initial recognition, they are measured at amortized cost using the effective interest method.
According to accounting policy, the Company adopts classification of interest paid as financing activity on a consistent basis in its financial statements.

(iii) Impairment

The Company and its subsidiaries assess at the balance sheet dates in the end of the year, whether there is any evidence that determines that a financial asset or group of financial assets is impaired. The asset is recorded in accounting books at amount that exceeds its recovery value if its book value exceeds amount to be recovered by the asset's use or sale. If this is the case, the asset is characterized as subject to recognition of losses, and Technical Pronouncement (CPC01) requires the entity to recognize an adjustment for devaluation losses.

b) New standards, interpretations and reviews of standards in force

New standards or amendments and interpretations will be effective for the years started after January 1, 2019.

***(i)* CPC 06 (R2) / IFRS 16 Leases**

CPC 06 (R2) / IFRS 16 introduces a single model of accounting of leases in the balance sheet to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset and a lease liability that represents its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

Adoption of CPC 06 (R2) / IFRS 16 did not impact the Company's financial statements.

5. Financial risk management

The Company's risk management policies are established to identify and analyzed the risks that it faces, to define appropriate limits and controls of risks, and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed frequently to reflect changes in the market conditions and in the Company's activities.

The Company is exposed to the following risks from the use of financial instruments:

5.1 Credit risk

Credit risk is the possibility of a financial loss if a client or a counterpart of a financial instrument fails to fulfill its contractual obligations arising mainly from trade accounts receivable and investments of the Company. As regards financial institutions, the Company and its subsidiaries only conduct operations with low risk financial institutions, considered by the Management, as low risk institutions.

Trade accounts receivable and other receivables

The Company and its subsidiaries adopt as a practice the analysis of the financial situation of their counterparties, as well as the definition of credit limits and permanent monitoring of open positions. For the Company's revenue there is concentration of sales to Related Parties, Taurus International and CBC, and there is no concentration of credit risk with other customers.

Credit approvals are analyzed individually before the terms and the standard terms of payment and delivery of the Company are offered. This analysis includes external evaluations and, in some cases, bank references. Purchase limits are established for each client and represent the maximum outstanding amount for which credit approval is not required; these limits are regularly reviewed. Clients who fail to meet the credit limit established by the Company may only operate when there is a settlement of securities. For public bodies, the Company's management individually assesses the ability to pay and the bidding requirements for completion of the sale. The consolidated statement excludes transactions between related parties and, since these transactions are excluded, the Company has no customers that individually represent more than 5% of sales.

When monitoring credit risk, they are grouped according to their characteristics for credit facility, including if they are an individual or entity, retail, government agencies, geographic location, type of industry and previous financial difficulties.

The Company, in sales to individuals, is entitled to advance part of sales value at purchase intention and billing and delivery of product only occurs if there is no default.

Credit risk exposure

The maximum exposure to credit risk for the quarterly financial statements as of June 30, 2019 was:

	Consolidated		Parent company	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Fair value through profit or loss				
Cash and cash equivalents	**15,690**	26,766	**1,634**	5,157
Amortized cost				
Trade accounts receivable	**141,350**	140,420	**99,344**	114,744
Financial investments and linked account	**1,706**	2,854	**1,706**	2,547
Total	**158,746**	170,040	**102,684**	122,448

The maximum credit risk exposure for trade accounts receivable on the report date per geographic region was:

	Consolidated		Parent company	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Domestic - trade accounts receivable	**89,849**	97,458	**75,843**	84,013
United States clients - trade accounts receivable	**69,541**	72,557	**-**	-
Other	**12,483**	785	**39,334**	45,730
Total	**171,873**	170,800	**115,177**	129,743

***** Customer balances are presented without considering the provision for losses (see Note 9).

The maximum exposure to credit risk at the reporting date by type of counterparty was:

	Consolidated		Parent company	
		Book value		**Book value**
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Clients - public agencies	**9,020**	9,787	**8,887**	9,621
Clients - distributors	**124,242**	111,732	**84,934**	84,286
End clients	**38,611**	49,281	**21,356**	35,836
Total	**171,873**	170,800	**115,177**	129,743

***** Customer balances are presented without considering the provision for losses (see Note 9).

<u>Provision for estimated losses</u>

Pursuant to CPC 48 / IFRS 9, the provision for expected losses considers the internal risk assessment indicator, which captures the client's behavior and the uncertainties of the macroeconomic context. Below is an analysis of the customer portfolio maturities and the provision for expected losses as of June 30, 2019.

						Consolidated
			06/30/2019			12/31/2018
	Portfolio	Provision	Coverage %	Portfolio	Provision	Coverage %
Not overdue	**98,051**	**(547)**	**0.6%**	70,517	(1,261)	1.8%
Overdue (in days)						
0–30	**19,867**	**(283)**	**1.4%**	44,360	(860)	1.9%
31–60	**3,263**	**(208)**	**6.4%**	11,764	(821)	7.0%
61–90	**3,201**	**(337)**	**10.5%**	2,710	(536)	19.8%
91–180	**5,699**	**(701)**	**12.3%**	7,361	(1,453)	19.7%
181–360	**10,894**	**(3,724)**	**34.2%**	7,654	(3,019)	39.4%
>306	**30,898**	**(24,723)**	**80.0%**	26,434	(22,430)	84.9%
Total	**171,873**	(30,523)		170,800	(30,380)	

						Parent company
			06/30/2019			12/31/2018
	Portfolio	Provision	Coverage %	Portfolio	Provision	Coverage %
Not overdue	**43,854**	**(484)**	**1.1%**	53,145	(1,222)	2.3%
Overdue (in days)						
0–30	**18,069**	**(271)**	**1.5%**	40,718	(840)	2.1%
31–60	**2,895**	**(196)**	**6.8%**	10,770	(790)	7.3%
61–90	**3,606**	**(298)**	**8.3%**	2,806	(480)	17.1%
91–180	**2,361**	**(621)**	**26.3%**	5,399	(1,275)	23.6%
181–360	**19,703**	**(3,618)**	**18.4%**	6,033	(2,607)	43.2%
>306	**24,689**	**(10,345)**	**41.9%**	10,872	(7,785)	71.6%
Total	**115,177**	(15,833)		129,743	(14,999)	

5.2 Liquidity risk

Liquidity risk is the risk of the Company encountering difficulties in performing the obligations associated with its financial liabilities that will be settled with cash payments or with another financial asset.

The Company and its subsidiaries monitor the requirements for operating cash flow and this excludes the potential impact of extreme situations that cannot be reasonably foreseen, such as natural disasters.

The contractual maturities of financial liabilities including payment of estimated interest are as follows:

					Consolidated
					06/30/2019
	Book value	Contractual cash flow	Up to 1 year	1–2 years	2–5 years
Non-derivative financial liabilities					
Suppliers	93,667	93,667	93,667	-	-
Loans and financing	675,436	719,161	91,109	239,136	388,916
Debentures	75,109	88,681	13,234	15,067	60,380
Foreign exchange advances	50,198	50,198	50,198	-	-
Advance from receivables	38,216	38,216	38,216	-	-
	932,626	**989,923**	**286,424**	**254,203**	**449,296**

	Consolidated				
	12/31/2018				
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**
Non-derivative financial liabilities					
Suppliers	95,102	95,102	94,707	395	-
Loans and financing	731,603	813,414	103,676	244,959	464,779
Debentures	85,088	85,088	9,450	13,224	60,380
Foreign exchange advances	43,795	43,795	43,795	-	-
Advance from receivables	48,455	48,455	48,455	-	-
	1,004,043	**1,085,854**	**300,083**	**258,578**	**525,159**

	Parent company				
	06/30/2019				
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**
Non-derivative financial liabilities					
Suppliers	174,089	174,089	174,089	-	-
Loans and financing	538,387	584,532	91,109	104,507	388,916
Debentures	75,109	88,681	13,234	15,067	60,380
Foreign exchange advances	50,198	50,198	50,198	-	-
Advance from receivables	38,216	38,216	38,216	-	-
	875,999	**935,716**	**366,846**	**119,574**	**449,296**

	Parent company				
	12/31/2018				
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**
Non-derivative financial liabilities					
Suppliers	156,165	156,165	155,932	233	-
Loans and financing	604,804	707,284	129,223	113,282	464,779
Debentures	85,088	85,088	9,450	13,224	60,380
Foreign exchange advances	43,795	43,795	43,795	-	-
Advance from receivables	48,455	48,455	48,455	-	-
	938,307	**1,040,787**	**386,855**	**126,739**	**525,159**

5.3 Market risk

Market risk is the risk that alterations in market prices, such as exchange rates and interest rates, have in the Company's earnings, or in the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposures to risks, within acceptable parameters, and at the same time to optimize the return.
The Company and its subsidiaries meet financial obligations to manage market risks. All of these transactions take place under guidance specified by Management.

(i) Currency risk (foreign exchange)

The Company and its subsidiaries are subject to currency risk in the sales, purchases and loans denominated in a currency other than the respective functional currencies of Company’s entities.

Generally, the Company seeks to protect its expected foreign exchange exposure with respect to forecast sales.

Sensitivity analysis

The probable base scenario for 2019 was defined through assumptions available in the market (source: Brazilian Central Bank Focus), and sensitivity calculation considered the change, affected in balances due to the fluctuation between rates of the scenario foreseen for 2019 and those prevailing in 2019.

The sensitivity analysis also considered changes from 25% to 50% on exchange-rate change considered in the probable scenario.

Currencies and ratios		Rate on 06/30/2019	Probable scenario	Possible scenario ∆ 25%	Remote scenario ∆ 50%
US dollar	Write-off	**3.8322**	3.8000	2.8500	1.9000
US dollar	Increase	**3.8322**	3.8000	4.7500	5.7000

Awareness of the changes in the foreign currency:

		Consolidated			
		Balance at June 30, 2019	Probable scenario	Possible (25%)	Remote scenario (50%)
Assets - Depreciation of Dollar					
Accounts receivable	USD	**21,404**	(181)	(7,376)	(21,767)
Liabilities - Increase in Dollar					
Loans and financing	USD	**(169,215)**	1,434	(32,696)	(55,449)
Suppliers	USD	**(7,879)**	67	(1,522)	(2,582)
Foreign exchange advances	USD	**(13,099)**	111	(2,620)	(4,292)
Advance from clients	USD	**(601)**	5	(116)	(197)
Other	USD	**(17,270)**	146	(3,337)	(5,659)

		Parent company			
		Balance in 2019	Probable scenario	Possible (25%)	Remote scenario (50%)
Assets - Depreciation of Dollar					
Accounts receivable	USD	**10,264**	(86)	(2,631)	(5,175)
Liabilities - Increase in Dollar					
Loans and financing	USD	**(133,452)**	1,121	(31,961)	(65,044)
Suppliers	USD	**(5,341)**	45	(1,279)	(2,603)
Foreign exchange advances	USD	**(13,099)**	110	(3,137)	(6,384)
Advance from clients	USD	**(513)**	4	(123)	(250)
Other	USD	**(17,807)**	150	(4,265)	(8,679)

For the asset balances, an analysis was conducted considering a downturn in the foreign exchange rate and losses arising from a negative change in the currency, while for the liabilities balances, an analysis was conducted considering an upturn in the foreign exchange rate and the losses arising from a positive change in the currency.

(ii) Interest rate risk

The balances of instruments exposed to changes in interest rates are summarized below.

Income from short-term investments and financial expenses arising from the Company's loans and financing are impacted by changes in interest rates.

