



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























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

2020 MANAGEMENT  
REPORT

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## WORD FROM THE CEO



SÉRGIO LISBÃO  
MOREIRA DE CARVALHO  
CEO DA FRAS-LE

2020 was a year of great changes in almost all areas of our daily life. The outbreak of the pandemic has surprised everyone, deeply impacting the economic and social contexts and, above all, the way how we relate to one another. Over the past few months, the words *resilience* and *overcoming* have gained new shapes.

For us, at Fras-le, these challenges have opened up considerable opportunities. Cooperation, partnership and care - values that have always guided our activities - have become even more central to our guidelines.

The dedication and commitment of our people - combined with strict health and safety protocols - have brought a sense of unity and closeness as an organization, and a solid and robust vision as a company.

As a result of an efficient governance process, 2020 has shown to be one of the best fiscal years in the Company's history. The preparation and adjustments implemented in recent years have created the foundations that allowed us to face the crisis with courage and optimism in the face of difficulties, with record business growth.

The capillarity of our businesses and our presence in the international market were instrumental in designing the planned strategies. We have cautiously sought alternatives that made it possible for us to reaffirm our commitments and goals, such as the purchase of the company *Nakata Automotiva*, which

now takes us to new levels.

The impressive results we have achieved demonstrate that, more than ever, we are prepared to move forward, that we have the capacity to quickly reinvent routes and adjust movements, whenever necessary. But never leaving aside our belief in sustainable growth and ethics, which guides our relationship with all our stakeholders.



WE DO OUR PART  
TO KEEP YOUR  
LIFE IN MOTION.



We continue our path even stronger, offering cutting-edge solutions in the development of product designs, always focused on innovation and technology, and on building lasting relationships based on the trust, value and talent of our people.

**Sergio L. Carvalho, CEO of Fras-le**

## THE COVID-19 PANDEMIC

Fras-le has followed the spread of the Coronavirus since the first records in China, since one of our plants is located in Pinghu, China. And since then, the Company has taken several measures to prevent the disease, protect its employees and support the communities where it operates.

See below some of the actions that we have taken in defense of the Company's stakeholders:

### Community and Government:

Below we highlight some of the donations made by Randon Companies (Fras-le's controlling company):

- Together with Marcopolo and Simecs, donation for the purchase of 15 mechanical respirators for the health network of Caxias do Sul;
- Donation, to the University of Caxias do Sul, of components for the production of respirators, as well as supplies for the production of alcohol-based hand sanitizer;
- Distribution of 50 thousand bottles of alcohol gel and 10 thousand masks for truck drivers from all over Brazil;
- Donation of components for the production of respirators in the project led by Embraer;
- Production of parts for face shields, donated to health and safety professionals. The parts were manufactured by Controil;
- Donation of a thousand quick tests and PPE to the health network in Caxias do Sul.

### Employees:

- Implementing work from home, mainly for administrative areas;
- Strict safety, hygiene and health protocols by introducing important changes in routines, allowing the continuity of production and thus making the workplace secure and safe for our employees.
- Strong recommendation to wear PPEs and masks for 100% of people;
- Screenings for self-diagnosis culture, among others.

### Customers:

- Support in adapting demands and orders, including one-off adjustments in commercial relationship;
- Communication and clarity about restrictions in support of deliveries and level of service offered.

### Shareholders:

- Committee that monitors the pandemic scenario in Brazil and in the world, so that our decision-making process may be effective and agile;
- Intensified monitoring of liquidity and capital.

## COMPANY OVERVIEW



Founded on February 22, 1954, and headquartered in the city of Caxias do Sul, Rio Grande do Sul, Brazil, Fras-le is a replacement powerhouse that brings together iconic brands and premium quality, in addition to being one of the world's largest manufacturers of brake linings for commercial vehicles, serving the segments of

OEMs and Aftermarket. Its main activities consist of the development, production and sale of friction materials for braking systems, in addition to a broad portfolio of other components for the brake, suspension, steering and power train systems, among others.

*We do our part for you to keep moving forward*

To get here, Fras-le has gone through moments that marked its history and that, today, are considered to be important milestones in the growth and structure it currently has. Among these milestones, we highlight:

- **1970s:** Initial public offer (IPO), opening of the Research and Development Center and signing of technological agreements in Germany;
- **1980s:** Signing of new technology agreements in England and in the United States, launch of the first asbestos-free friction materials, and the acquisition of Lonaflex, a manufacturer of friction materials in Brazil, the operations of which were later joined with the Caxias do Sul plant. The brand "Lonaflex" remains up to the present time;
- **1990s:** Opening of the subsidiaries *Fras-le North America* (in the United States), *Fras-Le Argentina* (in Argentina), and *Fras-Le Andina* (in Chile). In this decade, the Company's shareholding control was acquired by Randon S.A. Implementos e Participações;

Since the 2000s, and continuing its expansion, the Company has boosted its strategy of being a global company through the opening of sales offices in Germany, Mexico, South Africa and Dubai. Also as

of this decade - focused on integrating its business and capturing synergies – a movement of more robust acquisitions and implementations of industrial plants began, including:

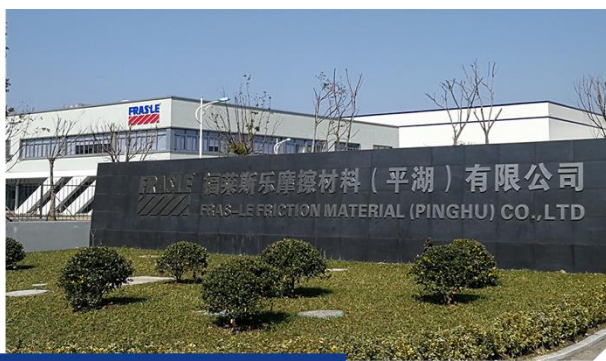
- **Acquisition in the United States - Fras-le North America:**

In 2008, Fras-le acquired the brake pad business for light commercial vehicles, from Haldex, in the United States, expanding its foothold in the North

American market. The Unit has recently started producing and selling railway shoes, a very promising niche in the North American market.



