

L I F E I N M O T I O N

*WE DO OUR PART  
TO KEEP YOUR  
LIFE IN MOTION.*

RESULTS FOR THE  
4TH QUARTER AND  
TWELVE-MONTH  
PERIOD OF 2020

[ri.fras-le.com.br](http://ri.fras-le.com.br)





Caxias do Sul, RS, March 3, 2021. Fras-le S.A. (B3: "FRAS3"), which stands out for being an Aftermarket powerhouse in auto parts, bringing together iconic products and brands in its portfolio, in addition to being the largest manufacturer of friction material in Latin America and one of the market leaders worldwide, is pleased to report its results for the fourth quarter of 2020 (4Q20). The financial and operating information of the Company is consolidated in compliance with the International Financial Reporting Standards (IFRS) and the monetary values are denominated in Reais, except when otherwise indicated. Comparisons are made with the fourth quarter of 2019 (4Q19).

## HIGHLIGHTS\_

### MARKET CAP (DEC 30, 2020)

R\$ 2.2 billion

### "FRAS3" QUOTE (DEC 30, 2020)

R\$ 10.12

### CONFERENCE CALL RESULTS

(In Portuguese, with simultaneous translation into English)

MARCH 04, 2021 (Thursday)

11:00h Brasília

09:00h New York

14:00h London

### Connections for audio in Portuguese:

Dial-In +55 11 3181 8565 or

+55 11 4210 1803 | Ticker: Fras-le;

### Connections for audio in English:

Dial In +1 844 204 8942 ou

+1 412 717 9627 | Ticker: Fras-le.

### WEBCAST:

Portuguese: [click on here.](#)

English: [click on here.](#)

### REPLAY:

+55 11 3193 1012 ou +55 11 2820 4012

Password for Portuguese: 4298952#

Password for English: 6652393#

### ■ Total Gross Revenue, with no elimination:

R\$ 832.7 million, or 47.5% up from 4Q19;

### ■ Net Revenue:

R\$ 595.3 million, or 60.5% up from 4TQ9;

### ■ Sales in the Foreign Market (Exports + overseas operations):

US\$ 37.9 million, or 22.8% down from 4Q19;

### ■ Gross Income:

R\$ 175.8 million, or 70.5% up from 4Q19;

### ■ EBITDA:

R\$ 156.6 million, or 156.3% up from 4Q19;

### ■ Consolidated Net Income:

R\$ 128.4 million, or 2891.3% up from 4Q19.

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**“The actions taken more than two years ago have paved the way for the Company to achieve, despite the challenges of Covid-19, its best results in the last decade.”**

## **WORD FROM THE MANAGEMENT**

In 4Q20, Fras-le continues to show growth in its revenue and profitability indicators. The adjustments and adaptations that have been made over the past years continue to bear fruit for the Company's results, in line with the excellent performance of the acquired company Nakata and, especially in this quarter, the gain the Company had from the exclusion of the ICMS from the PIS/Cofins basis. All these factors have led the company to generate a record profit in this quarter. This is the best quarter ever in the Company's history.

The acquisition of Nakata promotes significant growth in the Brazilian aftermarket, which is quite resilient. In addition, it helped increase Fras-le's revenue diversification, taking friction material to levels close to 50% in the period, thus adding to an increase in the suspension, steering and powertrain line.

The Company remains attentive to the effects caused by the devaluation of the Real, by the inflationary pressure that reflects in the main indicators, and by the reduced availability of some raw materials and components, and so it keeps teams dedicated to mitigate these effects.

It is also attentive to the impacts of the pandemic and its effects on our markets and sources, as well as on the people who are part of the Fras-le Universe.



**PROTAGONISM** – Fras-le has been once again highlighted in the Export Award due to its positive performance in 2019. The volumes traded with North American account for about 62.5% of the Company's total exports; South America accounts for 19.5 % and Africa and the Middle East region account for 9.5%. Sales to Europe, Central America and the Caribbean and to Asia and Oceania account for 4.6%, 2.3% and 1.65, respectively.

In partnership with Apimec, we promoted the Fras-le Universe, held in november 2020 to present the Company's results, growth strategy, innovation trend and future prospects.

Due to the Covid-19 pandemic, the event was held in an online format, transmitted through the exclusive platform for the event and through our YouTube channel, which allowed more than 250 people to connect to the event simultaneously, where no in-person events were held. only about 60 dissipation, in addition, the content remains available and already has more than 1,200 views. (data from February 2021)

Watch in full via the YouTube link: [bit.ly/2LQ30Wm](https://bit.ly/2LQ30Wm)

**INNOVATION** – Moving forward in our actions towards a more connected and intelligent production process, we are investing in a new autonomous product transportation system in our plants. The new automated area of our headquarters, located in Caxias do Sul (RS), which now operates with four autonomous vehicles, also known as AGV's (the acronym in English for Automatic Guided Vehicle) was opened in December 2020. Used in the internal transit of parts between the production lines and the processing of friction products, the equipment allows a safer and more efficient movement of the components, reducing risks for the professionals involved and increasing productivity.



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	4Q20	4Q19	Δ %	2020	2019	Δ %
<b>Gross Revenue *</b>	<b>832.7</b>	<b>564.4</b>	<b>47.5%</b>	<b>2,372.2</b>	<b>2,009.1</b>	<b>18.1%</b>
<b>Net Revenue</b>	<b>595.3</b>	<b>370.8</b>	<b>60.5%</b>	<b>1,670.8</b>	<b>1,365.5</b>	<b>22.4%</b>
Domestic Market	391.0	168.6	131.8%	920.2	675.3	36.3%
Foreign Market	204.3	202.2	1.1%	750.5	690.2	8.7%
Foreign Market US\$	37.9	49.1	-22.9%	145.8	174.9	-16.6%
Exports - Brazil US\$	19.4	29.1	-33.3%	68.9	89.3	-22.8%
<b>Gross Profit</b>	<b>175.8</b>	<b>103.1</b>	<b>70.6%</b>	<b>479.9</b>	<b>349.7</b>	<b>37.2%</b>
Gross Margin	29.5%	27.8%	1.7 pp	28.7%	25.6%	3.1 pp
<b>Operating Profit</b>	<b>129.5</b>	<b>37.0</b>	<b>249.5%</b>	<b>240.0</b>	<b>106.7</b>	<b>125.0%</b>
Operating Margin	21.8%	10.0%	11.8 pp	14.4%	7.8%	6.6 pp
<b>EBITDA</b>	<b>156.6</b>	<b>61.1</b>	<b>156.3%</b>	<b>330.9</b>	<b>175.2</b>	<b>88.8%</b>
EBITDA Margin	26.3%	16.5%	9.8 pp	19.8%	12.8%	7.0 pp
<b>Net Profit</b>	<b>128.4</b>	<b>-4.6</b>	<b>2865.2%</b>	<b>182.0</b>	<b>32.8</b>	<b>454.9%</b>
Attributable to non-controlling shareholders	-0.172	-1.4	87.9%	-6.7	-4.1	63.2%
Net Margin	0.2	0.0	2282.8%	0.1	0.0	849.3%
<b>Adjusted EBITDA</b>	<b>114.0</b>	<b>64.6</b>	<b>76.5%</b>	<b>283.1</b>	<b>189.7</b>	<b>49.2%</b>
Adjusted EBITDA Margin	19.2%	17.4%	1.7 pp	16.9%	13.8%	3.1 pp

Values in R\$ million (except for exports, profit per share and percentage)

(\*) Includes intercompany sales

## Sales overview\_

2020 was a year of overcoming, albeit all the difficulties and uncertainties caused by the pandemic. But Fras-le remained firm in its purposes and completed the acquisition of Nakata, the largest one in its history. This leads us to a differentiated level, although it is important to highlight that even without considering this acquisition, the Company's revenues were higher when compared to 4Q19 and to the twelve months of 2019, in almost all segments. The Automakers segment, in the domestic market, was the only one showing a small drop, directly linked to the pandemic. This is, in particular, the largest and best quarter in the history of the Company, making Management and all employees very proud, while expecting this to be just one more of the vibrant pages still ahead of us, in the history of Fras-le.