On December 31, 2018, the management considered the likely scenario for 2019 is a CDI rate of 6.40% and TJLP of 7.03%. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively. The scenarios below were estimated for the period of 1 year:

Currency	2019	Probable scenario	Possible scenario Δ 25%	Remote scenario Δ 50%
CDI - write-off	6.40%	6.00%	4.50%	3.00%
Rise in the CDI rate	6.40%	6.00%	7.50%	9.00%
TJLP	6.26%	7.03%	8.79%	10.55%
SELIC	6.40%	5.50%	6.88%	8.25%
LIBOR Overnight	2.37%	2.31%	2.89%	3.47%
LIBOR - 30 days	2.40%	2.50%	3.12%	3.75%
LIBOR 3 months	2.33%	2.60%	3.25%	3.90%

					Consolidated Gain (loss)
	Index	Balance 06/30/2019	Probable scenario	Possible scenario	Remote scenario
Assets					
Interest earning bank deposits	CDI decr.	3,032	(12)	(58)	(103)
Liabilities					
Loans	CDI incr.	(123,329)	493	(1,357)	(3,207)
Loans	TJLP	(3,012)	(23)	(76)	(129)
LIBOR - 30 DAYS	LIBOR Overnight	(137,049)	80	(712)	(1,507)
LIBOR 3 months	LIBOR - 30 days	(495,587)	(477)	(3,556)	(6,679)
Taxes in installments	SELIC	(1,004)	9	(5)	(19)

					Parent company Gain (loss)
	Index	Balance 06/30/2019	Probable scenario	Possible scenario	Remote scenario
Assets					
Interest earning bank deposits	CDI decr.	3,026	(12)	(57)	(103)
Liabilities					
Loan	CDI decr.	(23,618)	94	449	803
Loans	CDI incr.	(123,329)	493	(1,357)	(3,207)
Loans	TJLP	(3,012)	(23)	(76)	(129)
LIBOR 3 months	LIBOR30Dias	(495,587)	(477)	(3,556)	(6,679)

5.4 Capital management

The Company’s management's policy is to maintain a solid base of capital for the future development of the business, adding value for shareholders, creditors and the market in general, by monitoring the returns on capital. However, the results of recent years have meant some deterioration in this policy, as shown below.

	Consolidated	
	06/30/2019	**12/31/2018**
Total liabilities	**1,318,145**	1,328,119
Less: Cash and cash equivalents and interest earning bank deposits	**(15,690)**	(27,819)
Net debt (A)	**1,302,455**	1,300,300
Total shareholders' equity (B)	**(305,716)**	(406,963)
Net debt to shareholders’ equity ratio as of June 30, 2019 and December 31, 2018 (A/B)	(4.26)	(3.20)

6. Operating segments

The Company has four segments, two of them are reportable and represented by strategic business units, managed separately since they differ by products and services, technologies and marketing strategies. Other transactions are aggregated in segment “Other”, as they do not qualify for separate disclosure quantitative limits. The Company's reportable segment operations can be detailed as follows:

Firearms – the firearm production process, since is treated, primarily, as metalworking, and uses the following basic phases: machining (from machined and forged molds by means of machining centers, milling, drill pressing and broaching, lathing, broaching since all the forging process and some machining operations are outsourced), Metal Injection Molding (MIM) (metal injection molded parts), finishing (polishing), heat treatment, surface treatment, final assembly, functional test, engraving and packaging; these operations are carried out by Taurus Armas S.A., and Taurus Holdings, Inc. and its subsidiaries.

Helmets – the helmet production process uses the following steps injection (from the Acrylonitrile Butadiene Styrene (ABS)), painting and finishing (from parts already injected through the manual and automated painting process), sewing (from fabrics, foam plates and polycarbonates, using cutting machines and sewing) and final assembly; these operations are performed by Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda.

Other - result of the MIM (Metal Injection Molding) segment - metal injection molded parts to third parties, (Polimetal Metalurgia e Plásticos Ltda.); hard trunks (Taurus Blindagens Ltda). It also includes expenditures with technical support and financial expenses with discontinued machinery operation in June 2012 and other operations as the manufacturing and sale of glasses and rendering of services. As these segments have been aggregated, they do not meet the quantitative thresholds for separate disclosure as a reportable segment.

Performance of each segment is quarterly evaluated based on the segment’s earnings (losses) before income tax and social contribution, as included in internal reports, as Company’s Management believes that this information is more relevant for the evaluation of results from some segments related to other entities that operate in these industries.

The reconciliation of revenues, profits and losses, assets, liabilities and other material items in reportable segments are disclosed below:

	Firearms		Other		Total		Helmets (a)		Total	
	06/30/2019	06/30/2018	**06/30/2019**	06/30/2018	**06/30/2019**	06/30/2018	**06/30/2019**	06/30/2018	**06/30/2019**	06/30/2018
External revenues	**480,040**	424,981	**5,030**	6,262	**485,070**	431,243	**41,802**	41,472	**526,872**	472,715
Inter-segment revenues	**321,213**	281,460	**2,819**	1,497	**324,032**	282,957	**-**	4,499	**324,032**	287,456
Cost of sales	**(308,425)**	(271,710)	**(4,246)**	(1,088)	**(312,671)**	(272,798)	**(27,212)**	(27,402)	**(339,883)**	(300,200)
Gross income (loss)	**492,828**	434,731	**3,603**	6,671	**496,431**	441,402	**14,590**	18,569	**511,021**	459,971
Sales expenses	**(56,965)**	(47,848)	**(35)**	(691)	**(57,000)**	(48,539)	**(7,713)**	(7,587)	**(64,713)**	(56,126)
General and administrative expense	**(59,508)**	(55,898)	**(587)**	(3,061)	**(60,095)**	(58,959)	**(4,343)**	(4,392)	**(64,438)**	(63,351)
Depreciation and amortization	**(5,873)**	(251)	**(782)**	(1,567)	**(6,655)**	(1,818)	**(88)**	-	**(6,743)**	(1,818)
Other operating revenues (expenses), net	**30,842**	3,937	**227**	3,207	**31,069**	7,144	**(162)**	(43)	**30,907**	7,101
Equity in net income of subsidiaries	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
	(91,504)	(100,060)	**(1,177)**	(2,112)	**(92,681)**	(102,172)	**(12,306)**	(12,022)	**(104,987)**	(114,194)
Operating income (loss)	**401,324**	334,671	**2,426**	4,559	**403,750**	339,230	**2,284**	6,547	**406,034**	345,777
Financial revenues	**34,145**	18,754	**4**	(128)	**34,149**	18,626	**170**	(1,389)	**34,319**	17,237
Financial expenses	**(47,614)**	(157,964)	**(56)**	(5,423)	**(47,670)**	(163,387)	**(1,626)**	(3,051)	**(49,296)**	(166,438)
Net financial income (loss)	**(13,469)**	(139,210)	**(52)**	(5,551)	**(13,521)**	(144,761)	**(1,456)**	(4,440)	**(14,977)**	(149,201)
Income (loss) per segment subject to be disclosed before income tax and social contribution	**387,855**	195,461	**2,374**	(992)	**390,229**	194,469	**828**	2,107	**391,057**	196,576
Elimination of inter-segment revenues	**(321,213)**	(281,460)	**(2,819)**	(1,497)	**(324,032)**	(282,957)	**-**	(4,499)	**(324,032)**	(287,456)
Income (loss) before income tax and social contribution	**66,642**	(85,999)	**(445)**	(2,489)	**66,197**	(88,488)	**828**	(2,392)	**67,025**	(90,880)
Income tax and social contribution	**(18,205)**	(1,001)	**(431)**	(535)	**(18,636)**	(1,536)	**(714)**	(166)	**(19,350)**	(1,702)
Net income for the year	**48,437**	(87,000)	**(876)**	(3,024)	**47,561**	(90,024)	**114**	(2,558)	**47,675**	(92,582)
Assets of reportable segments	**852,298**	652,983	**89,363**	91,988	**941,661**	744,971	**70,769**	72,511	**1,012,430**	817,482
Liabilities of reportable segments	**1,266,323**	1,266,279	**19,795**	22,108	**1,286,118**	1,288,387	**32,028**	39,222	**1,318,146**	1,327,609

(a) Helmets Operation reclassified to Discontinued Operation according to Note 26.

<u>Geographical information</u>
The net revenue information below is based on the geographical location of the client.

	Firearms		Helmets	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Domestic market				
Southeastern region	**43,679**	36,913	**11,416**	11,524
South region	**18,326**	11,178	**2,744**	2,016
Northeastern region	**3,950**	6,691	**12,871**	13,571
Mid-west region	**3,261**	3,133	**7,118**	7,117
North region	**1,959**	6,761	**7,128**	7,206
	71,175	64,676	**41,277**	41,434
Foreign market				
United States	**387,114**	322,019	**525**	38
Bangladesh	**1,144**	-	**-**	-
Argentina	**454**	282	**-**	-
France	**1,114**	1,531	**-**	-
Chile	**330**	282	**-**	-
Burkina	**3,350**	-	**-**	-
Honduras	**-**	1,024	**-**	-
Germany	**617**	1,733	**-**	-
South Africa	**2,640**	1,457	**-**	-
Peru	**478**	267	**-**	-
Zambia	**179**	-	**-**	-
Italy	**364**	446	**-**	-
Philippines	**8,519**	1,594	**-**	-
Senegal	**368**	-	**-**	-
Guatemala	**830**	-	**-**	-
Israel	**81**	-	**-**	-
New Zealand	**322**	-	**-**	-
El Salvador	**73**	54	**-**	-
Oman	**-**	26,691	-	-
United Kingdom	**332**	63	-	-
Singapore	**12**	-	-	-
Malaysia	**10**	-	-	-
Other countries	**534**	2,864	**-**	-
	408,865	360,307	**525**	38
	480,040	424,983	**41,802**	41,472

The other segments of the Company have concentrated their sales in the domestic market and have distributed products throughout all regions of Brazil. The sales of the Company and its subsidiaries do not have a concentration risk, characterized by a dependence on government agencies or any other client. Approximately 80.6% of consolidated revenues are directed to the US civil market, subject to US regulations.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and interbank funds applied, that is, redeemable within up to three months of contracting dates, without penalties for the Company and with low risk of change in their market value.

	Consolidated		Parent company	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Cash balance	**63**	27	**50**	12
Demand deposits	**14,301**	23,535	**264**	2,044
Interest earning bank deposits	**1,326**	3,204	**1,320**	3,101
Cash and cash equivalents	**15,690**	26,766	**1,634**	5,157

The investments classified as cash and cash equivalents are remunerated at variable average rates from 84.96% to 97% of the CDI at June 30, 2019 (86% to 98% of CDI at December 31, 2018) with counterparty financial institutions considered by management as the first line.

8. Financial investments and linked accounts

	Consolidated		Parent company	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Interest earning bank deposits - CDB	**818**	1,053	**818**	746
Interest earning bank deposits - Short-term	**888**	1,801	**888**	1,801
Total	**1,706**	2,854	**1,706**	2,547
Current	**888**	1,801	**888**	1,801
Non-current	**818**	1,053	**818**	746

Financial investments are paid by the average variable rate of 94.98% of CDI at June 30, 2019 (from 86% to 98% of CDI as of December 31, 2018), being held as guarantees of international short and long-term contracts of bids to export, and their redemption scheduled to take place in conjunction with their termination, presented in current and non-current assets based on their redemption provisions.

9. Clients

Trade accounts receivable are initially recorded at fair value and subsequently measured at amortized cost less expected loss estimates.

The expected allowance for doubtful accounts was calculated at an amount considered adequate by the Company’s management to cover any losses arising on collection of accounts receivable.

	Consolidated		Parent company	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Domestic clients	**89,849**	97,458	**75,843**	84,013
Foreign clients	**82,024**	73,342	**39,334**	45,730
	171,873	170,800	**115,177**	129,743
Expected allowance for doubtful accounts in the country	**(24,403)**	(23,755)	**(14,210)**	(13,438)
Expected allowance for doubtful accounts abroad	**(6,120)**	(6,625)	**(1,623)**	(1,561)
	(30,523)	(30,380)	**(15,833)**	(14,999)
	141,350	140,420	**99,344**	114,744

The Company's exposure to credit and currency and impairment losses risk related to trade accounts receivables and other accounts, including the breakdown of accounts receivable by maturity are disclosed in note 5. Changes in the expected allowance for doubtful accounts are as follows:

	Consolidated	Parent company
Balance at December 31, 2018	**(30,380)**	**(14,999)**
Additions	**(6,614)**	**(6,072)**
Reversal of expected allowance for doubtful accounts	**6,346**	**5,291**
Exchange-rate change	**125**	**(53)**
Balance at June 30, 2019	**(30,523)**	**(15,833)**

10. Inventories

Inventories are shown at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs (based on normal operating capacity), as well as other costs incurred in bringing them to their existing location and condition.