- **Plant in China – Fras-le Friction Materials Pinghu:**



Also in 2008, the construction of Fras-le Asia, in China, began, opening in 2009. This unit produces brake linings and pads for commercial vehicles. In

addition to serving the local market, the Unit also exports its products to Europe, South America and to in the Asia Pacific region. Continuing its innovating tradition, at the end of 2017, a new industrial plant was opened, larger and more modern than the previous one.

In 2020, seeking to expand its portfolio and offer synergies with the group's companies, a trading company was created, which initially buys and sells brake discs for small customers in South Asia and Oceania.

### Acquisition of Freios Controil in Brazil:

In 2012, the Company acquired Freios Controil, a manufacturer of hydraulic cylinders and other components for the brake, transmission and engine systems, the aim of which was to expand



the portfolio of P/Ns, so as to include complementary products and offer increasingly complete solutions to customers. This unit also exports to several countries.

### ● Setup of Fras-le Panamericana:



At the end of 2017, Fras-le Pan-American was created. This Unit is responsible for distributing and selling the products of the Fras-le, Lona Flex,

Fremax, Controil and Nakata brands, in addition to being the sales agent for Master, Jost and Suspensys (auto parts companies of Randon Group). Fras-le Pan-American has a commercial and technical office in the city of Bogota and a warehouse in a free zone, located in the city of Cartagena. The unit is responsible for sales in Colombia, Ecuador, Peru, Venezuela, Central America and the Caribbean.



● **Acquisition of Jurid do Brasil:**

In January 2018, the Company acquired 80.1% of the capital stock of *Federal Mogul Friction Products Sorocaba Sistemas Automotivos Ltda*, located in the city of Sorocaba, which produces products for the light line. Following the acquisition, the Company changed its name to *Jurid do Brasil Sistemas Automotivos Ltda*.



● **Acquisitions of operations in Argentina and Uruguay:**



In December 2017, the Company acquired the following equity interests: (a) 99.99% of the capital stock of ARMETAL AUTOPARTES, and 76.09% of the capital stock of FARLOC, both based in Argentina; and, (b) 100.0% of the capital stock of FANACIF, headquartered in Uruguay. These companies operate in the spare parts segment for light and heavy vehicles, and ARMETAL is one of the largest auto parts distributors in Argentina

- **Plant in India:**



In February 2018, the partnership with ASK Automotive was completed, giving rise to a company in India – the ASK Fras-le Friction. The Unit produces brake linings and pads, exclusively for commercial vehicles, for the aftermarket and OEMs. With a 51% shareholding interest, Fras-le took over the control of the company. The unit serves the Indian market, Nepal, Sri Lanka, Bangladesh, among other countries, as well as the global demand for friction products through exports.

- **Acquisition of Fremax in Brazil:**



parts market, being one of the main manufacturers of brake discs and drums for light vehicles. Fremax counts on a flexible and efficient production structure and holds the international certifications required to meet demands accurately and quickly.

In October 2018 Fras-le completed the acquisition of Fremax, in Brazil, which operates in the auto

- **Acquisition of Nakata - Brazil:**



In September 2020, the largest acquisition of Fras-le, ever, was completed: the acquisition of Nakata Automotiva. Nakata has a production unit in Diadema (SP), administrative headquarters and a technology and development center in Osasco (SP) and a warehouse in the city of Extrema (MG). Nakata produces and sells components for light, heavy

vehicles and motorcycles, including a wide portfolio of products such as: shock absorbers, terminals and steering bars, suspension pivots and trays, homokinetic joints, cardan shaft components and differentials, among others.