## Volume and Revenue by Material Family\_

The last quarter of 2020 shows that Fras-le, through its expansion strategies, has an increasingly complete product portfolio to serve its customers.

Please see below the most representative volumes and revenues by Material family in our business:

Sales Volumes by Product Line in millions of pieces or liters											
VOLUMES	4Q20		4Q19		Δ %	2020		2019		Δ %	
	Friction Material	26.8		26.7		0.3%	94.7		102.8	-7.9%	
	Components for the Brake System	3.6		1.9		86.5%	8.7		7.9	10.6%	
	Components for the Suspension, Steering and Powertrain	4.0		0.1		3315.5%	5.4		0.7	690.8%	

Sales Revenue by Material in R\$ million											
NET REVENUE	4Q20		4Q19		Δ %	2020		2019		Δ %	
	Friction Material	311.8	52.4%	273.8	73.8%	13.9%	1,053.5	63.1%	1,007.9	73.8%	4.5%
	Components for the Brake System	93.2	15.7%	76.0	20.5%	22.6%	308.0	18.4%	275.8	20.2%	11.7%
	Components for the Suspension, Steering and Powertrain	141.6	23.8%	7.3	2.0%	1839.5%	209.7	12.5%	33.1	2.4%	534.0%
	Other products	48.7	8.2%	13.7	3.7%	256.4%	99.6	6.0%	48.7	3.6%	104.5%
<b>Total Net Revenue</b>	<b>595.3</b>	<b>100.0%</b>	<b>370.8</b>	<b>100.0%</b>	<b>60.5%</b>	<b>1,670.8</b>	<b>100.0%</b>	<b>1,365.5</b>	<b>100.0%</b>	<b>22.4%</b>	

The components are detailed at the end of this report.

- Friction Material: Historically, friction materials have exceeded 80% of the Company's consolidated revenue. However, on account of the recent acquisitions, sales in other product families have increased as well, leading revenues from friction materials to reach 52% in 4Q20.

- Brake System Components: The growth in Net Revenue reflects the dynamics of mix and export performance.
- Suspension, Steering System and Powertrain: With the acquisition of Nakata, the family of suspension, steering system and powertrain components gained strength, accounting for 23% of the Company`s consolidated revenue in 4Q20.

It should be noted that the performance of sales revenue by material family does not necessarily reflect the same behavior in volumes, since we have variation effects in exchange rates, mix and prices. For more details on families, see Annex VI.

## Revenues by Market\_

Net Revenue by Markets										
Markets	4Q20		4Q19		Δ %	2020		2019		Δ %
DM Aftermarket	353.2	59.3%	139.5	37.6%	153.2%	794.3	47.5%	551.8	40.4%	43.9%
DM OEM	37.8	6.4%	29.2	7.9%	29.6%	126.0	7.5%	123.5	9.0%	2.0%
<b>Domestic Market</b>	<b>391.0</b>	<b>65.7%</b>	<b>168.6</b>	<b>45.5%</b>	<b>131.8%</b>	<b>920.2</b>	<b>55.1%</b>	<b>675.3</b>	<b>49.5%</b>	<b>36.3%</b>
FM Aftermarket	172.1	28.9%	191.1	51.5%	-9.9%	672.1	40.2%	641.9	47.0%	4.7%
FM OEM	32.2	5.4%	11.1	3.0%	189.7%	78.5	4.7%	48.3	3.5%	62.4%
<b>Foreign Market</b>	<b>204.3</b>	<b>34.3%</b>	<b>202.2</b>	<b>54.5%</b>	<b>1.1%</b>	<b>750.5</b>	<b>44.9%</b>	<b>690.2</b>	<b>50.5%</b>	<b>8.7%</b>
Total Aftermarket Net Revenue	525.3	88.2%	330.5	89.1%	58.9%	1,466.3	87.8%	1,193.7	87.4%	22.8%
Total OEM Net Revenue	70.0	11.8%	40.3	10.9%	73.7%	204.5	12.2%	171.8	12.6%	19.0%
<b>Total Net Revenue</b>	<b>595.3</b>	<b>100.0%</b>	<b>370.8</b>	<b>100.0%</b>	<b>60.5%</b>	<b>1,670.8</b>	<b>100.0%</b>	<b>1,365.5</b>	<b>100.0%</b>	<b>22.4%</b>

Values in R\$ million

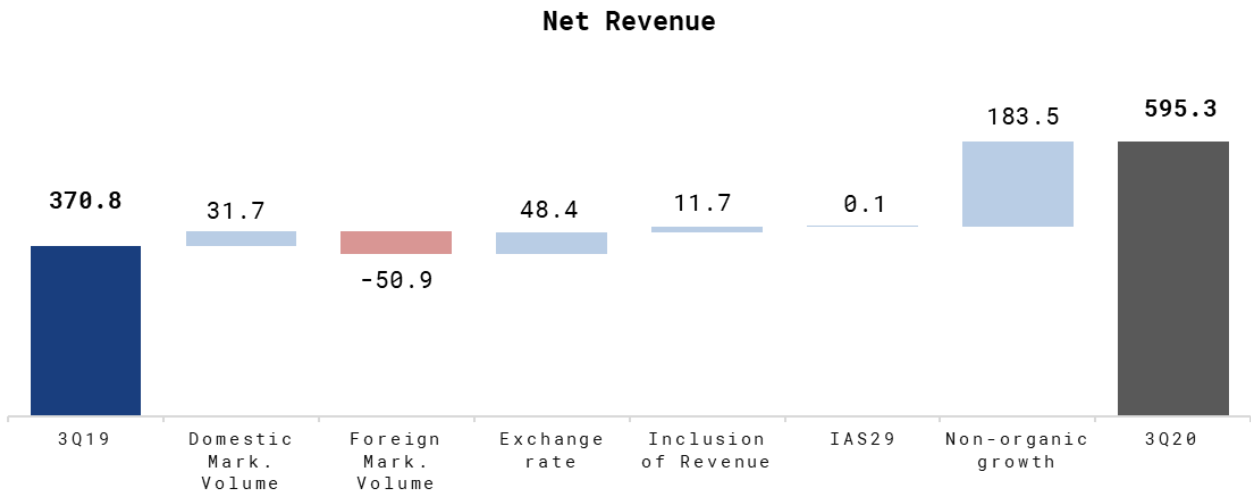
**DOMESTIC MARKET:** The demand for replacement parts of commercial vehicles for cargo transportation and passenger vehicles continues high. The growth of more than 100% in this market is a result of the acquisition of Nakata, which started to consolidate its results in the Company from September 2020 on. In the quarterly comparison, without considering the revenues from this acquisition, Fras-le still shows growth of more than 25%;

**FOREIGN MARKET:** With a gradual recovery in volumes and the exchange rate having a positive impact, the result for this quarter is 1.1% higher than the same period of the previous year;