The provision for inventory losses is recorded for products with low turnover and items that are sold below the formation cost.

	Consolidated		Parent company	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Finished goods	**181,542**	182,433	**35,408**	25,467
Raw material	**147,182**	118,972	**120,766**	101,064
Provision for inventory loss	**(27,836)**	(24,368)	**(22,201)**	(22,713)
	300,888	277,037	**133,973**	103,818

Changes in provision for inventory devaluation	**Consolidated**	**Parent company**
Balance at December 31, 2018	**(24,368)**	**(22,713)**
Addition	**(4,674)**	**(670)**
Reversal	**546**	**546**
Write-offs	**636**	**636**
Exchange-rate change	**24**	**-**
Balance at June 30, 2019	**(27,836)**	**(22,201)**

11. Recoverable taxes

On June 20, 2008, Taurus Armas S/A filed a lawsuit seeking the non-levying of the ICMS tax on the PIS and COFINS calculation basis, based on the unconstitutionality of the matter, as the ICMS tax, because it is an indirect tax, does not compose the Company's revenue.

In March 2017, the Federal Supreme Court decided that, as ICMS is not part of the billing or gross revenue of the Company and its subsidiaries, it must be excluded from PIS and COFINS calculation basis, considered unconstitutional.

On April 1, 2019, Taurus was handed down a final decision on this lawsuit, providing recoverable tax credit of R$ 37.2 million and inflation adjustment for the period of R$ 27.7 million.

	Consolidated		Parent company	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
ICMS	**13,291**	12,546	**3,338**	3,011
IPI	**8,384**	4,494	**7,683**	4,224
PIS	**13,386**	936	**13,323**	842
COFINS	**60,066**	5,070	**59,935**	4,796
Income tax and social contribution	**9,336**	6,634	**2,376**	2,218
Other	**23**	27	**21**	21
Total	**104,486**	29,707	**86,676**	15,112
Current	**104,240**	29,461	**86,555**	14,991
Non-current	**246**	246	**121**	121

12. Other accounts receivable

	Consolidated		Parent company	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Advances to suppliers	**6,676**	6,579	**5,778**	4,017
Advances to employees	**1,034**	2,862	**522**	1,304
Judicial deposits (Note 23)	**12,648**	9,808	**7,015**	5,333
Related party loans	**-**	-	**28,847**	24,978
Other receivables	**2,309**	2,444	**1,142**	1,159
Total	**22,667**	21,693	**43,304**	36,791
Current	**10,019**	11,872	**36,289**	31,458
Non-current	**12,648**	9,821	**7,015**	5,333

13. Income tax and social contribution

The income tax and social contribution of the year, both current and deferred, are calculated based on the nominal rate of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution, limited to 30% of the taxable income. For companies that calculate income tax and social contribution based on estimated profits, the same rates as above are used but on percentage of revenue of 32%. The rate of income tax is 21% for the US subsidiary.

a) Breakdown of effects in deferred assets and liabilities	Consolidated		Parentcompany	
	06/30/2019	12/31/2018	**06/30/2019**	12/31/2018
On tax loss and negative basis of social contribution on net income				
Tax loss	16,640	16,640	5,666	5,666
Negative basis of CSLL	6,024	6,024	2,074	2,074
On temporary credit assets				
Provision for contingencies	51,382	50,755	36,913	36,913
Total assets	**74,046**	73,419	**44,653**	44,653
On temporary liability differences				
Fair value of investment property	(10,263)	(10,263)	-	-
Equity valuation adjustment	(1,087)	(1,106)	-	-
Unshipped notes	-	(2,203)	-	-
Allocation of goodwill - Goodwill and intangible assets	(8,314)	(6,925)	-	-
Other items	-	(307)	-	-
Total liabilities	**(19,664)**	(20,804)	**-**	-

Current and deferred taxes are recognized in income (loss) unless they are related to the business combination, or items directly recognized in shareholders' equity or in Other comprehensive income.

Deferred taxes are recognized in relation to the temporary differences between the book values of assets and liabilities for accounting purposes and the related amounts used for taxation purposes. A deferred income tax and social contribution asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets and liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred income tax and social contribution assets are reviewed at each reporting date and reduced when their realization is no longer probable.

Changes in deferred taxes	**Consolidated**	**Parent company**
Opening balance of deferred taxes, net	47,504	44,653
Allocated in income (loss)	6,878	-
Closing balance of deferred taxes, net	**54,382**	**44,653**

The amount of tax losses and negative basis of social contribution on which deferred taxes are not recorded totaled R$ 925,825. While in parent company, total amount of tax losses and social contribution negative basis were established as deferred taxes.

The main balances of tax losses and negative bases are recorded in the parent company Taurus Armas S.A and in consolidated (Polimetal).

Reconciliation of effective rate for income tax and social contribution (continued operations)

	Consolidated		**Parent company**	
	06/30/2019	**06/30/2018**	**06/30/2019**	**06/30/2018**
Income before income tax and social contribution	66,197	(88,490)	66,141	(91,931)
Combined statutory rate:	34.00%	34.00%	34.00%	34.00%
Income tax and social contribution at the combined statutory rates	(22,507)	30,087	(22,488)	31,257
Permanent additions				
Non-deductible expenses	(828)	(697)	(758)	(267)
Equity in net income of subsidiaries	-	-	1,095	(370)
Permanent exclusions				-
Reintegra	285	1,537	282	1,537
Effects of differentiated rate of deemed income subsidiary	95	2,282	-	-
Offset of tax loss and negative basis in PRT (Tax Regularization Program)	-	537	-	-
Deferred charges not recorded on unrealized exchange-rate change	-	(31,484)	-	(32,810)
Deferred taxes not recorded on other items	4,319	(3,798)	3,403	-
Income tax and social contribution in income (loss) for the year	**(18,636)**	(1,536)	**(18,466)**	(653)
Current	(20,294)	(2,341)	(18,466)	(653)
Deferred	1,658	805	-	-
	(18,636)	(1,536)	**(18,466)**	(653)
Effective rate	28.15%	1.74%	27.92%	0.71%

Notes to the financial statements

The Company recorded its deferred tax assets only in the amount considered probable by means of projected future taxable income. If the expectation of future taxable income was greater, the amount to be recorded related to deferred taxes would also be higher.

Breakdown of the total calculation bases and the respective deferred tax assets that could be recorded:

								Consolidated
				06/30/2019				**12/31/2018**
	Base	**25%**	**9%**	**Total**	**Base**	**25%**	**9%**	**Total**
Equity valuation adjustment	(456)	(114)	(41)	(155)	(3,253)	(813)	(293)	(1,106)
Fair value of investment property	(30,186)	(7,547)	(2,717)	(10,263)	(30,186)	(7,547)	(2,717)	(10,263)
Unshipped notes	703	176	63	239	(2,667)	(667)	(240)	(907)
Goodwill and intangible assets	(24,453)	(6,113)	(2,201)	(8,314)	(20,368)	(5,092)	(1,833)	(6,925)
Other	-	-	-	-	22,446	5,612	2,020	7,632
Allowance for doubtful accounts	16,704	4,176	1,503	5,679	20,425	5,106	1,838	6,945
Allowance for inventory losses	3,864	966	348	1,314	25,749	6,437	2,317	8,755
Provision for loss - Interest earning bank deposit	24,890	6,223	2,240	8,463	2,989	747	269	1,016
Provision for tax expenses	7,363	1,841	663	2,504	7,363	1,841	663	2,503
Profit sharing	4,404	1,101	396	1,497	5,302	1,326	477	1,803
Commissions of agents	730	182	66	248	736	184	66	250
Provision for Fees from Tax Expenses	3,346	836	301	1,138	103	26	9	35
Provision for Life Pensions	9,347	2,337	841	3,178	2,182	546	196	742
Provision for contingencies	94,095	23,524	8,469	31,992	113,091	28,273	10,178	38,451
Provision for guarantee	23,461	5,865	2,111	7,977	14,315	3,579	1,288	4,867
Depreciation difference	-	-	-	-	4,269	1,067	384	1,451
Provision for Offset of INSS Credit	389	97	35	132	389	97	35	132
On tax loss and negative basis of social contribution on net income								
Tax loss and negative basis of social contribution on net income	470,557	117,639	42,350	159,989	792,332	198,083	71,310	269,393
	604,758	**151,190**	**54,428**	**205,618**	**955,217**	**238,804**	**85,970**	**324,774**

								Parent company
				06/30/2019				**12/31/2018**
	Base	**25%**	**9%**	**Total**	**Base**	**25%**	**9%**	**Total**
Equity valuation adjustment	823	206	74	280	(1,487)	(372)	(134)	(506)
Unshipped notes	754	188	68	256	(2,667)	(667)	(240)	(907)
Allowance for doubtful accounts	15,710	3,927	1,414	5,341	10,361	2,590	932	3,523
Allowance for inventory losses	3,357	839	302	1,141	24,094	6,024	2,168	8,192
Provision for loss - Interest earning bank deposit	23,214	5,803	2,089	7,893	2,989	747	269	1,016
Provision for tax expenses	5,644	1,411	508	1,919	5,644	1,411	508	1,919
Profit sharing	2,542	635	229	864	4,141	1,035	373	1,408
Commissions of agents	588	147	53	200	677	169	61	230
Provision for Fees from Tax Expenses	3,346	836	301	1,138	103	26	9	35
Provision for contingencies	94,095	23,524	8,469	31,992	94,357	23,589	8,492	32,081
Provision for guarantee	23,461	5,865	2,111	7,977	12,847	3,212	1,156	4,368
Provision for Offset of INSS Credit	389	97	35	132	389	97	35	132
Depreciation difference	-	-	-	-	2,262	566	204	769
Provision for Life Pensions	7,518	1,880	677	2,556	1,854	464	167	630
On tax loss and negative basis of social contribution on net income								
Tax loss and negative basis of social contribution on net income	112,851	28,213	10,157	38,369	-	-	-	-
	294,290	**73,573**	**26,486**	**100,059**	**155,564**	**38,891**	**14,001**	**52,892**

The portion of the amounts not constituted is represented by the assets, since there is no grounded expectation of generation of taxable profits.

14. Assets held for sale

Non-current assets or groups (containing assets and liabilities) held for sale are classified as “held for sale” if it is highly probable that they will be primarily recovered through sales instead of the continuous use.

The assets or group of assets held for sale should be measured at the lowest of book value recorded until then or market value net of sales expenses, and that depreciation or amortization of such assets cease.

Any impairment loss on assets over a group of assets held for sale is initially allocated to goodwill, and then to remaining assets and liabilities on a prorated basis. No loss should be allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property and biological assets, which continue to be measured under the other accounting policies of the Group. Impairment losses determined in the initial classification as held for sale or distribution, and gains and losses from subsequent remeasurements, are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

Reconciliation of book value

	Consolidated	**Consolidated**
In thousands of reais	06/30/2019	12/31/2018
Buildings, land and improvements	51,390	51,390
Helmets’ operations - Non-current assets held for sale	70,768	71,161
Total non-current assets held for sale	**122,158**	**122,551**
Helmets’ operation - Liabilities held for sale	32,028	33,270
Total liabilities held for sale	**32,028**	**33,270**

Buildings, land and improvements.