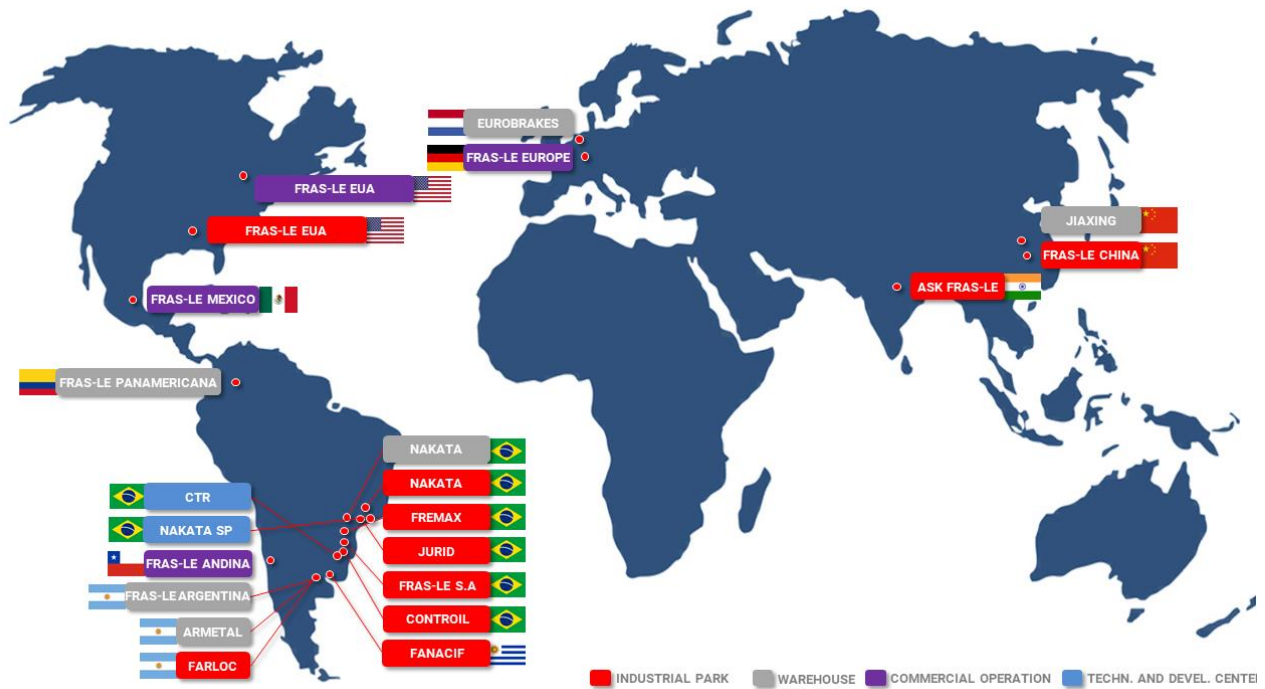
## EXPANSION STRATEGY

Fras-le has been building, since 2017, an increasingly-diverse platform when it comes to product mix, through an acquisition process whose main goals are maintenance, growth and perpetuity of its businesses. In addition to the acquisition movements, the Company continually invests in its chemical, physical and engineering expertise in order to develop more intelligent materials, whether lighter, more efficient or with more sustainable raw materials. As a result, the Company plans to launch, within a short time, products in the segment called Smart Materials.

Below is the timeline of this scenario:

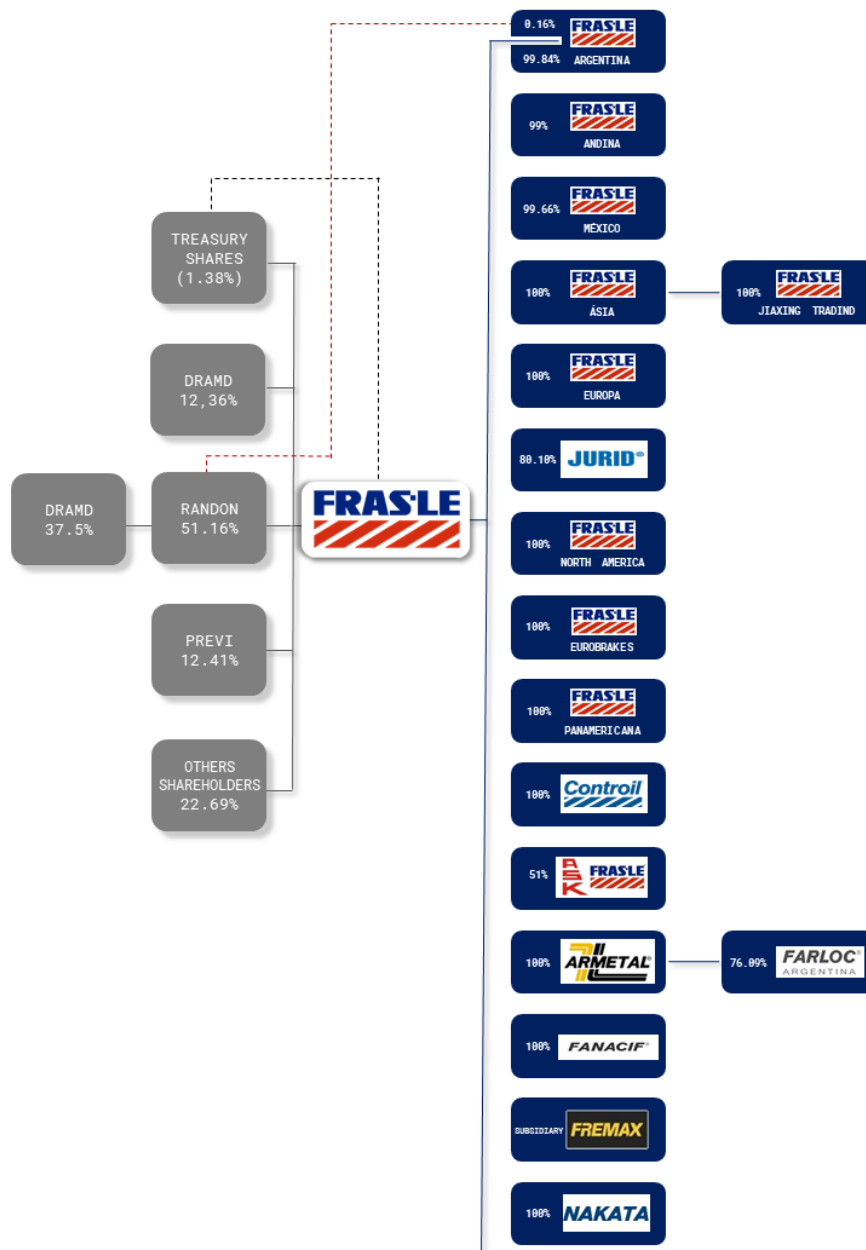


## OPERATING STRUCTURE



We operate in more than 120 countries, with 10 industrial units, 06 warehouses, 04 commercial offices and 02 technology and development centers. Our headquarters are located in the city of Caxias do Sul, in the State of Rio Grande do Sul.

## SHAREHOLDING STRUCTURE



## OVERALL PERFORMANCE

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“We did our homework and moved forward, focused on innovation, industrial and digital transformation, and completed the largest acquisition, ever, in Fras-le’s history. The year was difficult, but, with everyone’s engagement we are delivering historic results.

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The year 2020 needs no presentation, except saying that it was an atypical and totally different year as never experienced before. Our expectations in the beginning of the year were high, which was shown in our first quarter. However, as Covid-19 began to spread, we had to learn and adjust to new needs.