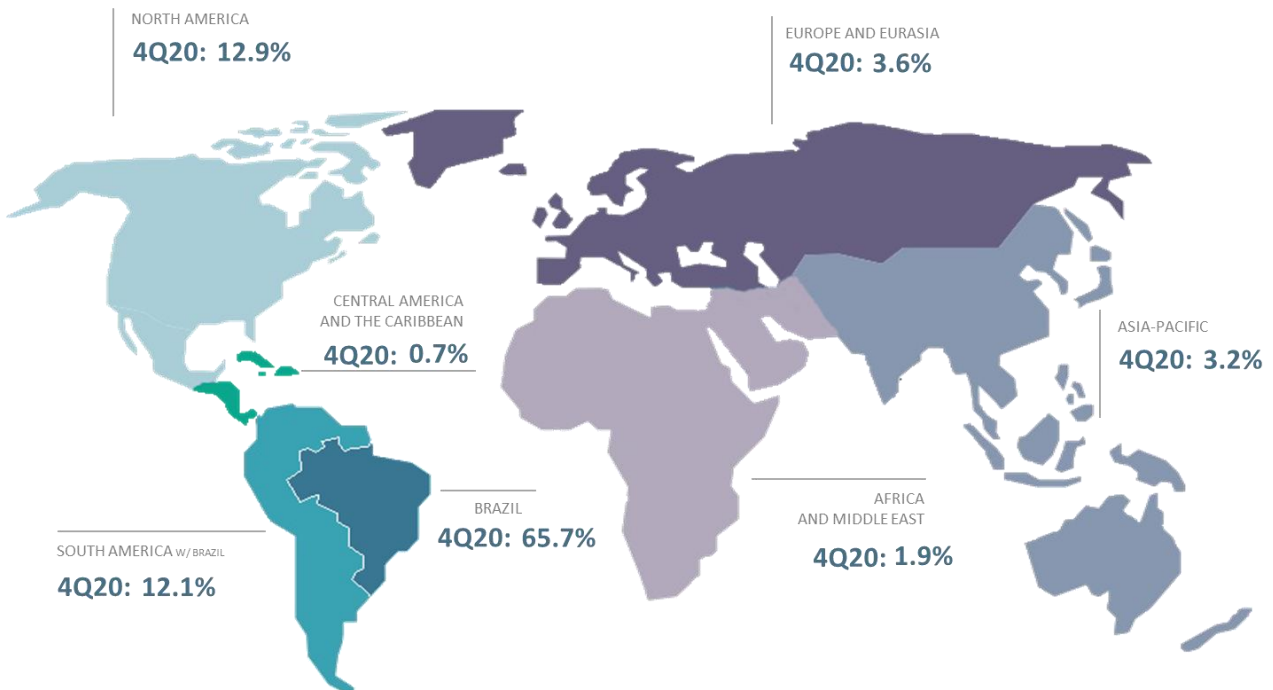
**AFTERMARKET:** With growth of more than 58% in 4Q20, the Aftermarket once again proved to be a resilient market and, even disregarding non-organic growth, we managed to grow almost 8% in this segment in 2020;

**OEMs:** This segment shows growth in the foreign market, driven by the gain of new customers, mainly in China. In the domestic market, it was the only segment that showed no increase when compared to the previous year, disregarding Nakata's volumes.

The graph below, in causal format, shows the effects that changed the performance of consolidated net revenue in 4Q20 when compared to 4Q19:



## Breakdown of New Revenue in the World\_



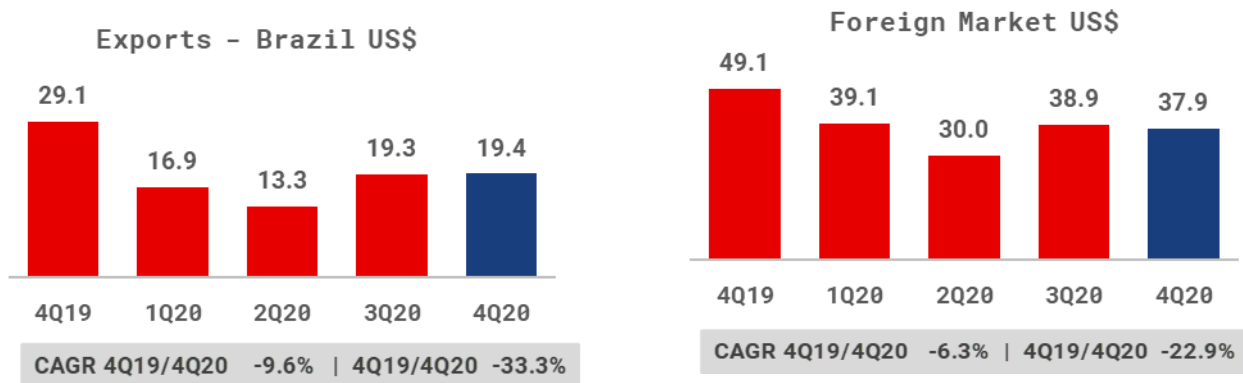
- BRAZIL: The acquisition of the subsidiary *Nakata Automotiva* adds important revenue to the domestic market, accounting for more than 65% of the consolidated net revenue in 4Q20, which historically has been around 50%.



- NORTH AMERICA: Volumes are gradually increasing, since Meritor, our main partner in that region, has gained market share, which also promotes growth for Fras-le;
- SOUTH AMERICA: With the gain of new customers and expansion of product mix, there has been recovery, although slow and gradual;
- EMEA (EUROPE, AFRICA and the MIDDLE EAST): This region went through new restrictions on circulation due to the second wave of Covid-19, a fact that impacted sales at the end of 4Q20. However, in the annual comparison, sales in 2020 exceeded those in 2019;
- ASIA AND PACIFIC: China continues to grow and gain market share with new customers and the Trading Company, which aims to increase business for the other Fras-le units. It started operations in 4Q20.

## Foreign Market and Exports\_

The performance of exports out of Brazil and of the revenues from foreign units was impacted by the pandemic. However, when comparing quarters, especially 4Q19, a contract amounting approximately US\$ 5.4 million in the revenue of the Controlling Company impairs the comparison between 4Q19 and 4Q20.



Total sales from the foreign market (which corresponds to exports out of Brazil and the sales by our units abroad) went down by 22.9% when compared to 4Q19. This result shows the performance of our foreign units, which was lower than in 2019, except for our unit located in China, which grew by more than 17%.

## Operating Performance Overview\_

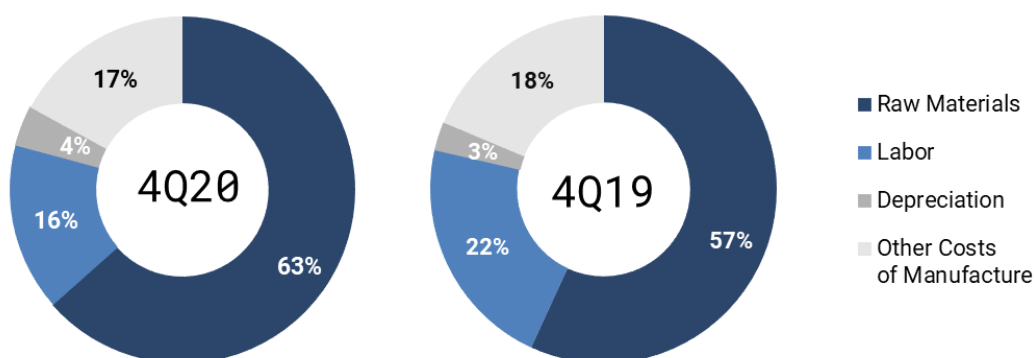
With the pandemic, the Company has built on its expertise, mainly how to manage its businesses while navigating a sea of uncertainties. What we have learned in our Chinese plant has allowed us, even before the movement in Brazil, to grow in preparations regarding the protection and safety procedures of our employees. During this period, we have taken various actions to support communities, including the donation of hospital protection items and materials aimed at building respirators.

At the same time, we took actions to improve things inside the Company, such as cost control and speed adjustment in some projects, in some months. As sales volumes began to resume, the good results allowed us to resume plans and projects. We made constant investments in innovation, and in industrial and digital transformation. Although it was a difficult year, the efforts of a dedicated team yielded continuing fruits.