In 2016, Taurus Armas S.A. transferred the operation from the Industrial Plant located in the city of Porto Alegre/RS to the Industrial Plant located in the city of São Leopoldo/RS. In view of the foregoing and considering the terms of CPC 28 - Investment Property, the Company reclassified the items formerly classified as Property, plant and equipment to Investment Property.

In 2017, through approval of the Board of Directors, the sale and the availability for intermediation by market specialists were determined. Accordingly, these properties were reclassified to “Assets held for sale”.

The fair value for the purpose of evaluating impairment loss was determined by independent external real estate appraisers, with appropriate and recognized professional qualification, and recent experience in the property location and category that is being appraised.
Location: Avenida do Forte, nº 511 - Porto Alegre (RS)
Industrial complex, not occupied, with 18,600.00 m^2 of built area in urban land of 29,900 m^2 of area.

Assets held for sale - Helmets’ operation

On March 27, 2018, the Board of Directors unanimously authorized the offer of the Helmets business – represented by Taurus Blindagens Ltda and Taurus Blindagens Nordeste Ltda. – to the market.

The preparation of a schedule and sales efforts was the responsibility of a specialized firm, according to the proposal already accepted by the Company.

As of June 30, 2019, the group of assets and liabilities held for sale was presented as the chart below and comprised the following assets and liabilities:

Property, plant and equipment / intangible	21,649
Inventories	16,245
Trade accounts receivable and other receivables	32,875
Assets held for sale	**70,769**
Suppliers and other accounts payable	32,028
Liabilities held for sale	**32,028**

The Company did not identify any impairment loss amounts to be recognized.

Profit or loss from transactions with assets held for sale are presented in note on operating segments (note 6).

15. Investments (parent company)

	Taurus Blindagens Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Plásticos Ltda.	Taurus Holdings, Inc.	T.Investments Co. Inc.	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Ferramenta Ltda.)	Parent company 06/30/2019	Parent company 12/31/2018
Current assets	41,261	5,185	1,115	314,476	4	67,119	277,084	391		
Non-current assets	106,875	55,779	3,782	81,154	-	44,187	123,719	1,144		
Current liabilities	29,656	8,828	1,183	99,152	-	2,555	113,899	4,899		
Non-current liabilities	4,656	123	27	151,940	-	16,601	49,969	22,836		
Capital	73,855	9,400	6,355	1,168	42,154	53,292	304,780	293,639		
Shareholders' equity	113,824	52,013	3,687	144,538	4	92,150	236,935	(26,200)		
Net revenue	41,802	-	-	387,114	-	2,646	95,638	-		
Net income (loss) for the year	1,515	(207)	20	(5,889)	-	1,625	7,214	(543)		
Number of shares/quotas	14	9,400	636	302,505	11,000,000	43,623,159	304,779,837	185,007,117		
Direct ownership interest (%)	0.00%	0.10%	0.01%	100.00%	100.00%	81.86%	100.00%	63.00%		
Opening balances	1	52	-	138,458	6	77,716	228,555	-	**444,788**	**417,433**
Equity in income of subsidiaries and associated companies	**-**	**-**	**-**	**(5,889)**	**-**	**1,331**	**7,214**	**(342)**	**2,314**	**16,699**
Exchange rate change over investments	**-**	**-**	**-**	**(1,516)**	**(1)**	**-**	**-**	**-**	**(1,517)**	**29,213**
Unearned income from inventories	**-**	**-**	**-**	**(733)**	**-**	**-**	**(484)**	**-**	**(1,217)**	**-**
Reclassified for provision for unsecured liability (1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**342**	**342**	**(18,557)**
Closing balances	**1**	**52**	**-**	**130,320**	**5**	**79,047**	**235,285**	**-**	**444,710**	**444,788**

(1) The unsecured liability of the subsidiary Taurus Máquinas-Ferramentas Ltda., in the amount of R$ 342, is recorded in “Provision for unsecured liability” in non-current liabilities.

Foreign operation

Taurus Holdings, Inc., a subsidiary located in the United States, is the parent company of Taurus International Manufacturing Inc., of Braztech International L.L.C., and of other subsidiaries also located in the US territory, mainly carrying out the resale of firearms imported from Taurus Armas S.A., aimed at wholesalers in that market. The main accounting balances of the subsidiary are shown below:

		Taurus Holdings, Inc.
		Consolidated
	06/30/2019	**12/31/2018**
Assets	**395,630**	**404,315**
Liabilities	**251,092**	**252,371**
Net revenue	**387,114**	**626,661**
Loss for the year	**(5,890)**	**(17,892)**

16. Property, plant and equipment

Fixed asset items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses.

The Company chose to revalue the fixed asset items for their deemed cost on the year opening date of the year 2009. The effects of the deemed cost, net of tax effects, increased property, plant and equipment with a contra entry in shareholders' equity.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes materials and labor, as well as any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by management, costs for dismantling and restoration of the site where they are located, and loan costs on qualifiable assets for which their start capitalization date is January 1, 2009 or later.

Gains and losses on disposal of a property, plant and equipment item are determined by comparing the proceeds from disposal with the book value of Property, plant and equipment and are recognized net within "Other revenues" in the income (loss).

Depreciation is recognized in the income statement using the straight-line method over the estimated useful life of each part of an item of property, plant and equipment. The useful estimated lives for the current and comparative periods are as approximately as follow:

Group	**Useful life**
Buildings	27 years
Machinery and equipment	15–20 years
Dies and tools	5 years
Furniture	15 years
Other components	5–6 years

The depreciation methods, useful lives and residual values are reviewed at each year end and potential adjustments are recognized as a change in accounting estimate.

								Consolidated
Cost or deemed cost	**Land**	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Construction in progress**	**Advances to suppliers**	**Total**
Balance at December 31, 2017	15,598	141,285	257,707	24,653	928	3,895	409	444,475
Additions	1,296	156	7,168	751	-	3,237	44	12,652
Disposals	(9,268)	(55,565)	(8,165)	(56)	(92)	-	(88)	(73,234)
Transfers	-	(134)	2,081	336	-	(2,283)	-	-
Effect of changes in exchange rate	1,176	7,637	9,352	1,398	33	-	-	19,596
Effect of Discontinued Operations:	-							
Net changes in the year	-	91	(4,756)	91	(51)	1,835	-	(2,790)
Transfer to held for sale	(76)	(12,402)	(26,014)	(2,359)	(535)	(2,392)	(150)	(43,928)
Balance at December 31, 2018	**8,726**	**81,068**	**237,373**	**24,814**	**283**	**4,292**	**215**	**356,771**
Additions	163	303	4,346	845	-	4,817	1,574	12,048
Disposals	(241)	(3,015)	(52)	(72)	-	2,389	-	(991)
Transfers	-	249	1,268	167	-	(1,684)	-	-
Effect of changes in exchange rate	(15)	(4)	(739)	(111)	(3)	-	-	(872)
Balance at June 30, 2019	**8,633**	**78,601**	**242,196**	**25,643**	**280**	**9,814**	**1,789**	**366,956**
Depreciation								
Balance at December 31, 2017	-	(34,560)	(170,324)	(16,106)	(799)	-	-	(221,789)
	-	-	-	-	-	-	-	
Depreciation for the year	-	(7,068)	(22,516)	(1,732)	(2)	-	-	(31,318)
Disposals	-	17,888	7,330	69	55	-	-	25,342
Effect of changes in exchange rate	-	(2,260)	(5,507)	(1,237)	(33)	-	-	(9,037)
Effect of Discontinued Operations:								
Net changes in the year	-	(546)	588	(97)	80	-	-	25
Transfer to held for sale	-	3,720	18,553	1,746	416	-	-	24,435
Balance at December 31, 2018	**-**	**(22,826)**	**(171,876)**	**(17,357)**	**(283)**	**-**	**-**	**(212,342)**
Depreciation for the year	-	(2,729)	(9,989)	(736)	-	-	-	(13,454)
Disposals	-	626	41	68	-	-	-	735
Effect of changes in exchange rate	-	-	835	133	3	-	-	971
Balance at June 30, 2019	**-**	**(24,929)**	**(180,989)**	**(17,892)**	**(280)**	**-**	**-**	**(224,090)**
Book value								
December 2018	8,726	58,242	65,497	7,457	-	4,292	215	144,429
June 2019	**8,633**	**53,672**	**61,207**	**7,751**	**-**	**9,814**	**1,789**	**142,866**

Notes to the financial statements

							Parent company
Cost or deemed cost	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Construction in progress**	**Advances to suppliers**	**Total**
Balance at December 31, 2017	17,079	62,810	7,078	125	3,067	2	90,161
Additions	82	1,290	236	-	1,681	44	3,333
Disposals	-	(192)	(25)	(92)	-	-	(309)
Transfers	145	1,876	329	-	(2,350)	-	-
Balance at December 31, 2018	**17,306**	**65,784**	**7,618**	**33**	**2,398**	**46**	**93,185**
Additions	88	582	227	-	2,826	167	3,890
Disposals	(753)	(1)	(67)	-	597	-	(224)
Transfers	206	171	157	-	(534)	-	-
Balance at June 30, 2019	**16,847**	**66,536**	**7,935**	**33**	**5,287**	**213**	**96,851**
Depreciation							
Balance at December 31, 2017	(3,313)	(46,169)	(4,421)	(86)	-	-	(53,989)
Depreciation for the year	(1,881)	(4,821)	(685)	(2)	-	-	(7,389)
Disposals	367	331	39	55	-	-	792
Balance at December 31, 2018	**(4,827)**	**(50,659)**	**(5,067)**	**(33)**	**-**	**-**	**(60,586)**
Depreciation for the year	(784)	(2,223)	(337)	-	-	-	(3,344)
Disposals	156	1	64	-	-	-	221
Balance at June 30, 2019	**(5,455)**	**(52,881)**	**(5,340)**	**(33)**	**-**	**-**	**(63,709)**
Book value							
December 2018	12,479	15,125	2,551	-	2,398	46	32,599
June 2019	**11,392**	**13,655**	**2,595**	**-**	**5,287**	**213**	**33,142**

Construction in progress
The balance of constructions is related to machinery and equipment still in the implementation phase and constructions in progress. These assets should come into operation during 2019.

Guarantee
The Company uses its assets as guarantees for the funds obtained from financial institutions. Although most fixed assets are collateralized by loans and financing, and historically, the guarantees with assets have never been used. In 2019, the Company used the amount of R$ 46,482 in guarantees (R$ 46,551 as of December 31, 2018).

17. Intangible assets

Goodwill

The goodwill resulting from the acquisition of investments, after appropriate allocations, is included in intangible assets. They are presented in the parent company statement under the investment group.

Goodwill generated in business combinations are recorded in intangible assets and were determined in accordance with accounting practices in force at the time of each business combination, adjusted for the reclassification of certain intangibles. Goodwill is measured at cost, less impairment losses.

Other intangible assets

Separately acquired intangible assets are measured at cost upon initial recognition, while the cost of intangible assets acquired in a business combination is the fair value at the acquisition date. The balances are presented net of accumulated amortization and impairment losses.

Development expenditures involving a plan or project aiming at the production of new products or substantially enhanced are capitalized are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and use or sell the asset.

The amortization of intangible assets, other than goodwill, is based on their estimated useful lives and is recognized in profit or loss under the straight-line method. The estimated useful lives for the current and comparative periods are approximately 5 years for system development and deployment costs.

On December 31, 2018 the Company carried out an impairment test of fixed assets.

We also clarify that the recovery of the book value of goodwill and intangible assets with indefinite useful life is assessed annually or when impairment indicators are detected using the concept of “value in use” through discounted cash flow models of cash generating units.