The year taught us many lessons. We learned how to support our customers and especially the community in which we operate. We gained experience with new challenges, acted quickly and did a lot for our communities. As we looked into our own company, making adjustments focused on our people and encouraging employees to resign voluntarily, we managed to control costs. For some months, we applied brakes on some projects and, as volumes began to resume, good results were again delivered.

We quickly understood and responded to the growing demand right after the worst months of the pandemic – April and May – in order to protect the reputation we have built as a great company with financial capacity.

We did our homework and moved forward, focused on innovation, industrial and digital transformation, and completed the largest acquisition, ever, in Fras-le’s history. The year was difficult, but, with everyone’s engagement, we are delivering historic results.

## MAIN FIGURES

	2020	2019	Δ %	2018	2017	2016
<b>Gross Revenue*</b>	<b>2372.2</b>	<b>2009.1</b>	<b>18.1%</b>	<b>1,681.9</b>	<b>1,256.6</b>	<b>1,201.4</b>
<b>Net Revenue</b>	<b>1670.8</b>	<b>1365.5</b>	<b>22.4%</b>	<b>1,141.1</b>	<b>832.8</b>	<b>812.7</b>
Domestic Market	920.2	675.3	36.3%	548.6	418.1	369.6
Foreign Market	750.5	690.2	8.7%	592.6	414.7	443.0
Foreign Market US\$	145.8	174.9	-16.6%	163.0	129.5	126.8
Exports - Brazil US\$	68.9	89.3	-22.8%	84.3	74.2	77.8
<b>Gross Profit</b>	<b>479.9</b>	<b>349.7</b>	<b>37.2%</b>	<b>303.6</b>	<b>217.2</b>	<b>232.0</b>
Gross Margin	28.7%	25.6%	3.1 pp	26.6%	26.1%	28.6%
<b>Operating Profit</b>	<b>240.0</b>	<b>106.7</b>	<b>125.0%</b>	<b>139.8</b>	<b>65.2</b>	<b>83.6</b>
Operating Margin	14.4%	7.8%	6.6 pp	12.2%	7.8%	10.3%
<b>EBITDA</b>	<b>330.9</b>	<b>175.2</b>	<b>88.8%</b>	<b>183.9</b>	<b>106.4</b>	<b>123.7</b>
EBITDA Margin	19.8%	12.8%	7.0 pp	16.1%	12.8%	15.2%
<b>Net Profit</b>	<b>182.0</b>	<b>32.8</b>	<b>454.9%</b>	<b>88.6</b>	<b>64.2</b>	<b>64.5</b>
Attributable to non-controlling share	-6.664	-4.1	63.2%	-4.8	0.1	0.2
Net Margin	10.9%	2.4%	849.3%	7.8%	7.7%	7.9%
<b>Adjusted EBITDA</b>	<b>283.1</b>	<b>189.7</b>	<b>49.2%</b>	<b>146.5</b>	<b>128.6</b>	<b>137.7</b>
Adjusted EBITDA Margin	16.9%	13.8%	3.1 pp	12.6%	15.3%	16.9%

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

(\*) Includes intercompany sales

## PERFORMANCE ESTIMATES

### Guidance 2020

On April 24, 2020, the Company announced to its shareholders and the market that, in view of the uncertainty, volatility and rapid spread of the COVID19 pandemic in the markets where it operates, it would be unable to estimate the impacts on its operations for the year 2020 and that, therefore, it would be canceling the projections (Guidance 2020) it disclosed in a Material Fact on February 17th.

### Guidance 2021

On February 11, 2021 Fras-le released its business projection (Guidance) to be followed up in 2021, as follows:

	2020 Guidance	2020	2021 Guidance	$\Delta\%$ (c) x (b)
Total Gross Revenue <sup>2</sup>	R\$ 2.0 billion	R\$ 2.4 billion	R\$ 3.0 billion	27%
Consolidated Net Revenue	R\$ 1.4 billion	R\$ 1.7 billion	R\$ 2.1 billion	26%
Foreign Market Revenues <sup>3</sup>	US\$ 150 million	US\$ 146 million	US\$ 170 million	17%
Imports	US\$ 20 million	US\$ 37 million	US\$ 60 million	62%
Investments <sup>4</sup>	R\$ 60 million	R\$ 56 million	R\$ 100 million	79%

<sup>1</sup> Guidance released via the Material Fact on 02/17/20 and canceled on 04/24/20, also via Material Fact, due to the uncertainty of the effects of the pandemic on the projections at that time;

<sup>2</sup> Simple sum of the units' revenues, with taxes and without eliminations;

<sup>3</sup> Amount related to the sum of exports from Brazil and the revenues generated by operations abroad, net of intercompany operations;

<sup>4</sup> Amount related to organic investments.

Such indicators have been validated in Fras-le's strategic planning and are backed by the assessment of macroeconomic scenarios in Brazil and in the countries where the Company operates, along with sector indicators of the automotive industry and the market behavior in its business segments.



## SALES PERFORMANCE

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The year was atypical and challenging, which required additional energy and calibration in the execution plan. The Company gained new customers, adjusted to the new format and managed to maintain a good level of sales, while providing quality service by holding regular and online meetings with the market. The result came in a different way, bringing lessons from the digital transformation process and intensifying actions on social media. One result in this regard was the launch of *Auto Expert*, a digital catalog that brings together all the Fras-le, Lona Flex, Controil and Fremax brands and helps consumers to easily search for products.

### Volume and Revenues by Material Family

Our expectations in the beginning of the year were high, which showed in the first quarter. The only small impact was regarding the closing of borders and the beginning of restrictions on people circulation associated with the coronavirus pandemic. The effects of the pandemic began to be more felt in the second quarter, with the sudden stop of production, general vacations being granted and strict social distancing in Brazil and in most of the globe. Things became a little better in the third quarter with the rapid recovery of the domestic market, making it possible to partially leverage the volume gap. The Company still has accumulated orders, since production stopped in April. The supply chain also suffered with raw-material scarcity and, especially, inflation.