## Cost of Products Sold (Cogs)\_

The cost of products sold amounted to R\$ 419.5 million in 4Q20, accounting for 70.5% of the net revenue of the same period last year. In the 12-month period of 2020, Cogs totaled R\$ 1,2 billion, accounting for 71.3% of net revenue.

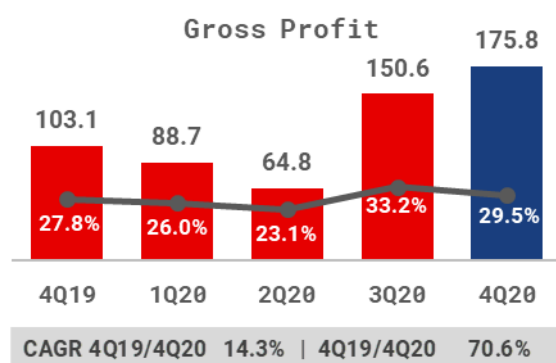
The chart below shows the composition of COGS:



Our efforts in quickly adapting bore fruits. Always concerned with the people working in our plants, linked to cost control and to the search for alternative sources of supply, allowed our COGS to drop, at the end of this challenging year, by 1.7 percentage points when comparing to 4Q19, and by 3.1 percentage points in the 12-month period. Regarding the value of raw-material the Cogs, the

increase is due to Nakata, which, due to its business model, has a higher cost in this item. Furthermore, we will probably face supply chain challenges and we are already suffering from inflation in many inputs, in addition to difficulties in the availability of some raw materials. In order to mitigate these effects, our purchasing sector has been working hard and closely with suppliers.

## Gross Income\_



Gross margin in 4Q20 increased by 1.7 p.p. when compared to 4Q19. This improvement reflects our efforts in reducing costs and improving processes, and the exchange rate variation in the period, leading to gains in productivity and, in turn, in margin.

## Operating Expenses and Revenues\_

	4Q20		4Q19		Δ %	2020		2019		Δ %
<b>Selling Expenses</b>	-46.9	-7.9%	-35.9	-9.7%	30.7%	-147.9	-8.9%	-133.4	-9.8%	10.9%
Variable Expenses w/ Sales	-13.6	-2.3%	-12.0	-3.2%	13.3%	-49.5	-3.0%	-42.7	-3.1%	16.1%
Other Expenses w/ Sales	-33.3	-5.6%	-23.8	-6.4%	39.5%	-98.4	-5.9%	-90.7	-6.6%	8.5%
<b>Administrative Expenses</b>	-52.9	-8.9%	-30.7	-8.3%	72.0%	-146.3	-8.8%	-107.6	-7.9%	36.0%
<b>Other Net Expenses/Income</b>	53.4	9.0%	0.6	0.2%	9384.9%	54.3	3.3%	-2.0	-0.1%	-2848.7%
Other Operating Expenses	-64.1	-10.8%	-12.8	-3.5%	400.9%	-99.3	-5.9%	-21.9	-1.6%	353.6%
Other Operating Income	117.5	19.7%	13.4	3.6%	779.5%	153.6	9.2%	19.9	1.5%	671.4%
<b>Total Operating Exp/Income</b>	-46.3	-7.8%	-66.0	-17.8%	-29.8%	-239.9	-14.4%	-243.0	-17.8%	-1.3%

Values in R\$ millions and % over Net Revenue

The significant increase in administrative and sales expenses, when comparing with the same quarter last year, is due to the expenses by the acquired company Nakata.

Administrative Expenses: include fees for tax proceedings, donations provided for by law that have historically been made in the fourth quarter, and provision for Management's profit sharing;

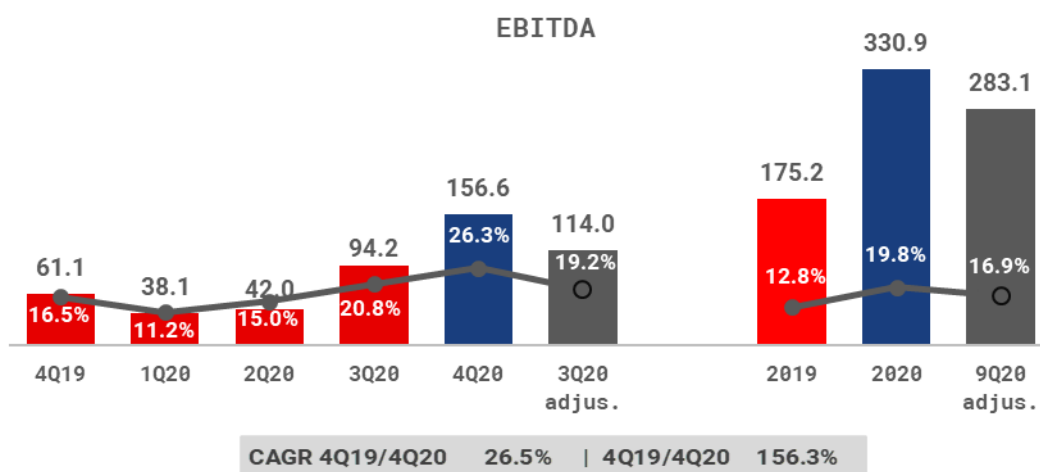
Other Operating Expenses: Impairment of investments in the controlled units Jurid, Armetal and Fanacif, totaling R\$26.0 million;

Other Operating Income: success of the Company and its subsidiary Fremax in the process of excluding ICMS from the PIS and COFINS calculation basis totaling R\$ 91.0 million.

The amount referring to the unappealable judgment of the period from 1994 to 2011 of Freios Controil was also recorded, which is linked to the contractual obligation, acquired at the time of the acquisition of the subsidiary, of transferring the amounts to the former partners at the time of offsetting the established amounts. Accordingly, the Company recorded the amount in the caption Other Operating Expenses, in the amount of R\$ 18.8 million, net of taxes and fees, where R\$ 21.0 million correspond to Other Operating Income and R\$ 2.2 million to Administrative Expenses, rendering the Company's net results without effect.



## EBITDA\_



Consolidated EBITDA reached R\$ 156.6 million in 4Q20, accounting for an increase of R\$ 95.5 million when compared to 4Q19. The EBITDA margin, on the other hand, grew by 9.8p.p.

Below we present the adjusted EBITDA for the period and accumulated.

	4Q20		2020	
	Adjusted	Accounted	Adjusted	Accounted
<b>Net Revenue</b>	<b>595.3</b>	<b>595.3</b>	<b>1,670.8</b>	<b>1,670.8</b>
(+) Voluntary untying			3.4	
(+) Structure adjustments			1.8	
<b>COGS – Cost of Goods Sold</b>	<b>-419.5</b>	<b>-419.5</b>	<b>-1,185.6</b>	<b>-1,190.9</b>
<b>Gross Profit</b>	<b>175.8</b>	<b>175.8</b>	<b>485.2</b>	<b>479.9</b>
Gross Margin	29.5%	29.5%	29.0%	28.7%
(-) Gains from Tax Proceedings	-70.7		-93.4	
(+) Voluntary untying			0.2	
(+) Impairment of Assets	26.0		34.5	
(+) Provision for loss on other receivables			1.2	
(+) Demobilization of assets			2.2	
(+) Alteração na expectativa de recuperabilidade de plano de previdência	2.2		2.2	
Operating Expenses	-99.7	-99.7	-294.3	-294.3
(-) Other Expenses/Revenues	53.4	53.4	54.3	54.3
<b>Operating Expenses</b>	<b>-88.9</b>	<b>-46.3</b>	<b>-293.0</b>	<b>-239.9</b>
<b>EBIT</b>	<b>86.9</b>	<b>129.5</b>	<b>192.2</b>	<b>240.0</b>
Depreciation/Amortisation	27.1	27.1	90.9	90.9
<b>EBITDA</b>	<b>114.0</b>	<b>156.6</b>	<b>283.1</b>	<b>330.9</b>
EBITDA Margin	19.2%	26.3%	16.9%	19.8%

Values in R\$ millions

Excluding non-recurring effects, adjusted EBITDA in 4Q20 reached R\$ 114.0 million, with a margin of 19.2%. Adjusted EBITDA ends 2020 with a total of 283.1 million and a 16.9% margin.