						Consolidated
	Software	**Trademarks and patents**	**Client Relationship**	**Goodwill**	**Product development**	**Total**
Cost						
Balance at December 31, 2017	6,347	21,746	14,546	42,831	5,756	91,226
Acquisitions	884	-	-	1	3,486	4,371
Write-offs	-	-	-	-	(1,583)	(1,583)
Effects of exchange-rate change	-	1,790	2,399	1,749	1,066	7,004

Effect of Discontinued Operations:						
Net changes in the year	-	18	-	-	-	18
Transfer to held for sale	(1,305)	(1,284)	-	-	-	(2,589)
Balance at December 31, 2018	**5,926**	**22,270**	**16,945**	**44,581**	**8,725**	**98,447**
Acquisitions	1,332	-			314	1,646
Effects of exchange-rate change	-	(135)	(180)	(131)	(74)	(520)
Balance at June 30, 2019	**7,258**	**22,135**	**16,765**	**44,450**	**8,965**	**99,573**
Amortization						
Balance at December 31, 2017	(2,590)	(7,388)	(8,237)	-	(2)	(18,217)
Amortization for the year	(855)	-	(1,701)	-	(356)	(2,912)
Effects of exchange-rate change	-	-	(1,360)	-	(291)	(1,651)
Effect of Discontinued Operations:						
Transfer to held for sale	112	-	-	-	-	112
Balance at December 31, 2018	**(3,333)**	**(7,388)**	**(11,298)**	**-**	**(649)**	**(22,668)**
Amortization for the year	(464)	-	(997)	-	(263)	(1,724)
Effects of exchange-rate change	-	-	276	-	28	304
Balance at June 30, 2019	**(3,797)**	**(7,388)**	**(12,019)**	**-**	**(884)**	**(24,088)**
Book value						
December 2018	2,593	14,882	5,647	44,581	8,076	75,779
June 2019	**3,461**	**14,747**	**4,746**	**44,450**	**8,081**	**75,485**

Impairment test for cash generating units containing goodwill

For impairment testing purposes, the goodwill is allocated to the Group's operating divisions, which represent the lowest level inside the Group, at which the goodwill is monitored for purposes of internal management, never above the Group's operating segments.

Cash-generating unit	2018
Firearms	44,851

The recoverability test for CGUs mentioned above is performed annually based on the fair value net of sales expenses, which is estimated based on discounted cash flows. On December 31, 2018, the tests performed did not indicate the need of forming a provision for impairment losses on goodwill and intangible assets with indefinite useful lives, as well as on fixed assets. The Company evaluated main assumptions of 2018 test and verified that there are no significant changes on June 30, 2019, and concluded that it is not necessary to make an interim evaluation on this date.

Main assumptions used for forecasting the discounted cash flows

The main assumptions used in the calculation of the recoverable value are the cash flow discount rate and growth rates. Assumptions adopted are as follows:

	Discount Rate WACC	Average growth rate
Cash-generating unit	**2018**	**2018**
Firearms	16.1%	4.0%

Discount rate

The discount rate for CGU is represented by a post-tax rate based on US Treasury Bonds for 20 years, adjusted for a risk premium that reflects the risks of investments in equity securities and the systematic risk of the unit in question. The company estimated, based on management's experience with assets of this CGU, the weighted average of the capital cost of the industry in which such CGU operates, which was calculated based on a possible debt/shareholders' equity ratio of 17.06% for Firearms CGU at the market interest rate of 15.85%.

Growth rate and perpetuity

The forecasts are in line with the Business Plan prepared by the Company's management. It is expected that the projected sales growth is in line with the curve observed in previous years, and in line with the economic growth of the country. After the projection period, we considered the growth and constant percentage of economic growth (growth in perpetuity).

In order to calculate the perpetuity, a nominal growth rate of 3.8% was used, in line with the long-term inflation expectation projected by the Brazilian Central Bank (BACEN) and macroeconomic indicators published in Focus report of BACEN, and in the Country Forecast report of Economist Intelligence Unit (EIU).

18. Loans and financing

The terms and conditions of outstanding loans were as follows:

							Consolidated
					06/30/2019		12/31/2018
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.00%	2022	**28,897**	**23,959**	27,694	22,240
FINAME	R$	2.50–8.70% p.a.	2021	**2,304**	**326**	2,304	464
BNDES	R$	3.50% p.a.	2020	**9,995**	**2,686**	9,995	3,687
Advance from receivables	R$	21.60% p.a.	2019	**6,136**	**38,216**	36,141	48,455
Foreign exchange advance	USD	5.50% p.a.	2019	**50,198**	**50,198**	43,795	43,795
Working capital	USD	Libor + 1.55–5.6% p.a.	2021	**499,162**	**624,204**	499,162	670,746
Working capital	USD	80–112% CDI	2019	**65,072**	**24,261**	65,072	34,466
				Total	**763,850**		**823,853**
				Current liabilities	**218,520**		**195,926**
				Non-current liabilities	**545,330**		**627,927**

							Parent company
					06/30/2019		12/31/2018
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Secured bank loans							
Working capital	R$	CDI + 2.00% p.a.	2022	**28,897**	**23,959**	27,694	22,240
FINAME	R$	2.50–5.50% p.a.	2021	**2,304**	**326**	2,304	464
BNDES	R$	3.50% p.a.	2020	**9,995**	**2,686**	9,995	3,687
Advance from receivables	R$	21.60% p.a.	2019	**32,402**	**38,216**	36,141	48,455
Foreign exchange advances	USD	5.50% p.a.	2019	**50,198**	**50,198**	43,795	43,795
Working capital	USD	Libor + 3.00% p.a.	2022	**424,162**	**487,155**	424,162	543,947
Working capital	USD	112.00% CDI	2019	**65,072**	**24,261**	65,072	34,466
				Total	**626,801**		**697,054**
				Current liabilities	**218,520**		**195,926**
				Non-current liabilities	**408,281**		**501,128**

Flow of future debt payments stated in non-current liabilities:

	Consolidated		Parent company	
Year of maturity	06/30/2019	12/31/2018	06/30/2019	12/31/2018
2020	**3,214**	90,761	**3,214**	90,761
2021	**15,472**	15,673	**15,472**	15,673
2022	**389,595**	521,493	**389,595**	394,694
2023	**137,049**	-	**-**	-
	545,330	627,927	**408,281**	501,128

Loans and financing are guaranteed by promissory notes, interest earning bank deposits, fiduciary assignment of machinery and equipment, and real estate mortgages, quotas and collateral of subsidiaries. The sureties granted by the parent company and its subsidiaries are shown in Note 25 - Related parties.

Certain loans and financing agreements entered into by the Company and its subsidiaries contain restrictive covenants that limit certain corporate amendments, including: changes in the Company's direct or indirect control, reduction of the capital of the Company and/or its parent company, distribution of dividends, payment of interest on own capital, or any other payments to shareholders by the Company and/or its parent company in the event of default of any of the obligations and reduction of the Company's equity capital. If the restrictions are not met, creditors may anticipate maturity.

Covenants

As described in note 1, as of July 18, 2018, the new process of renegotiation of debts with the Bank syndicate was completed. The instrument, which was included in re-profile of debt process provides for the early maturity in cases of non-compliance of covenants that define, among other obligations: the maintenance of certain financial ratios, such as: net debt/adjusted EBITDA equal or lower than 13x in 2018, 8x in 2019, 7x in 2020 and 6x as of 2021, besides maintaining the Adjusted EBITDA/Financial expenses index equal or higher than 0.90 as of December 31, 2018 and 1.20x as of 2019.

Such indices are monitored by Company’s Management, as the contracts determine that the indices be measured annually.

19. Debentures

The debentures issued by the Company in a single series, not convertible into shares, distributed in the secondary market through the National Debenture System, with restricted placement efforts aimed at 3rd issue aimed at banking institutions.

Debentures	Principal (R$)	Issuing Date	Securities in the market	Financial charges	06/30/2019	12/31/2018
3rd issue (a)	100,000	06/13/2014	5,000	DI rate + 2.00% (2016)	**75,109**	85,088
				Grand total	**75,109**	85,088
				Current liabilities	**13,234**	9,450
				Non-current liabilities	**61,875**	75,638
				Total	**75,109**	85,088

Covenants

As described in note 1, as of 2018, the new process of renegotiation of Company's debt was concluded. The instrument, which was included in re-profile of debt process provides for the early maturity in cases of non-compliance of covenants that define, among other obligations: the maintenance of certain financial ratios, such as: net debt/adjusted EBITDA equal or lower than 13x in 2018, 8x in 2019, 7x in 2020 and 6x as of 2021, besides maintaining the Adjusted EBITDA/Financial expenses index equal or higher than 0.90 as of December 31, 2018 and 1.20x as of 2019.

Such indices are monitored by Management, as the contracts determine that the indices be measured annually.

20. Other accounts payable

	Consolidated		Parent company	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Performance bonus	**8,182**	2,505	**-**	-
Sales commissions	**650**	1,782	**520**	1,725
Accrued interest	**311**	2	**-**	-
FEE Banking Syndicate	**-**	430	**-**	430
Accounts payable - CBC	**48**	48	**48**	48
Parent companies and subsidiaries	**-**	-	**43,736**	43,069
Other	**7,679**	16,686	**4,964**	2,233
	16,870	21,453	**49,268**	47,505
Current	**16,870**	21,453	**5,532**	4,436
Non-current	**-**	-	**43,736**	43,069

21. Salaries and social security charges

	Consolidated		Parent company	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Salaries	**4,785**	6,381	**2,733**	4,534
Social security charges	**10,916**	14,695	**1,412**	4,905
Provisions for vacations	**16,781**	10,870	**7,133**	4,677
	32,482	31,946	**11,278**	14,116

22. Taxes, rates and contributions

	Consolidated		Parent company	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
ICMS	**564**	911	**564**	911
IPI	**22,585**	5,462	**22,585**	5,462
PIS	**275**	43	**-**	-
COFINS	**1,266**	200	**-**	-
Special tax - FAET (USA)	**17,604**	16,457	**-**	-
IRRF	**568**	8	**332**	(5)
Income tax and social contribution	**29,365**	8,135	**18,466**	-
Installment payment of PRT	**-**	2,312	**-**	1,922
Other payments in installments	**982**	1,453	**923**	1,379
Other	**11,184**	7,513	**9,427**	5,783
	84,393	42,494	**52,297**	15,452
Current	84,101	41,902	52,033	14,903
Non-current	292	592	264	549

The Company formalized its adhesion to the Tax Regularization Program (PRT), published by Provisional Measure 766/2017 and regulated by IN 1687/2017, on May 26, 2017. This program allowed the consolidation of federal tax debts and offsetting of 76% of the amount using credits of tax losses and negative basis of social contribution. The balance of 24% was paid in 24 months.

The consolidation of these debts is shown in the tables below:

							Consolidated
	IPI	**IRPJ/CSLL**	**PIS/COFINS**	**IOF**	**IRRF/PCC**	**INSS**	**Total**
Value Principal	30,754	456	9,054	342	1,090	307	42,003
Fine	6,811	165	2,158	68	368	-	9,570
Interest	3,686	94	2,030	38	(39)	438	6,247
	41,251	**715**	**13,242**	**448**	**1,419**	**745**	**57,820**
Offset of tax loss and negative basis of social contribution on net income	31,350	543	10,065	341	1,079	566	43,944
Balance - Payment in 7 installments	9,901	172	3,177	107	340	179	13,876
Payments	(9,901)	(172)	(3,177)	(107)	(340)	(179)	(13,876)
Balance payable	**-**	**-**	**-**	**-**	**-**	**-**	**-**

							Parent company
	IPI	**IRPJ/CSLL**	**PIS/COFINS**	**IOF**	**IRRF/PCC**	**INSS**	**Total**
Value Principal	29,555	-	5,101	342	711	307	36,016
Fine	5,911	-	1,020	68	142	-	7,141
Interest	3,681	-	671	38	76	438	4,904
	39,147	**-**	**6,792**	**448**	**929**	**745**	**48,061**
Offset of tax loss and negative basis of social contribution on net income	29,752	-	5,162	341	706	566	36,527
Balance - Payment in 4 installments	9,395	-	1,630	107	223	179	11,534
Payments	(9,395)	-	(1,630)	(107)	(223)	(179)	(11,534)
Balance payable	**-**	**-**	**-**	**-**	**-**	**-**	**-**

23. Provisions for civil, labor and tax risks

Provisions are formed for all contingencies referring to lawsuits in which an outflow of funds will probably be required to settle the contingency or obligation and a reasonable estimate can be made.