In the friction material line, sales volumes ended the period showing a lower performance when compared to 2019. As far as components for brake systems are concerned, and mainly components for the suspension, steering and powertrain systems (which aggregate volumes originated by the inorganic expansion of Nakata Automotiva's products), volumes were higher than 2019.

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Concerning the product portfolio, the friction material family has long accounted for over 80% of Fras-le's businesses. Since 2017, this standard has been gradually modified through acquisitions that have allowed the Company to diversify its product lines. In 2020, the largest share of the Company's business was led by brake linings for commercial vehicles (52.7 million pieces sold), followed by brake pads (28.3 million units).

Sales Volumes by Product Line in millions of pieces or liters										
VOLUMES	2020		2019		Δ %	2018		2017		
	Friction Material	94.7		102.8		-7.9%	101.4		86.9	
	Components for the Brake System	8.7		7.9		10.6%	4.8		3.3	
	Components for the Suspension, Steering and Powertrain	5.4		0.7		690.8%	0.8		-	

Sales Revenue by Material in R\$ million										
NET REVENUE	2020		2019		Δ %	2018		2017		
	Friction Material	1,053.5	63.1%	1,007.9	73.8%	4.5%	917.4	80.4%	743.7	89.3%
	Components for the Brake System	308.0	18.4%	275.8	20.2%	11.7%	137.5	12.0%	71.5	8.6%
	Components for the Suspension, Steering and Powertrain	209.7	12.5%	33.1	2.4%	534.0%	42.7	3.7%	-	0.0%
Other products	99.6	6.0%	48.7	3.6%	104.5%	43.6	3.8%	17.7	2.1%	
<b>Total Net Revenue</b>	<b>1,670.8</b>	<b>100.0%</b>	<b>1,365.5</b>	<b>100.0%</b>	<b>22.4%</b>	<b>1,141.1</b>	<b>100.0%</b>	<b>832.8</b>	<b>100.0%</b>	

The components are detailed at the end of this report.

Net revenue by family of material follows the same relationship as volumes, where friction materials have the largest share, 63.1% of net revenue in 2020, a reduction of 10.7 pp. Components for the brake System – that includes mainly products from the subsidiary Fremax and Control - ended the year accounting for 18.4% of net revenue, an increase of 6.7 pp in relation to 2019. The great highlight of this year is the family of components for that suspension, steering and powertrain systems, which gained strength with the acquisition of Nakata, accounting, this year, for more than 12.5% of the Company's consolidated revenue, with this result only adding up to four months of the acquisition.

## Net Revenue by Market and Segment

Net Revenue by Markets										
Markets	2020		2019		Δ %	2018		2017		Δ %
DM Aftermarket	794.3	47.5%	551.8	40.4%	43.9%	454.6	39.8%	356.1	42.8%	27.7%
DM OEM	126.0	7.5%	123.5	9.0%	2.0%	94.0	8.2%	62.1	7.5%	51.4%
<b>Domestic Market</b>	<b>920.2</b>	<b>55.1%</b>	<b>675.3</b>	<b>49.5%</b>	<b>36.3%</b>	<b>548.6</b>	<b>48.1%</b>	<b>418.1</b>	<b>50.2%</b>	<b>31.2%</b>
FM Aftermarket	672.1	40.2%	641.9	47.0%	4.7%	547.3	48.0%	372.5	44.7%	46.9%
FM OEM	78.5	4.7%	48.3	3.5%	62.4%	45.2	4.0%	42.2	5.1%	7.2%
<b>Foreign Market</b>	<b>750.5</b>	<b>44.9%</b>	<b>690.2</b>	<b>50.5%</b>	<b>8.7%</b>	<b>592.6</b>	<b>51.9%</b>	<b>414.7</b>	<b>49.8%</b>	<b>42.9%</b>
Total Aftermarket Net Revenue	1,466.3	87.8%	1,193.7	87.4%	22.8%	1,001.9	87.8%	728.6	87.5%	37.5%
Total OEM Net Revenue	204.5	12.2%	171.8	12.6%	19.0%	139.2	12.2%	104.3	12.5%	33.5%
<b>Total Net Revenue</b>	<b>1,670.8</b>	<b>100.0%</b>	<b>1,365.5</b>	<b>100.0%</b>	<b>22.4%</b>	<b>1,141.1</b>	<b>100.0%</b>	<b>832.8</b>	<b>100.0%</b>	<b>37.0%</b>

Values in R\$ million

Fras-le is a very distinct company in terms of revenue, as it is highly diversified both in terms of product lines and markets. Furthermore, the Aftermarket segment is responsible for almost 90% of the Company's consolidated revenue, a segment that shows greater resilience in times of economic uncertainty. A retraction because of a drop in sales of new cars will hardly happen in this segment. On the contrary, it gains space, as used vehicles need more maintenance.

At the beginning of the pandemic, vehicles maintenance was the strong factor that kept



Today, the Aftermarket accounts for almost 90% of the Company's revenue.

The OEMs segment is less representative for the Company, accounting for just over 10%.

In 2020, consolidated net revenue totaled R\$ 1.670.8 million, up 22.4% when compared to the 2019. It is worth noting, for comparative purposes, that in 2019 Nakata had not yet been acquired, while, in 2020, the revenues of this subsidiary were included (revenues of four months as of September).