*Note: the net impact of gains from tax proceedings includes operating income less attorneys' fees, donations and additional profit sharing provisions.*



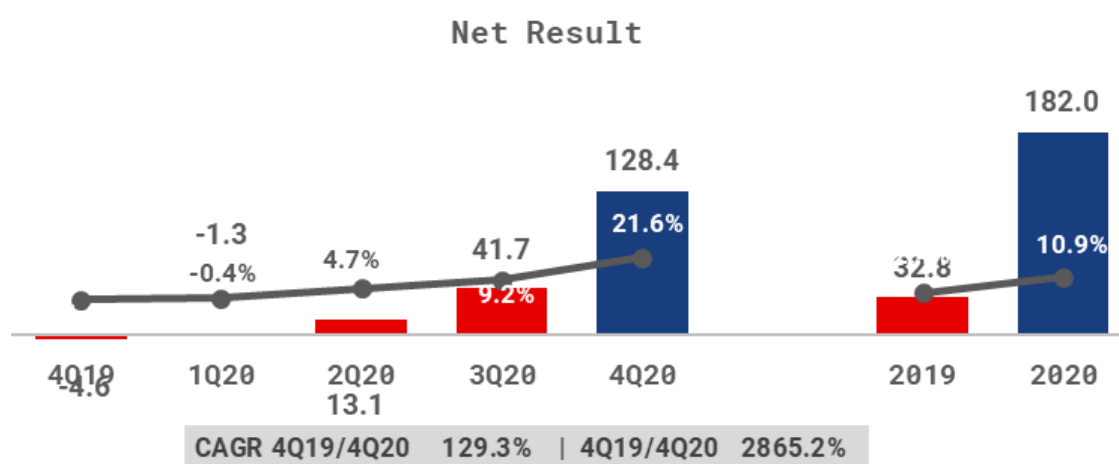
## Financial Result\_

	4Q20	4Q19	Δ %	2020	2019	Δ %
Exchange Variation	17.3	23.3	-25.5%	178.2	121.0	47.2%
Interests on Capital Investment	5.1	0.8	502.2%	13.3	9.8	35.0%
Present Value Adjust	10.6	1.2	762.4%	12.9	5.3	143.7%
Other Financial Income	46.4	0.6	7873.7%	57.8	3.1	1743.4%
Monetary adjustment (IAS 29)	23.0	0.6	3651.4%	30.3	23.9	26.7%
<b>Financial Income</b>	<b>102.5</b>	<b>26.5</b>	<b>285.9%</b>	<b>292.4</b>	<b>163.2</b>	<b>79.2%</b>
Exchange Variation	-31.1	-35.3	-11.9%	-203.3	-150.4	35.2%
Financing Interests	-9.1	1.7	-645.8%	-34.4	-17.4	97.9%
Present Value Adjust	-16.1	-2.8	474.6%	-22.1	-9.5	132.1%
Bank Expenses	-3.1	-1.9	59.5%	-9.1	-9.9	-8.7%
Other Financial Expenses	-4.7	-2.5	89.2%	-8.9	-12.3	-27.1%
<b>Financial Expenses</b>	<b>-64.1</b>	<b>-40.9</b>	<b>56.9%</b>	<b>-277.8</b>	<b>-199.5</b>	<b>39.2%</b>
<b>Financial Result</b>	<b>38.4</b>	<b>-14.3</b>	<b>-368.3%</b>	<b>14.6</b>	<b>-36.3</b>	<b>-140.1%</b>

Values in R\$ millions

The main factors that caused the variation in the Financial Result were the 31.1% appreciation of the average US dollar against the Real and interest income on gains from tax proceedings totaling R\$ 47.6 million in 4Q20.

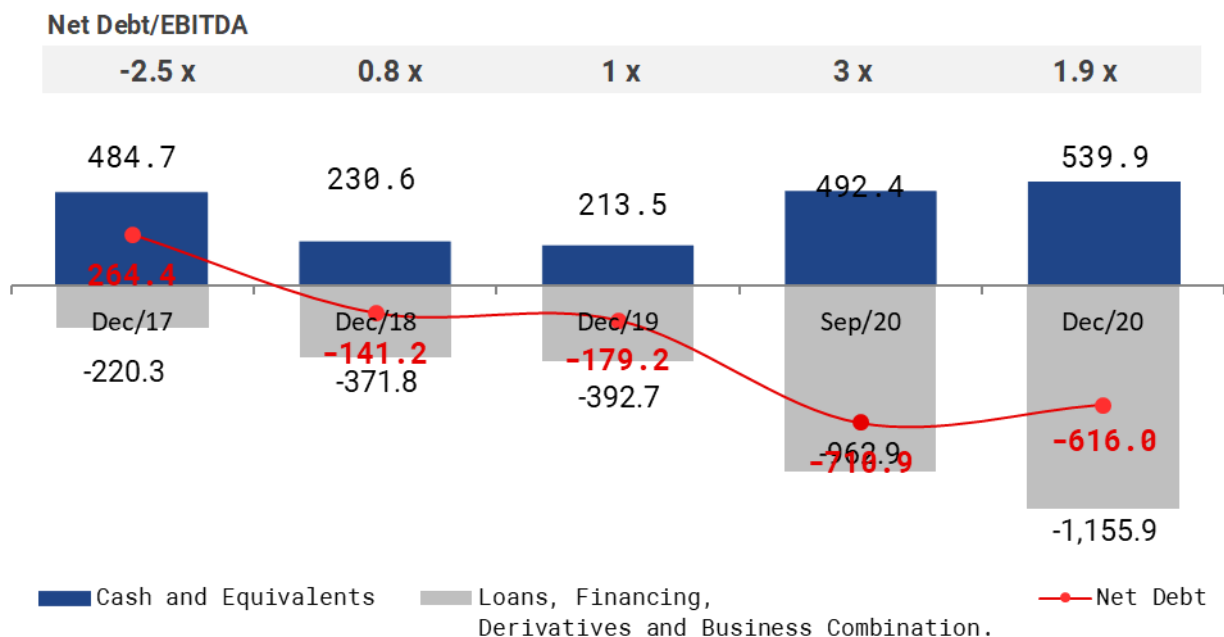
## Net Income\_



The combination of all the factors listed above resulted in net book income of R\$ 128.4 million in 4Q20 and 182.0 million in the year.

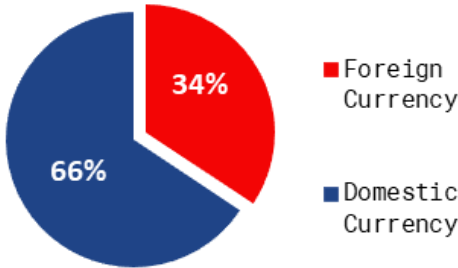
## Net Debt\_

- In fiscal years 2016 and 2017, Fras-le was in a comfortable situation in its financial resources. Resources were allocated from a capital increase made in 2016, through an offering of shares, in addition to resources from the cash generation itself. Throughout 2018 and 2019, most of these funds were used to pay for the acquisitions and to pay shareholders, represented by dividends and interest on equity capital, thus gradually reducing the volume of funds invested;
- 2020: The Company holds debentures agreements worth R\$ 420 million for the payment of financial commitments for the year ended December 31, 2021. The funding come from debentures issued on June 15, 2020 and July 15, 2020, in the amounts of R\$ 210,000 million each, all of which through a Private Deed Instrument of Non-convertible Debentures of the Unsecured type, in a single series, for Public Distribution with Restricted Efforts, under subscription regime. The final maturity is June 15, 2027 and July 15, 2027, respectively. As of 3Q20, Business Combinations have become part of the Company's net debt in the amount of R\$ 232,883 million.