Based on information from its legal advisors and analysis of pending legal proceedings, the Company recorded provision in an amount considered sufficient to cover estimated losses as follow:

				Consolidated
			06/30/2019	**12/31/2018**
	Provision	**Judicial deposit (1)**	**Net**	**Net**
Labor	56,166	(11,889)	44,277	46,007
Civil	41,619	(481)	41,138	39,065
Tax	27,689	(279)	27,410	26,950
	125,474	**(12,649)**	**112,825**	112,022
Classified in current liabilities	64,789			
Classified in the non-current liabilities	60,683			

				Parent company
			06/30/2019	**12/31/2018**
	Provision	**Judicial deposit (1)**	**Net**	**Net**
Labor	37,429	(6,256)	31,173	31,151
Civil	36,648	(481)	36,167	33,166
Tax	27,689	(278)	27,411	26,950
	101,766	**(7,015)**	**94,751**	91,267
Classified in current liabilities	54,948			
Classified in the non-current liabilities	46,818			

(1) Recorded in other non-current assets.

Changes in provisions are as follows:

			Consolidated
	Civil and labor	**Tax**	**Total**
Balance at December 31, 2018	94,141	27,689	121,830
Provisions formed during the year	19,521	-	19,521
Provisions used during the year	(3,782)	-	(3,782)
Write-off of provision	(12,165)	-	(12,165)
Effect of changes	70	-	70
Balance at June 30, 2019	**97,785**	**27,689**	**125,474**

			Parent company
	Civil and labor	**Tax**	**Total**
Balance at December 31, 2018	68,911	27,689	96,600
Provisions formed during the year	14,959	-	14,959
Provisions used during the year	(1,534)	-	(1,534)
Effect of changes	130	-	130
Write-off of provision	(8,389)	-	(8,389)
Balance at June 30, 2019	**74,077**	**27,689**	**101,766**

The Company and its subsidiaries have other processes that have been assessed by the Company's legal advisors as being a possible or remote risk of loss which cannot be determined with certainty, for which no provision has been recorded in view of the fact that the accounting practices adopted in Brazil do not require their calculation as shown below:

	Consolidated				Parent company			
	06/30/2019		12/31/2018		06/30/2019		12/31/2018	
	Possible	Remote	Possible	Remote	Possible	Remote	Possible	Remote
Tax	**51,657**	**4,266**	50,924	4,266	**25,266**	**-**	24,788	-
Civil	**97,830**	**400**	96,711	1,935	**76,928**	**322**	75,616	493
Labor	**47,673**	**39,530**	59,664	31,777	**18,048**	**29,567**	28,846	23,174
	197,160	**44,196**	**207,299**	**37,978**	**120,242**	**29,889**	129,250	23,667

Lawsuit and Administrative Proceedings – PMESP

The Company was summoned to present defense in administrative process filed by the Military Police of the State of São Paulo (Sanctioning Process CSMAM-002/30/16) which challenges the possibility or not of partial or total non-compliance with the agreement for acquisition and supply of 98,465 (ninety-eight thousand, four hundred and sixty-five) firearms, type pistol, models 24/7 and 640, between years 2007 and 2011.
Since it is an administrative process and is at Discovery phase, we are presently unable to estimate the values, and the sanctions to which the Company is subject are provided for in article 87, Federal Law 8666/93, combined with article 81, State Law (SP) 6544/89.

On December 19, 2017, the Company received service of judicial process where the State of São Paulo requires the rescission of the agreement of supply of 5,931 submachine guns, model SMT-40 entered into in 2011 with the Military Police of the State of São Paulo and the return of the value paid at the time, of R$ 21.7 million, plus inflation adjustment and other legal consequences. The Company has presented its defense in the lawsuit and, according to its legal advisors, lawsuit was qualified as possible loss.

Djibouti

There is a prosecution in secrecy of Justice at the 11st Federal Court of Porto Alegre, against two former employees of the Company and one citizen from Yemen, due to alleged irregular sale of firearms in year 2013 to the Government of Djibouti, whose final destination would be Yemen. Although the Company and its officers are not parties to the process, as soon as the Company became aware of the prosecution, potentially harmful to its reputation, required and had deferred its qualification in the process, as interest party, with the purpose of clarifying to the Judge the facts known by it and providing the necessary support to the investigations. There are no estimated effects or provisions concerning the subject that are or should be duly reflected in the quarterly information of the Company on this date.

Public Civil Action - Attorney General of Sergipe for the Federal Public Prosecutor's Office

The Company became aware of the filing by the Attorney General of Sergipe for the Federal Public Prosecutor's Office of a Public Civil Action against Taurus and also against the Federal Government (Brazilian Army), before the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe. The requests are related to alleged defects in a few models of firearms produced by Taurus. In the Public Civil Action, the Federal Public Prosecutor's Office pleads that i) Taurus be prevented from trading a few models of firearms in Brazil; ii) Taurus make a national recall for replacement and/or indemnity according to the market value of these models of firearms and iii) the Federal Government be prohibited from applying the restriction of import of models that have local similar products, under penalty of daily fine of R$ 10 (ten thousand reais). Finally, the Federal Public Prosecutor's Office pleads i) the conviction of the Federal Government to the obligation to modify R-105 or to issue a new substitutive regulation that does not create regime of monopoly of sales of firearms in Brazil, which adversely affects the free competition; ii) the conviction of Taurus to the obligation to make a national recall within 20 days, for the repair, replacement and/or indemnity according to the market value of these models of firearm; (iii) the conviction of the Federal Government and Taurus to the payment of collective pain and suffering in amount to be defined by the judge, not below R$ 40.000 million. In preliminary injunction, the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe determined the obligation by Taurus to submit a detailed plan of recall of the supposedly defective models of firearms within 90 days. The preliminary injunctions for suspension of the trading of the models allegedly defective and prohibition of restriction of import of firearms by the Federal Government were rejected by the Judge. In the judgment of the bill of review filed by Taurus, The Federal Court of the 5th Region suspended the effectiveness of the decision granted by the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe, with respect to the part that establishes the submission, by Taurus, of a plan of recall within 90 (ninety) days. Currently, the lawsuit is under the submission of proofs. In the opinion of Taurus' legal advisors, the present lawsuit is classified as risk of possible loss.

Public Civil Action – Public Prosecutor's Office of the Federal District and Territories
The Public Prosecutor's Office of the Federal District ("MPDFT") filed a Public Civil Action with motion for injunction against the Company due to alleged supply to the Civil Police of the Federal District of pistols that had not met the contractual specifications. Through this action, it requires that Taurus should be convicted to indemnify for material damages caused, temporary suspension of the Company to bid and contract with the Public Management for a period of 2 years, as well as to pay for collective pain and suffering in the amount of R$ 10,000 (ten million reais). Based on injunction, it required the freezing of the claimed values in the Company's bank accounts.
The Judge of the 8th Civil Court of Brasília rejected the motion for injunction of freezing of the Company's bank accounts in the absence of evidence as to the alleged need of immediate freezing of the values claimed in the lawsuit. The MPDFT filed bill of review, received by the Notable Federal Regional Court of the 1st Region without suspensive effect and, on this date, awaits judgment.
After the submission of contestation by Taurus, the Judge accepted the request of qualification of the Federal District as co-plaintiff of the MPDFT and determined the forwarding of the lawsuit to one of the Public Treasury Courts of the Federal District, since it considers itself unqualified to judge the action. Lawsuit is now in the 1^{st} Court of the Federal District's Public Revenue Service and closing arguments being presented by the parties.
Taurus will perform all the measures necessary to prove that the allegations are unjustified and that the products traded do not have manufacturing defects. The Company believes that the risk of loss on this lawsuit is classified as possible.

Burrow Case
A lawsuit filed by William Burrow, Oma Louise Burrow, Suzanne M. Bedwell and Ernest D. Bedwell is in progress in the U.S. Court for the Southern District of Florida against Taurus and its subsidiary Braztech International L.C in the US; this lawsuit discusses alleged faults in some revolver models produced by Taurus under Rossi brand.

On January 8, 2019, the Board of Directors approved execution of an agreement to end this lawsuit that was homologated on March 15, 2019 by the federal judge responsible for the lawsuit.
In 2018, the Company recorded a provision for value loss equivalent to US$5,560, which corresponds to the loss expected in the cause pursuant to agreement executed into.

Taurus Management understands that signature of this agreement is a large step to minimize financial impacts on the Company and give management more stability. This decision corroborates the restructuring process the Company is undergoing, seeking sustainable earnings and improvement of financial and operating indicators.

Said agreement depends on final homologation by the American Court, which is expected to occur in the second half of 2019. All payments provided for in the agreement will only be mandatory after final and definitive approval.

24. Financial instruments

Company Management determines the classification of its non-derivative financial assets and liabilities at the time of their initial recognition, pursuant to the criteria set forth in CPC 48 / IFRS 9 when the characteristics of the Company's cash flows and business model in the management of financial assets. Financial liabilities are measured according to their nature and purpose.

a) Fair value vs. book value

The fair values of the financial assets and liabilities, together with the book values presented in the balance sheet, are as follows:

				Consolidated
		06/30/2019		12/31/2018
	Amortized cost	Fair value	Amortized cost	Fair value
Liabilities measured by the amortized cost				
Loans and financing	**675,436**	**665,628**	731,603	711,265
Debentures	**75,109**	**78,008**	85,088	88,866
Foreign exchange advances	**50,198**	**50,198**	43,795	43,795
Suppliers	**93,667**	**93,667**	95,102	95,102
Advance from receivables	**38,216**	**38,216**	48,455	48,455
	932,626	**925,717**	1,004,043	987,483

				Parent company
		06/30/2019		12/31/2018
	Amortized cost	Fair value	Amortized cost	Fair value
Liabilities measured by the amortized cost				
Loans and financing	**538,387**	**538,447**	604,804	594,952
Debentures	**75,109**	**78,008**	85,088	88,866
Foreign exchange advances	**50,198**	**50,198**	43,795	43,795
Suppliers	**174,089**	**174,089**	156,165	156,165
Advance from receivables	**38,216**	**38,216**	48,455	48,455
	875,999	**878,958**	938,307	932,233

The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on the date of presentation of the quarterly information.

According to the hierarchical classification criteria for determining fair value: Level 1: prices quoted (not adjusted) in active markets, net and visible to identical assets and liabilities and identical which are accessible at the measurement date; *Level 2:* prices quoted (that can be adjusted or not) for similar assets or liabilities in active markets; and Level 3: assets and liabilities that are not based on observable market data (unobservable inputs); the Company classified the fair values of financial instruments as Level 2.