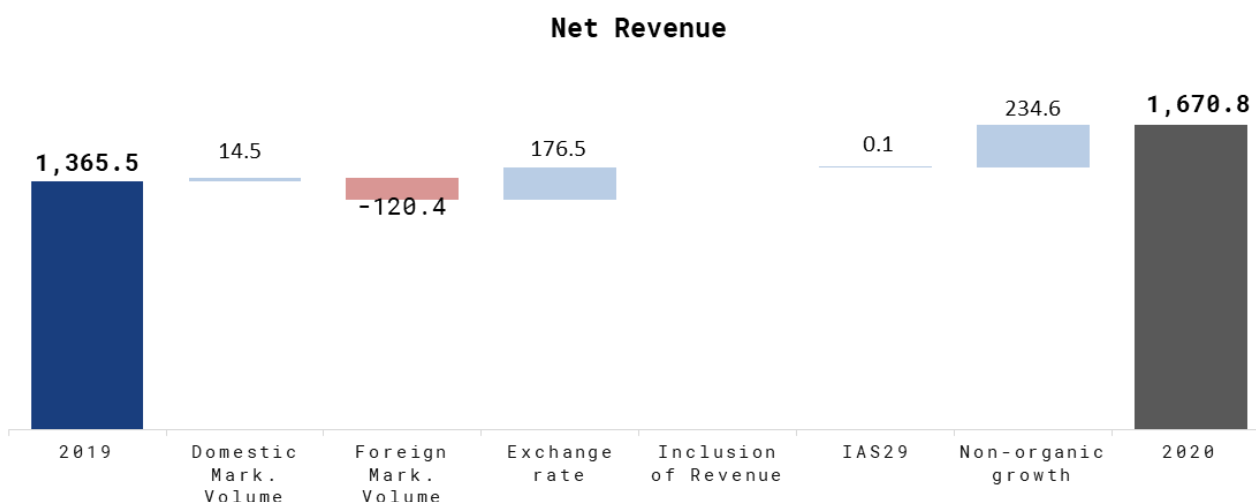
the market going, mainly **replacement of the commercial line**, since e-commerce was very heated, along with the entire transportation line aimed at the agribusiness due to harvests. After a few months, with the easing in some distancing measures, individual transport was prioritized over collective transport modes, boosting service stations and improving revenues in the replacement light line. This business pickup took place very quickly, which reduced inventory levels and created a higher demand for customers' needs.

Fras-le's domestic market was boosted by the acquisition of Nakata, which holds approximately 95% of its turnover in this market. However, it is important to note that, despite this non-organic growth, in a very difficult year for our economy, Fras-le knew how to take advantage of opportunities and grew almost 10% this year.

In the Foreign Market, it is worth noting that the average exchange rate increased by 30.7%, ending the year with an average rate of R\$ 5.16 (R\$ 3.95 in 2019) thus contributing to its good performance in the foreign market, in Reals.

## Variations in Consolidated Net Revenue

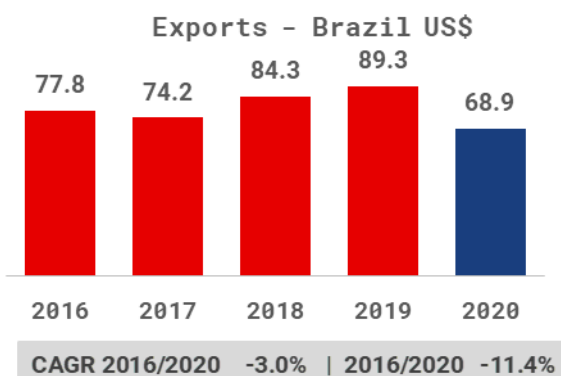
The following graph shows the effects that changed the performance of consolidated net revenue in 2020, compared to the year 2019:



## FOREING MARKET

A significant portion of the Company's business is carried out outside of Brazil, guaranteeing differentiated geographical protection. This is very important in times of domestic crisis, since the exchange rate appreciates, favoring exports. Please see below the breakdown of the foreign market by: export of units from Brazil to abroad; and the foreign market as a whole, adding the results of operations located outside Brazil.

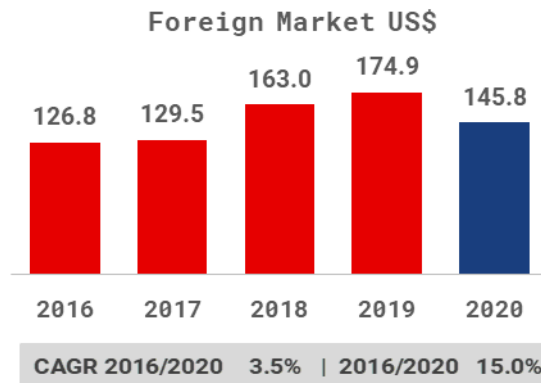
### Exports - Brazil



Exports out of Brazil accounted for US\$ 68.9 million in 2020, a decrease of 11.4% when compared to 2019. The pandemic plays an important role in this result, as many countries totally closed their borders, in addition to the lockdowns that are still happening today, as is the case of some countries in Europe. On the other hand, the “fear of shortages” factor has helped resume exports,

since the shortage of inputs, and inflation, led some customers to want to guarantee prices and products, causing an increase in orders.