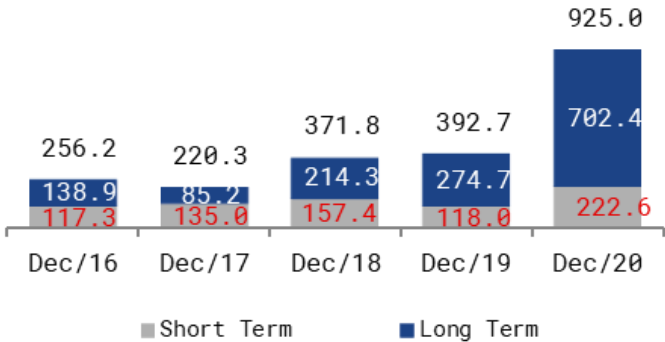


The following graphs show the debt details:

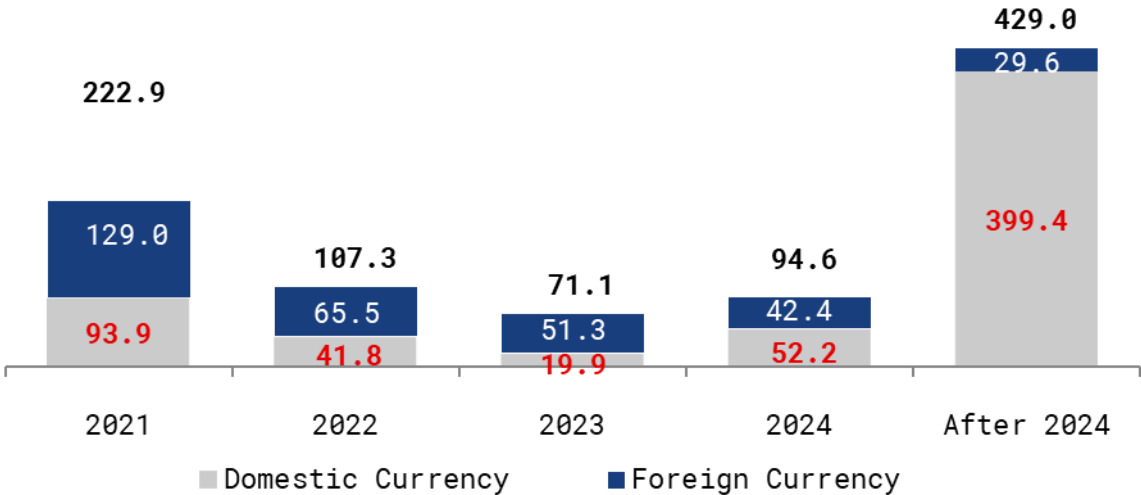
Debt Origin - Dec/20



Loans, financing and derivatives



Annual Payment



## Need for Working Capital\_

	2016	2017	2018	2019	2020
<b>Resources Investment</b>					
Customers	61.4	77.8	112.8	123.4	289.2
<i>In Days</i>	<i>21 d</i>	<i>26 d</i>	<i>28 d</i>	<i>25 d</i>	<i>49 d</i>
Inventory	172.2	256.2	368.3	333.3	494.1
<i>In Days</i>	<i>59 d</i>	<i>84 d</i>	<i>91 d</i>	<i>69 d</i>	<i>84 d</i>
Others Resources	22.0	40.8	61.9	42.9	221.9
<b>Total of Resources Invested</b>	<b>255.6</b>	<b>374.8</b>	<b>542.9</b>	<b>499.6</b>	<b>1,005.2</b>
<b>Sources</b>					
Suppliers	-56.4	-78.4	-95.7	-93.7	-265.4
<i>In Days</i>	<i>19 d</i>	<i>26 d</i>	<i>24 d</i>	<i>19 d</i>	<i>45 d</i>
Others Resources	-41.3	-57.5	-71.3	-82.6	-133.9
<b>Total of Sources</b>	<b>-97.7</b>	<b>-135.8</b>	<b>-167.0</b>	<b>-176.3</b>	<b>-399.3</b>
<b>WC in R\$</b>	<b>157.8</b>	<b>238.9</b>	<b>375.9</b>	<b>323.3</b>	<b>606.0</b>
<i>WC in Days</i>	<i>54 d</i>	<i>78 d</i>	<i>93 d</i>	<i>67 d</i>	<i>103 d</i>
<i>WC in Days annualizing Nakata's Gross Revenue</i>					<i>81 d</i>

Values in R\$ million

- 2017/2018: Cycle of expansions through the addition of new structures and the need for resources to operationalize the business;
- 2019: Actions taken to reduce working capital levels. Volumes returned to levels considered regular for the Company, resulting in reinforcement in cash, and consequently, in an important reduction in Need for Days Working Capital (NWC);
- 2020: The main factor for the increase in NWC is the incorporation of the balances of the controlled company Nakata into the consolidated result of the Company. When we annualize the Gross Revenue of the newly-acquired Nakata to compose the NWC calculation in days, it drops to 81 days. In addition, we highlight the conversion of the exchange rate, which causes an increase in the balances of foreign operations and gains in lawsuits.

## Free Cash Flow\_

	2016	2017	2018	2019	2020
<b>EBITDA</b>	<b>123.7</b>	<b>106.4</b>	<b>183.9</b>	<b>175.2</b>	<b>330.9</b>
Investments	-10.4	-45.0	-61.5	-83.2	-56.0
Financial Result	2.6	18.4	-37.5	-36.3	14.6
Income and Social Taxes	-21.8	-19.4	-13.7	-37.5	-72.5
Working Capital Variation	40.3	-81.1	-137.0	52.7	-272.6
<b>Operating Cash Flow</b>	<b>134.4</b>	<b>-20.7</b>	<b>-65.9</b>	<b>70.8</b>	<b>-55.6</b>
Dividends/ROE	-19.1	-44.1	-50.9	-73.6	-15.5
Capital Integralization	295.5	-6.9	-301.8	0.0	-283.4
Debt Exchange Variation	11.7	0.3	-0.4	0.0	0.0
Others	17.3	56.3	18.8	-35.3	-82.3
<b>Free Cash Flow</b>	<b>439.8</b>	<b>-15.1</b>	<b>-400.2</b>	<b>-38.0</b>	<b>-436.8</b>
<b>NET DEBT (NET CASH)</b>	<b>274.1</b>	<b>259.0</b>	<b>-141.2</b>	<b>-179.2</b>	<b>-616.0</b>

Values in R\$ million

Likewise, when comparing with periods prior to the expansion movements, we can see significant variations, mainly in the Need for Working Capital variation line, caused by the disruptions that took place at the end of 2017 and 2018 as the new Operations were being incorporated into the structure.

The increase, reported under the item Need for Working Capital, directly impacted cash flow, which absorbed an increase of R\$ 432.4 million in relation to the flow of 2019.





## Investments\_

	4Q20	4Q19	2015	2016	2019	2020
Holding Company	12.5	17.0	27.2	5.6	32.2	25.9
Subsidiaries and Other Investments	7.3	13.6	12.3	4.5	51.0	30.1
<b>Total Capex</b>	<b>19.8</b>	<b>30.6</b>	<b>39.5</b>	<b>10.1</b>	<b>83.2</b>	<b>56.0</b>

Values in R\$ millions

In 3Q20, investments in Capex amounted to R\$ 19.8 million. In the Controlling Company, we highlight investments and projects in the CTR (Randon Technological Center), in the amount of R\$ 5.0 million, in addition to expansion of the railway shoes line (R\$ 2.2 million). In our controlled companies, the largest investment is in Nakata, (R\$ 4 million), invested in the new plant that will be headquartered in Extrema-MG.