25. Related parties

	Balances of subsidiaries outstanding with the parent company							Effect on the result of transactions of subsidiaries with parent company	
	Current assets (ii)	Non-current assets (iii)	Total assets	Current liabilities (i)	Non-current liabilities		Total liabilities	Revenue (vi)	Expense (vi)
December 31, 2018									
Taurus Blindagens Ltda.	364	-	364	888	10,407	(iv)	11,295	-	811
Taurus Blindagens Nordeste Ltda.	187	-	187	329	24,185	(iv)	24,514	-	1,420
Taurus Holdings, Inc.	30,104	-	30,104	75,625	6,241	(v)	81,866	199,197	-
Taurus Investimentos Imobiliários Ltda.	377	-	377	1,649	8,478	(iv)	10,127	-	753
Taurus Máquinas-Ferramenta Ltda.	-	18,164	18,164	-	-		-	848	-
Taurus Plásticos Ltda.	47	-	47	-	-		-	-	-
Polimetal Metalurgia e Plásticos Ltda.	24,652	-	24,652	85,096	-		85,096	98	82,263
	55,731	18,164	73,895	163,587	49,311		212,898	200,143	85,247
June 30, 2019									
Taurus Blindagens Ltda.	**114**	**-**	**114**	**603**	**11,779**	(iv)	**12,382**	**-**	**320**
Taurus Blindagens Nordeste Ltda.	**187**	**-**	**187**	**417**	**23,270**	(iv)	**23,687**	**-**	**723**
Taurus Holdings, Inc.	**30,233**	**-**	**30,233**	**60,379**	**6,173**	(v)	**66,552**	**230,605**	**-**
Taurus Investimentos Imobiliários Ltda.	**628**	**-**	**628**	**2,577**	**8,686**	(iv)	**11,263**	**-**	**1,086**
Taurus Máquinas-Ferramenta Ltda.	**-**	**20,143**	**20,143**	**10**	**-**		**10**	**590**	**-**
Taurus Plásticos Ltda.	**47**	**-**	**47**	**-**	**-**		**-**	**-**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**28,168**	**-**	**28,168**	**100,532**	**-**		**100,532**	**173**	**90,608**
	59,377	**20,143**	**79,520**	**164,518**	**49,908**		**214,426**	**231,368**	**92,737**

(i) Refers to amounts recorded under Suppliers - R$ 115,084, other accounts payable - R$ 49,114 and advance from clients, R$ 320.
(ii) Refers to amounts recorded under Trade accounts receivable caption, R$ 30,530 and other accounts receivable - R$ 28,847.
(iii) Refers to values recorded under the captions financial loans R$ 20,143 with the parent company Taurus Armas S.A. which are updated at 100% of CDI (Interbank Deposit Certificate).
(iv) Represent loan agreements totaling R$ 43,735 with subsidiary Taurus Blindagens Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Investimentos Imobiliários Ltda which are restated to 100% of the CDI (Interbank Deposit Certificate).
(v) Refers to advances received from clients - R$ 6,173
(vi) Comparative balance with June 30, 2018

Operations involving the Company and the subsidiary Taurus Holdings, Inc., refer to sales of firearms to be marketed by the subsidiary in the US market.

In relation to transactions involving the Company and the subsidiary Polimetal Metalurgia e Plásticos Ltda., refer to the purchase of products in the process, since the subsidiary carries out a part of the production process in the firearms' segment.

The transactions carried out with related parties follow the price conditions and terms agreed between the parties and cannot be compared to those practiced with other non-related parties.

On June 30, 2019, operations involving Taurus Armas S.A. and CBC (indirect parent company) refer mainly to sales of firearms for trading, and purchase of ammunition. The amount of these operations is shown below:

	Current assets	Current liabilities	Revenue	Expense
Companhia Brasileira de Cartuchos	**10,640**	**17,930**	**66,855**	**14,819**
	10,640	**17,930**	**66,855**	**14,819**

Directors' fees and Board Members
The remuneration of directors and board members includes salaries, fees and benefits:

	Consolidated		Parent company	
	06/30/2019	**06/30/2018**	**06/30/2019**	**06/30/2018**
Salaries and benefits of statutory directors	**3,494**	1,071	**3,494**	1,071
Remuneration and benefits of the Board of Directors	**94**	42	**94**	42
Remuneration and benefits of the Tax Council	**240**	120	**240**	120
	3,828	1,233	**3,828**	1,233

The Company does not have remuneration benefit policies for key Management personnel that may be characterized as: post-employment benefits, termination benefits, share-based remuneration or other long-term benefits.

Operations of directors and board members
Directors and board members hold a non-material percentage of Company's voting shares.

Sureties among related parties
Loans and financing are guaranteed by promissory notes, fiduciary assignment of machinery and equipment, and real estate mortgages.

The parent company granted sureties to Taurus USA in the amounts corresponding to R$ 137,049 (R$ 126,799 as of December 31, 2018) and Taurus Blindagens Ltda granted the corresponding amount of R$ 661,498 (R$ 707,294 as of December 31, 2018) to Taurus Armas S.A.

26. Discontinued operations

A discontinued operation is an item of the Group's business including operations and cash flows that can be clearly distinguished from the rest of the Group and that:

- represents a separate major line of business or geographical area of operations;
- It is part of a single coordinated plan to sell a separate major line of business or geographical area of operations; or
- is a subsidiary acquired only for the purpose of resale.
- The classification as a discontinued operation is made upon its disposal or when the operation fails to meet the criteria for being held for sale, if this occurs before.

When an operation is classified as a discontinued operation, the comparative statements of income and the statement of added value are restated as if the operation had been discontinued since the beginning of the comparative period.

In March 2018, the Board of Directors unanimously authorized the offer of the helmets business – represented by Taurus Blindagens Ltda and Taurus Blindagens Nordeste Ltda. – to the market.

The preparation of the schedule was under the responsibility of a specialized firm according to the proposal already accepted by the Company.

Although intra-group transactions were completely eliminated from consolidated income, Company Management chose to attribute the elimination of transactions between continued and discontinued operations prior to disposal in order to reflect the continuity of these transactions after disposal, since Management believes that the information is useful to users of the financial statements. To achieve this presentation, Company's Management – starting from the results of discontinued operations – eliminated inter-segment sales (and costs resulting from these sales, less unrealized profits) made prior to its disposal.

(a) Net income (loss) from discontinued operations

	06/30/2019	06/30/2018
Net sales	41,802	41,472
Elimination of inter-segment revenues	-	(4,499)
External revenues	41,802	36,973
Expenses / costs / net financial income (loss)	(40,974)	(43,864)
Elimination of inter-segment expenses	-	4,499
Foreign expenses	(40,974)	(39,365)
Income (loss) from operating activities	828	(2,392)
Taxes on profits	(714)	(166)
Net income (loss) of discontinued operations	**114**	**(2,558)**
Earnings per share - Basic (in R$)	**0.001544**	**0.034632**

Income (loss) from discontinued operations as of June 30, 2019 is R$ 114 thousand (R$ - 2,558 thousand on June 30, 2018) is fully attributed to controlling shareholders.

(b) Cash flow from discontinued operations

	06/30/2019	06/30/2018
Net cash generated by operating activities	**6,068**	(2,307)
Net cash generated in investment activities	**(2,783)**	(1,518)
Net cash invested in financing activities	**(4,737)**	(7,295)
Net cash generated by discontinued operations	**(1,452)**	(11,120)

27. Shareholders' equity / Unsecured liability (parent company)

a) Capital

On June 30, 2019, the Company’s capital is R$ 520,253 (R$ 465,218 thousand as of December 31, 2018), represented by 88,459,798 shares, of which 46,445,314 common shares and 42,014,484 preferred shares, all registered, book-entry and with no par value.

On October 5, 2018, the Company issued 4 series of share subscription bonus, with each bonus being converted into 1 share, as follows: (i) 25 million of series A, (ii) 20 million of series B, (iii) 20 million of series C and (iv) 9 million of series D. Subscription fixed prices are R$ 4.00, R$ 5, R$ 6 Brazilian Reais and R$ 7, respectively.

As of March 31, 2019, bonuses executed until then were automatically

converted into capital, in the amount equivalent to R$ 42,271, and this was ratified in the minutes of the Board of Directors’ Meeting held on April 29, 2019.

As of June 30, 2019, bonuses executed until then were automatically converted into capital, in the amount equivalent to R$ 12,765, and this was ratified in the minutes of the Board of Directors’ Meeting held on July 17, 2019.

Preferred shares

Preferred shares do not entitle to differentiated dividends and takes priority in the settlement of their share of capital.

According to the Company's Bylaws, in its Article 5, paragraph 4, the preferred shares will be entitled to vote at any General Meeting deliberations on the matters listed below, in which case each preferred share correspond to one vote:

(i) Transformation, Take-over, Merger or Spin-off of the Company;
(ii) Approval of agreements entered into between the Company and its Controlling Shareholder, as defined in Level 2 Regulation, directly of by means of third parties, as well as other companies in which the Controlling Shareholder holds interests, whenever, pursuant to law or statutory provision, such matters should be submitted to the General Meeting;
(iii) Appraisal of assets earmarked for the capital increase subscription of the Company;
(iv) Choice of a specialized company for determination of the Company's Economic Value; under Chapter VII hereof; and
(v) Change or revocation of statutory provisions which change or modify any of the requirements established in item 4.1 Regulations of the Level 2, excepting that this voting right shall prevail only while the Contract of Participation of Level 2 Corporate Governance is in force.

Authorized shares (in thousands of shares)

	06/30/2019	12/31/2018
Common shares	51,851	51,851
Preferred shares	103,702	103,702
	155,553	155,553

Shares issued and fully paid-in

	Common		**Preferred**	
	Amount in thousands	**Amount in R$ thousand**	**Amount in thousands**	**Amount in R$ thousand**
December 31, 2018				
Com.shares R$ 4.79 - Pref.shares - R$ 4.05*	46,445	222,472	28,417	115,089
June 30, 2019				
Com.shares R$ 3.40 - Pref.shares - R$ 3.40*	**46,445**	157,913	**42,014**	142,848

*Share closing quotation on the date indicated, multiplied by the total shares outstanding on that date.

b) Equity valuation adjustments

Deemed cost
The equity valuation adjustments' caption in shareholders' equity includes adjustments for the adoption of deemed cost of fixed assets on the transition date for IFRS. Amounts recorded in equity valuation adjustments are totally or partially reclassified to full or partial income (loss) for the year upon depreciation of items related to or disposal of assets.

Fair value of investment properties
As described in note 14, in 2016 the Company recognized the fair value of investment property, according to the Brazilian accounting practices (BR GAAP) and international accounting practices (IFRS). The initial recognition of investment property at fair value is made in the shareholders' equity. After the initial recognition, the fair value should be reviewed on annual basis and the changes in fair value are recognized directly in the result for the year.

Accumulated translation adjustments
Accumulated translation adjustments include all foreign currency differences deriving from the translation of financial statements of foreign operations.

c) Earnings per share

Income attributed to shareholders (basic)	Common shares (ON)	Preferred shares (PN)	Total
			Parent company and Consolidated
			06/30/2019
Denominator			
Weighted average of total number of shares	46,445	33,954	80,399
Weighted average of the number of outstanding shares	**46,445**	**33,954**	**80,399**
% of shares in relation to total	**57.77%**	**42.23%**	**100.00%**
Numerator			
Net income attributable to each class of shares (R$)	27,475	20,086	47,561
Weighted average of the number of outstanding shares	46,445	33,954	80,399
Basic and diluted earnings per share (R$) – Continued Operations	**0.5916**	**0.5916**	
Net income attributable to each class of shares (R$)	66	48	114
Weighted average of the number of outstanding shares	46,445	33,954	80,399
Basic and diluted earnings per share (R$) – Discontinued Operations	**0.0014**	**0.0014**	
Net income attributable to each class of shares (R$)	27,541	20,134	47,675
Weighted average of the number of outstanding shares	46,445	33,954	80,399
Basic and diluted earnings per share (R$)	**0.5930**	**0.5930**	

Income attributed to shareholders (basic)	Common shares (ON)	Preferred shares (PN)	Total
			Parent company and Consolidated
			06/30/2018
Denominator			
Weighted average of total number of shares	46,445	18,243	64,688
Weighted average of the number of outstanding shares	**46,445**	**18,243**	**64,688**
% of shares in relation to total	**71.80%**	**28.20%**	**100.00%**
Numerator			
Net income attributable to each class of shares (R$)	(64,638)	(25,389)	(90,027)
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$) – Continued Operations	**(1.3917)**	**(1.3917)**	
Net income attributable to each class of shares (R$)	(1,837)	(721)	(2,558)
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$) – Discontinued Operations	**(0.0396)**	**(0.0396)**	
Net income attributable to each class of shares (R$)	(66,474)	(26,110)	(92,584)
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$)	**(1.4312)**	**(1.4312)**	