## Foreign Market (Exports out of Brazil + Operations Abroad)

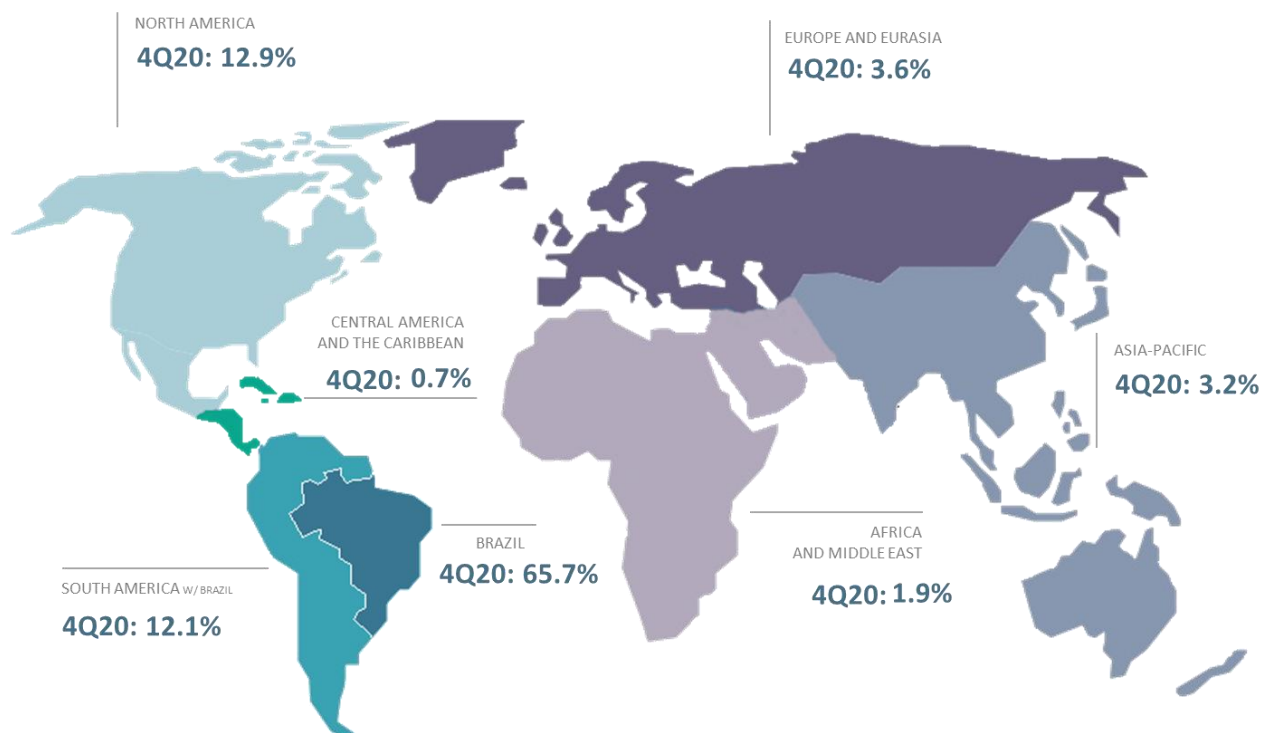


The total turnover achieved in the foreign market, which corresponds to exports out of Brazil + the revenues from foreign operations, totaled US\$ 145.8 million in 2020, accounting for a 16.6% decrease over the previous year. In

addition to reflecting the effects described under the export comments, total sales abroad were also heavily impacted by the pandemic. Our revenues were lower than 2019 in most of our business units, except for the plant in China and European units altogether.

In relation to the historical average over the last five years, it shows an average annual evolution of 3.5%, reflecting the aggregate foreign sales of acquisitions, which can be seen in the graph of the 2018 and 2019.

## Net Revenue Breakdown in the Globe



- **Brazil:** M&A movements are constantly changing Brazil's participation in the Company's geographic sales representation. With the recent acquisition of Nakata, this percentage has increased and tends to be above 60% in 2021.
- 
- **South America:** Restriction of circulation continued in some countries until the end of 2020. This market showed a slow recovery over the last quarter, with new customers and expansion of the product mix. In Argentina, there are restrictions on the outflow of dollars from the country, which causes some limitations for operations in that region.
- 
- **North America:** As of 3Q20, economic activity improved considerably in this region, mainly due to federal stimulus packages, the reopening of States and the increase in e-commerce sales across the country. Truck production resumed at the end of August and volumes gradually increased.
- 
- **Central America and the Caribbean** – Operations are expanding in these regions, with new customers and new product lines in current customers. Volumes recovered from October to December 2020.
- **Africa and the Middle East** - The Middle East markets showed some recovery at the end of the year. Africa was the most complicated case, as this market depends heavily on payments via letters of credit, and, with the effect of lockdowns, customers had restrictions on obtaining new lines of credit and requesting letter of credit, which ended up making it difficult for new orders to come.
- **Europe:** Revenue and volumes were higher than the same period last year, with good recovery in the light line, although it is still suffering from the new restriction measures aimed at containing the Covid-19 virus.
- **Asia and the Pacific:** China has evolved, gaining market and new customers with the resumption by automakers and replacement. In addition, the Trading Company started operations in 4Q20, which aims to increase business for the other Fras-le units.

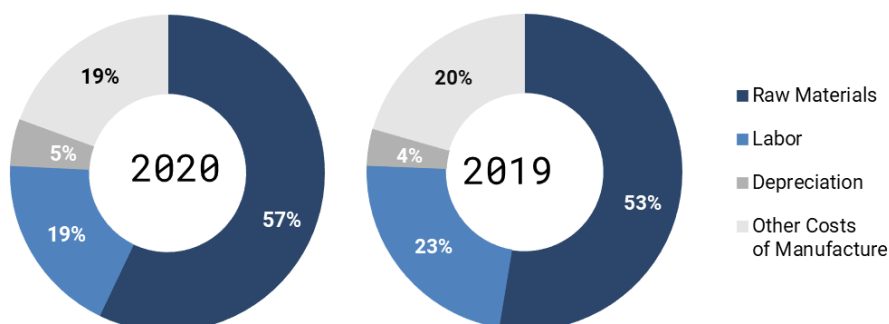
## OPERATING PERFORMANCE

The Company went through a very complex scenario in 2020, with uncertainties and challenges. The lessons learned from the pandemic – especially in our Unit located in China - brought encouragement and confidence that we would be able to overcome the problems in our other business Units as well, mostly related to how to protect employees and the community.