## ESG - Environment, Social and Governance\_

**Governance:** Fras-le published, on December 15, 2020, its Policy on Transactions with Related Parties. The initiative is in line with a number of initiatives that Fras-le, along with Randon Companies, has been developing in order to increase its level of Governance, and to be consistent with the best practices in the market.

**Social and Environment:** The Elisabetha Randon Institute (IER), in partnership with Randon Technological Center (CTR), has developed the Florestar Project - Planting the Future. The initiative involves about 40 children and adolescents, who, assisted by the Florescer program and conducted by IER, participated in the implantation of a forest garden of native species, for environmental recovery, collecting seeds and providing the cultural treatments needed to prepare the seedling for definitive planting. The project is financed by the Secretary of Labor and Social Assistance of the Government of the State of Rio Grande do Sul and integrates the measures of environmental compensation related to the expansion works of CTR, which opened this year a new proving ground area for dynamic vehicle tests.

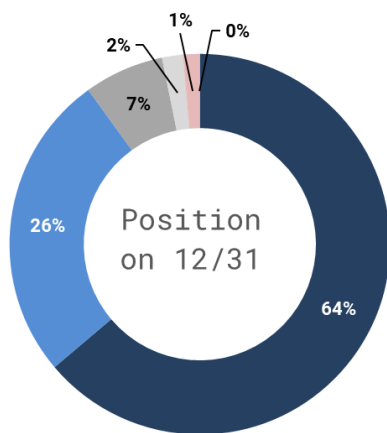
**COVID-19:** Since the beginning of the COVID-19 pandemic, Fras-le has implemented several measures to protect the health of its employees and family members, ensure the continuity of its operations and contribute to the local and global economy. In addition, Fras-le complies with all the decrees related to the current state of emergency declared by the State (Black Flag = very high risk) and, consequently, the capacity of the plants to operate according to their location.

# FRAS

## B3 LISTED N1

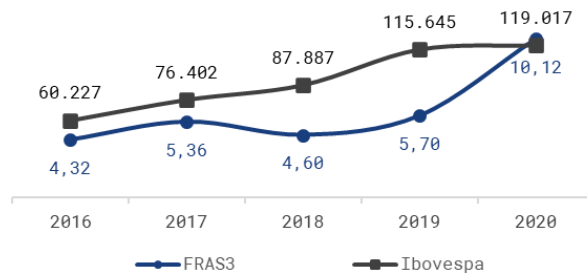
The Company's market value at the end of December 2020 reached R \$ 2.2 billion.

In 4Q20, 10.6 million "FRAS3" shares were traded. In this period, an average daily trading volume of R\$ 1.0 million was recorded, accounting for an increase of 82.3% when compared to the average daily volume of 2019. The



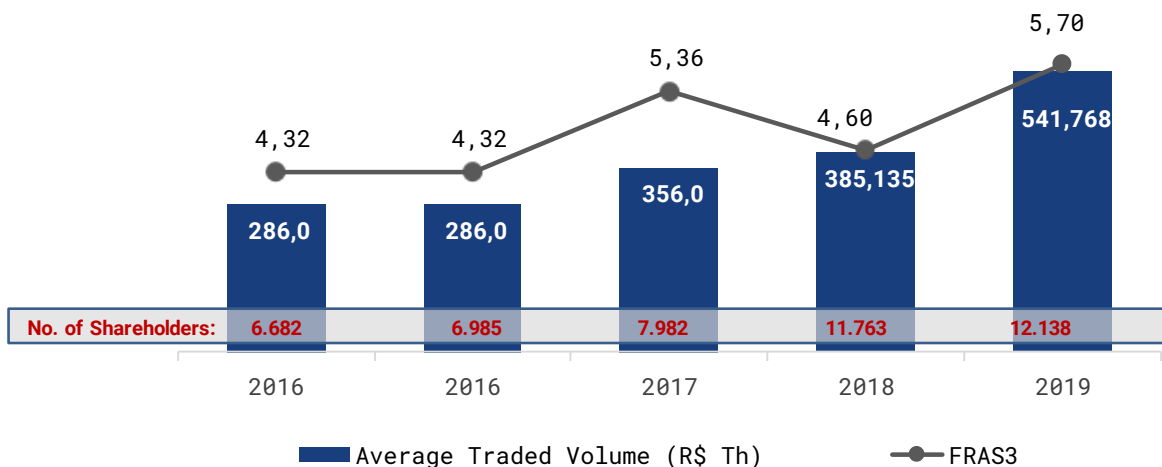
- Controlling Group
- Institutional Shareholders
- Private Individual
- Overseas Shareholders
- Treasury Shares
- Legal Entities

**Variation FRAS3 x Ibovespa**



Period	CAGR	FRAS3	Ibovespa
2016/2020	23,7%	77,5%	18,6%
2019/2020	-	-	2,9%

**Average Daily Volume (R\$ thousand), Quotation and No. of Shareholders**



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TO KEEP YOUR  
LIFE IN MOTION.**

[ri.fras-le.com.br](http://ri.fras-le.com.br)

## Board of Directors

David Abramo Randon – Chairman

Astor Milton Schmitt - Vice-Chairman

Daniel Raul Randon

Bruno Chamas Alves

Dan Antonio Marinho Conrado

## Supervisory Board

Gaspar Carreira Júnior

Geraldo Santa Catharina

Rogério Luiz Ragazzon

## Executive Board (Statutory)

Sérgio Lisbão Moreira de Carvalho - CEO

Anderson Pontalti - Director

Hemerson Fernando de Souza - Director

## Investor Relations

Hemerson Fernando de Souza – Investor Relations Officer

Jessica Cristina Cantele

Marcelo Scopel Caberlon

Victor Gabrielli Gomes

## Accountant

Dionéia Canal

CRC-RS 61981/0-3



## Address

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Bairro Forqueta

Caxias do Sul, RS

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## ADDRESSES AND CONTACTS

### Contacts

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E-mail: [ri@fras-le.com](mailto:ri@fras-le.com)

Home Page: <http://ri.fras-le.com.br>

### Independent Auditors

ERNST & YOUNG Auditores Independentes S/S

### Shareholders Services

Banco Itaú S.A

Rua Boa Vista, 176 - 1º Subsolo - Centro, São Paulo - SP

### Newspapers and Websites for Information Disclosure

Diário Oficial RS - Rio Grande do Sul

Pioneiro - Caxias do Sul - RS

Portal: <http://www.luzdigi.com.br> (Atos e Fatos Relevantes)