Income attributed to shareholders (diluted)			Parent company and Consolidated
			06/30/2019
	Common shares (ON)	Preferred shares (PN)	Total
Denominator			
Balance of shares at the end of the year	46,445	42,014	88,46
Weighted average of the number of outstanding shares	**46,445**	**42,014**	**88,46**
% of shares in relation to total	**52.50%**	**47.50%**	**100.00%**
Numerator			
Net income attributable to each class of shares (R$)	24,972	22,589	47,561
Weighted average of the number of outstanding shares	46,445	42,014	88,46
Basic and diluted earnings per share (R$) – Continued Operations	**0.5377**	**0.5376**	
Net income attributable to each class of shares (R$)	60	54	114
Weighted average of the number of outstanding shares	46,445	42,014	88,46
Basic and diluted earnings per share (R$) – Discontinued Operations	**0.0013**	**0.0013**	
Net income attributable to each class of shares (R$) – Continued Operations	25,031	22,644	47,675
Weighted average of the number of outstanding shares	46,445	42,014	88,46
Basic and diluted earnings per share (R$)	**0.5389**	**0.5390**	

Income attributed to shareholders (diluted)			Parent company and Consolidated
			06/30/2018
	Common shares (ON)	Preferred shares (PN)	Total
Denominator			
Weighted average of total number of shares	46,445	18,243	64,688
Weighted average of the number of outstanding shares	**46,445**	**18,243**	**64,688**
% of shares in relation to total	**71.80%**	**28.20%**	**100.00%**
Numerator			
Net income attributable to each class of shares (R$)	(64,638)	(25,389)	(90,027)
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$) – Continued Operations	**(1.3917)**	**(1.3917)**	
Net income attributable to each class of shares (R$)	(1,837)	(721)	(2,558)
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$) – Discontinued Operations	**(0.0396)**	**(0.0396)**	
Net income attributable to each class of shares (R$) – Continued Operations	(66,474)	(26,110)	(92,584)
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$)	**(1.4312)**	**(1.4312)**	

d) Capital transactions
The corporate restructuring in May 27, 2011 involving the subsidiary Polimetal Metalurgia e Plásticos Ltda. and the Company resulted in changes in ownership interest between the parties involved in the amount of R$ 40,996, which was recognized in unsecured liability in the capital transaction account.

28. Net operating revenue

According to CPC 47 / IFRS 15, revenue is recognized when the client obtains control of the products. If a reasonable estimate of potential return of goods cannot be made, when allowed, revenue recognition is deferred until the return period expires or until a reasonable estimate of the returns can be made.

Pursuant to CPC 47 / IFRS 15, revenue for these contracts will be recognized to the extent that it is probable that there will be no significant reversal in the amount of accumulated revenue. Consequently, for agreements in which the Company is unable to make a reasonable estimate of the returns, revenues are expected to be recognized prior to the expiry of the period of return or before it is possible to make a reasonable estimate. A reimbursement liability and an asset for recovery will be recognized for these contracts and will be reported separately on the balance sheet.

The Company adopted CPC 47 / IFRS 15 using the cumulative effect method (with no practical expedients), with initial application of the standard recognized on initial date (that is, January 1, 2018). Consequently, the information presented for 2017 was not restated and, accordingly, it was presented as formerly reported according to CPC 30 / IAS 18 and related interpretations.

No amount was determined to be adjusted on January 01, 2018 as a result of adopting this pronouncement.

Sales tax
Sales revenues are subject to the following taxes and contributions, and the following basic rates:

	Rates
Value-added tax on sales and services–ICMS	0–25%
IPI - Excise tax	0–45%
Contribution for social security funding–COFINS	3% and 7.6%
Social integration program–PIS	0.65% and 1.65%

	Consolidated		**Parent company**	
	06/30/2019	**06/30/2018**	**06/30/2019**	**06/30/2018**
Sales of goods	**555,087**	492,238	**356,479**	333,416
Rendering of services	4	12	16	12
Total gross revenue	**555,091**	492,250	**356,495**	333,428
Sales tax	**(63,642)**	(57,917)	**(26,801)**	(28,500)
Refunds and rebates	(6,379)	(3,090)	(5,990)	(2,671)
Total net operating revenue	**485,070**	**431,243**	**323,704**	**302,257**

Because the Company’s sales have short-term maturity, and the effects of the calculation of adjustment to present value are immaterial, the Company no longer presents the calculation of present value in its financial statements.

29. Expenses per type

	Consolidated		Parent company	
	06/30/2019	**06/30/2018**	**06/30/2019**	**06/30/2018**
Expenses according to the role				
Cost of products sold	**(312,671)**	(272,798)	**(218,354)**	(208,488)
Sales expenses	**(56,754)**	(48,167)	**(23,951)**	(19,952)
Provision for impairment of financial instruments	**(268)**	(372)	**(781)**	(684)
General and administrative expenses	**(66,728)**	(60,777)	**(31,128)**	(25,851)
Other operating expenses	**(9,114)**	(8,882)	**(9,832)**	(3,263)
	(445,535)	**(390,996)**	**(284,046)**	**(258,238)**
Expenses per type	**06/30/2019**	**06/30/2018**	**06/30/2019**	**06/30/2018**
Depreciation and amortization	(15,177)	(16,657)	(3,778)	(3,738)
Personnel expenses	(127,924)	(111,656)	(46,332)	(32,464)
Tax expenses	(7,868)	(215)	(5,223)	-
Raw materials and use and consumption materials	(180,103)	(140,298)	(179,938)	(180,810)
Auxiliary, conservation and maintenance materials	(17,675)	(18,943)	(3,213)	(3,634)
Freight and insurance	(20,811)	(14,196)	(13,561)	(8,728)
Third party services	(22,125)	(14,192)	(12,415)	(7,289)
Advertising and publicity	(11,019)	(9,720)	(2,778)	(1,676)
Expenses with product warranty	(1,295)	(1,706)	(930)	(953)
Water and electricity	(5,152)	(6,069)	(446)	(765)
Travel and accommodation	(4,828)	(1,938)	(2,077)	(1,025)
Commission expenses	(11,045)	(12,877)	(2,639)	(6,260)
Cost of write-off property, plant and equipment	(256)	(6,158)	(3)	(120)
Provision for contingencies	(7,604)	(13,007)	(6,395)	(4,571)
Rentals	(2,416)	(450)	(938)	(390)
Other expenses	(10,238)	(22,914)	(3,381)	(5,815)
	(445,535)	**(390,996)**	**(284,046)**	**(258,238)**

30. Net financial income (loss)

Financial income (loss) mainly includes revenue from interest on investment funds, changes in fair value of assets measured at fair value through profit or loss and gains on hedge instruments. The financial income (loss) is recognized within the accrual period.

	Consolidated			Parent
	06/30/2019	**06/30/2018**	**06/30/2019**	**06/30/2018**
Financial expenses				
Interest	**(24.363)**	(30.584)	**(22.479)**	(32.381)
Exchange-rate changes	**(12.768)**	(124.373)	**(12.850)**	(118.557)
IOF	**158**	(1.003)	**186**	(890)
Other expenses	**(10.697)**	(7.427)	**(10.665)**	(5.715)
	(47.670)	(163.387)	**(45.808)**	(157.543)
Financial revenues				
Interest	**29.243**	1.247	**28.430**	665
Exchange-rate changes	**4.789**	17.294	**4.765**	16.764
Other revenues	**117**	85	**72**	82
	34.149	18.626	**33.267**	17.511
Net financial income (loss)	**(13.521)**	(144.761)	**(12.541)**	(140.032)

31. Insurance coverage

The Company adopts the policy of contracting insurance coverage for assets subject to risks to cover eventual claims, considering the nature of its activity. The adequacy of insurance coverage is determined by the Company's management, which considers it sufficient to cover any losses.

As of June 30, 2019, insurance coverage for the Company was as follows:

	2019	
	Consolidated	**Parent company**
Material damages	428,592	80,000
Civil liability	196,534	15,000
Loss of profit	200,583	200,583

32. Provision for product warranty

The Company quantifies and records an estimate for the costs related to the warranty, according to historical and current repair costs. The provision for product warranty ensures that the repair costs in case of replacement or repair do not affect the operating results for the periods in which these additional costs occurred. Therefore, amounts are recorded for the accrual basis of accounting. As of June 30, 2019 and December 31, 2018, the balances are shown as follow:

	Consolidated		**Parent company**	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Domestic market	**14,983**	14,122	**13,515**	12,654
Foreign market	**9,256**	9,360	**-**	-
Total	**24,239**	**23,482**	**13,515**	**12,654**
Current liabilities	**18,722**	17,903	**13,515**	12,654
Non-current liabilities	**5,517**	5,579	**-**	-

Opinions and Statements / Special Review Report - Unqualified

Report on the review of quarterly information - ITR

To the Board members and Directors of Taurus Armas

S.A. São Leopoldo – RS

Introduction

We have reviewed the interim, individual and consolidated financial information of Taurus Armas S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended June 30, 2019, which comprise the balance sheet on June 30, 2019 and related statements of income and of comprehensive income for the periods of three and six-months ending on that date, of changes in shareholders' equity and of cash flows for the period of six-months then ended, including explanatory notes.

Company's Management is responsible for the preparation of the interim financial information in accordance with CPC 21 (R1) - Interim Statement and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

Our review was carried out in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB and applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Other issues - Statements of added value

The individual and consolidated interim financial information related to statements of added value (DVA) for the six-month period ended June 30, 2019, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the audit of Company's quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial information and accounting records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Porto Alegre, August 09, 2019

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Tax Council opinion or equivalent body

Tax council opinion

The Tax Council of Taurus Armas S.A. In compliance with legal and statutory provisions, reviewed the information regarding the second quarter of 2019. Based on this review and on information contained in the Quarterly Information Review Report, issued without qualifications by KPMG Auditores Independentes and dated August 09, 2019, in addition to information and explanations received from the Company’s management, it represents that the mentioned documents are appropriate for disclosure.

São Leopoldo, August 09, 2019.

Haroldo Zago

President

Mauro César Medeiros de Mello

Board Member

Amoreti Franco Gibbon

Board member

Opinions and Statements / Statement of the Executive Officers on the Financial Statements

REPRESENTATION BY THE DIRECTORS OF TAURUS ARMAS S.A. ON THE FINANCIAL STATEMENTS FOR THE SECOND QUARTER OF 2019

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, Eduardo Minghelli e Ricardo Machado, Directors of Taurus Armas S.A., company with head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the EIN 92.781.335/0001-02, in compliance with provisions of items V and VI of article 25 of CVM Instruction 480, of December 07, 2009, state that they have reviewed, discussed and agreed with Financial Statements of Taurus Armas S.A. and consolidated companies for the period from January 01, 2019 to June 30, 2019.

São Leopoldo, August 09, 2019.

Salesio Nuhs

Chief Executive Officer

Sergio Castilho Sgrillo Filho

Diretor Administrativo Financeiro

Investor Relations Director

Eduardo Minghelli

Ricardo Machado

Executive Officers without specific designation

Opinions and Statements / Statement of the Executive Officers on Independent Auditor’s Report

STATEMENT OF THE EXECUTIVE BOARD OF FORJAS TAURUS S.A. ON THE INDEPENDENT AUDITORS' REPORT

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, Eduardo Minghelli e Ricardo Machado, Directors of Taurus Armas S.A., company with head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the EIN 92.781.335/0001-02, as provided in sections V and VI, article 25, CVM Instruction 480, dated December 07, 2009, hereby represent that they reviewed, discussed and agreed with the opinions expressed KPMG Auditores Independentes, contained in the Independent Auditors’ Review Report with regard to the Financial Statement for the period from January 01, 2019 to June 30, 2019, issued on August 09, 2019.

São Leopoldo, August 09, 2019.

Salesio Nuhs

Chief Executive Officer

Sergio Castilho Sgrillo Filho

Diretor Administrativo Financeiro

Investor Relations Director

Eduardo Minghelli

Executive Officer without specific designation

Ricardo Machado

Executive Officer without specific designation