### Photography

Julio Soares

Jefferson Bernardes

Magrão Scalco

João Carlos Lazzarotto

Image Bank of Fras-le and Randon Companies

## CONSOLIDATED STATEMENT OF INCOME

Values in Thousands of Reais

	4Q20	%	4Q19	%	2020	%	2019	%	Variations	
									4Q20/4Q19	2020/2019
<b>Net Revenue</b>	<b>595,316</b>	<b>100.0%</b>	<b>370,820</b>	<b>100.0%</b>	<b>1,670,789</b>	<b>100.0%</b>	<b>1,365,509</b>	<b>100.0%</b>	<b>60.5%</b>	<b>22.4%</b>
COGS – Cost of Goods Sold	-419,483	-70.5%	-267,729	-72.2%	-1,190,880	-71.3%	-1,015,843	-74.4%	56.7%	17.2%
<b>Gross Profit</b>	<b>175,833</b>	<b>29.5%</b>	<b>103,091</b>	<b>27.8%</b>	<b>479,909</b>	<b>28.7%</b>	<b>349,666</b>	<b>25.6%</b>	<b>70.6%</b>	<b>37.2%</b>
Selling Expenses	-46,880	-7.9%	-35,868	-9.7%	-147,918	-8.9%	-133,398	-9.8%	30.7%	10.9%
Administrative Expenses	-52,867	-8.9%	-30,737	-8.3%	-146,339	-8.8%	-107,613	-7.9%	72.0%	36.0%
Other Operation Expens./Incom.	53,403	9.0%	563	0.2%	54,328	3.3%	-1,976	-0.1%	9384.9%	-2848.7%
<b>Financial Result</b>	<b>38,374</b>	<b>6.4%</b>	<b>-14,302</b>	<b>-3.9%</b>	<b>14,573</b>	<b>0.9%</b>	<b>-36,345</b>	<b>-2.7%</b>	<b>368.3%</b>	<b>140.1%</b>
Financial Income	102,466	17.2%	26,550	7.2%	292,410	17.5%	163,190	12.0%	285.9%	79.2%
Financial Expenses	-64,092	-10.8%	-40,852	-11.0%	-277,836	-16.6%	-199,535	-14.6%	56.9%	39.2%
<b>Income Before Tax</b>	<b>167,863</b>	<b>28.2%</b>	<b>22,747</b>	<b>6.1%</b>	<b>254,553</b>	<b>15.2%</b>	<b>70,333</b>	<b>5.2%</b>	<b>638.0%</b>	<b>261.9%</b>
Income and Social Tax	-39,420	-6.6%	-27,392	-7.4%	-72,507	-4.3%	-37,527	-2.7%	43.9%	93.2%
<b>Net Profit</b>	<b>128,443</b>	<b>21.6%</b>	<b>-4,645</b>	<b>-1.3%</b>	<b>182,046</b>	<b>10.9%</b>	<b>32,806</b>	<b>2.4%</b>	<b>2865.2%</b>	<b>454.9%</b>
Attributable to non-controlling shar.	-172	0.0%	-1,422	-0.4%	-6,664	-0.4%	-4,084	-0.3%	87.9%	63.2%

Values in R\$ thousands



## CONSOLIDATED BALANCE SHEET

Values in Thousands of Reais

	12.31.20	12.31.19
<b>Assets</b>	<b>2,888,552</b>	<b>1,620,024</b>
<b>Current Assets</b>	<b>1,446,975</b>	<b>730,261</b>
Cash and Cash Equivalents	443,244	178,391
Receivables	289,193	123,422
Inventory	494,103	333,272
Financial Applications	19,637	35,072
Derivative Operations	8,316	0
Taxes Recoverable	171,970	41,128
Others Current Assets	20,512	18,976
<b>Non-current Assets</b>	<b>1,441,577</b>	<b>889,763</b>
Taxes Recoverable	54,988	17,102
Judicial Deposits	22,005	17,651
Deferred Taxes	46,648	36,701
Financial investments	68,740	0
Others Non-current Assets	5,824	7,598
Investments	1,412	1,302
Fixed Assets	594,682	539,548
Right of Use of Leases	141,301	101,629
Intangible	505,978	168,231
<b>Liabilities</b>	<b>2,888,552</b>	<b>1,620,024</b>
<b>Current Liabilities</b>	<b>818,434</b>	<b>341,791</b>
Accounts Payable	265,401	93,715
Loans and Financing	222,565	117,839
Derivative Financial Instruments	1,616	156
Taxes and Contributions	78,207	37,748
Salaries and Charges	38,291	33,361
Business combination	50,131	0
Lease	16,776	9,154
Others Obligations	145,449	49,818
<b>Non-current Liabilities</b>	<b>1,115,306</b>	<b>498,904</b>
Loans and Financing	702,426	274,687
Deferred Taxes	51,956	73,557
Provisions	24,066	21,621
Tax Incentive	2,281	2,550
Accounts payable per business combination	172,113	28,647
Lease	128,860	91,879
Others Obligations	33,604	5,963
<b>Equity</b>	<b>954,812</b>	<b>779,328</b>
Social Capital	600,000	600,000
Tax Incentive Reserve	6,738	4,027
Costs with Issue of Shares	-4,622	-4,622
Profit Reserves	320,913	183,957
Stocks in Treasury	-13,352	-13,352
Other Comprehensive Results	34,154	-5,851
Non-controlling Participation	10,983	15,169

Values in R\$ thousands

## STATEMENTS OF CASH FLOW\_ INDIRECT METHOD

Values in thousands of Reais

	12.31.20	12.31.19
<b>Operational Cash Flow</b>		
<b>Net operational cash</b>	<b>241,216</b>	<b>121,037</b>
<b>Cash generated from operations</b>	<b>459,748</b>	<b>196,133</b>
Income statement	182,045	32,805
Provision of income and social tax and deferred	72,507	37,527
Depreciation and amortization	90,906	68,547
Provision for disputes	2,367	9,120
Allowance for doubtful accounts	-125	-435
Obsolete inventory provision	5,452	2,575
Other provisions	15,479	-2,623
Cost of the fixed assets sold	38,479	16,031
Revenue from active lawsuits	-182,769	0
Monetary adjustment	-30,280	-23,892
Loans and leases variation	82,918	56,478
<b>Assets and liabilities fluctuations</b>	<b>-35,763</b>	<b>-75,096</b>
Financial applications	-53,305	-29,201
Judicial Deposits	-4,354	-2,920
Receivables	-30,513	-10,457
Inventory	-65,210	30,733
Others assets	36,297	-2,286
Accounts payable	120,615	-1,943
Others liabilities	6,684	-47,433
Paid income and social tax	-45,977	-11,589
<b>Investment Cash Flow</b>		
<b>Net investment cash</b>	<b>-319,640</b>	<b>-83,071</b>
Fixed assets aquisitions and intangible	-56,066	-82,241
Additions to intangible assets	-403	-830
Business combination	-263,171	0
<b>Cash From Financing Activities</b>		
<b>Net funding cash</b>	<b>343,276</b>	<b>-84,295</b>
Payment of the return over equity	-14,060	-70,396
Loans Taken	541,473	154,511
Loans and leases payments	-165,742	-153,371
Paid interests	-18,395	-15,039
<b>Funding Cash Flow</b>	<b>264,852</b>	<b>-46,329</b>

Values in R\$ thousands

## COMPONENTS DETAILING – BY PRODUCT LINE\_

Detailed description - Product family	
<b>Friction Material</b>	Brake linings for Heavy Vehicles (Blocks), Brake Pads, Other Friction Materials <sup>1</sup> .
<b>Components for the Brake System</b>	Discs, Drums, Master cylinder, Wheel cylinder.
<b>Components for Suspension System, Steering, Powertrain</b>	Shock absorbers, shock absorber kits, suspension bushings, pivots, suspension trays, ball joints, homokinetic joints, linkage bars and wheel hubs.
<b>Other Various Products</b>	Components for the Engine <sup>2</sup> , Packed liquids <sup>3</sup> , Other <sup>4</sup> .
<p><sup>1</sup>(Braking linings for automobiles, railway shoes, brake shoes for commercial vehicles and automobiles, clutch facings, molded brake linings, universal sheets and industrial products) <sup>2</sup>(Pistons, Valves, Water Pumps, Oil Pumps, fuel pumps, Hoses, Air Filters and Gaskets) <sup>3</sup> (Brake fluids, coolants, anticorrosive, antifreezes, concentrated Additives, Lubricators.) <sup>4</sup> (Servo brakes, Repair Kits, Actuators, Retaining Valves, Polymer materials that do not fall into the categories above, differential shaft components, Bearings, Crosspieces, Shafts, Repair Kits, Crowns, Pinions, homokinetic joints, Flanges, Tie Rod ends, Steering Bars, Connection Bars, Tie rod ends, CV joints, Braking plates, Riveting machines, Dies, Iron and Steel Scrap.</p>	