Several operational impacts had to be dealt with in this period, mainly because of the sudden halt in production, general vacations, use of federal government suspension programs and reduced working hours, which gave us time to understand the pandemic. In addition, the Company put in place a voluntary employment termination program with the participation of 138 employees in Caxias do Sul.

The good execution of a contingency plan and the efforts of fully-engaged teams resulted in good cost control. Some projects needed to be adjusted on their schedule, but as volumes resumed, they resumed too, especially those connected to innovation, industrial and digital transformation.

### Cost of Products Sold (COGS)



Consolidated cost of products sold totaled R\$ 1.2 billion in 2020, accounting for 71.3% of consolidated net revenue. When comparing both years (2020 and 2019) this is a decrease of 3.1 pp. (74.4% in 2019).

Linked to the rapid market pickup, the Company reaped, in 2020, what it has been sowing since 2018. A number of initiatives were taken to improve productivity and reduce industrial costs, which, together with price adjustments (necessary as a result of the strong inflation

mainly in the last quarter of the year), made it possible for us to overcome the effects of the pandemic and achieve a rather good performance.

Two non-recurring events have impacted COGS this year, namely:

(-) Voluntary employment termination program, totaling R\$ 3.4 million;

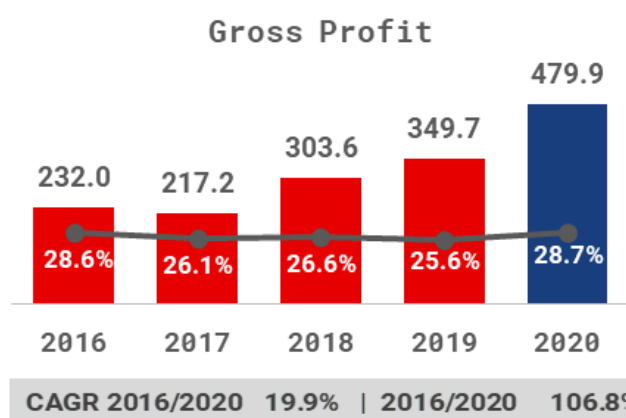
(-) Restructuring cost from our controlled company FANACIF S.A., located in Uruguay, resulting from the production transfer of brake linings to the parent company located in Brazil, totaling R \$ 1.8 million.

In addition to the one-off costs highlighted above, it is important to remember the

operational restrictions that impacted units around the world. In response to these restrictions, the Company acted by giving earlier vacations and using Government programs to reduce and suspend working hours in order to minimize the impacts of downtime and lockdowns.

Regarding the representativeness of the raw material in the CPV, the increase is due to Nakata, which, because of its business model, has a higher cost in this item. In addition, the scenario brings challenges in the supply chain, especially inflation of many inputs, in addition to difficulties in the availability of some raw materials, requiring additional work to mitigate these impacts.

## Gross Income



Consolidated gross profit (R\$ 479.9 million) in 2020 increased by 37.2% when compared to the previous year, reaching a gross margin of 28.7%, up 3.1 pp in the annual comparison. These data reflect the effects previously reported, in the comments on sales revenues and production costs, which are basically the variation of the exchange rate for the period and the reduction of costs and process improvements, which allowed us to have productivity gains, and, in turn, margin.



## Operating Expenses

	2020		2019		Δ %	2018		2017		Δ %
<b>Selling Expenses</b>	<b>-147.9</b>	<b>-8.9%</b>	<b>-133.4</b>	<b>-9.8%</b>	<b>10.9%</b>	<b>-115.0</b>	<b>-10.1%</b>	<b>-75.2</b>	<b>-9.0%</b>	<b>53.0%</b>
<b>Administrative Expenses</b>	<b>-146.3</b>	<b>-8.8%</b>	<b>-107.6</b>	<b>-7.9%</b>	<b>36.0%</b>	<b>-94.8</b>	<b>-8.3%</b>	<b>-62.6</b>	<b>-7.5%</b>	<b>51.5%</b>
<b>Other Net Expenses/Income</b>	<b>54.3</b>	<b>3.3%</b>	<b>-2.0</b>	<b>-0.1%</b>	<b>-2848.7%</b>	<b>46.0</b>	<b>4.0%</b>	<b>-14.1</b>	<b>-1.7%</b>	<b>-425.4%</b>
Other Operating Expenses	-99.3	-5.9%	-21.9	-1.6%	353.6%	-22.7	-2.0%	-33.7	-4.0%	-32.7%
Other Operating Income	153.6	9.2%	19.9	1.5%	671.4%	68.7	6.0%	19.5	2.3%	252.0%
<b>Total Operating Exp/Income</b>	<b>-239.9</b>	<b>-14.4%</b>	<b>-243.0</b>	<b>-17.8%</b>	<b>-1.3%</b>	<b>-163.8</b>	<b>-14.4%</b>	<b>-151.9</b>	<b>-18.2%</b>	<b>7.8%</b>

Values in R\$ millions and % over Net Revenue

The operating expenses and revenues group decreased by 1.3% in 2020 when compared to 2019, mainly due to other operating expenses and revenues: success in the exclusion process of ICMS on PIS and COFINS calculation basis. In addition, we had expenses from Nakata Automotiva, which has been included in the Company's consolidated balances since September 2020.

The amount referring to the final judgement (no longer subject to appeal), relating to the period 1994 to 2011, of Freios Controil, was also recorded. This amount is linked to the contractual obligation resulting from the acquisition of the subsidiary, to transfer the amounts to former partners at the payment time of said amounts. Accordingly, the Company recorded the amount under Other Operating Expenses (R\$ 18.8 million), net of taxes and fees, of which R\$ 21.0 million corresponds to Other Operating Income and R\$ 2.2 million are administrative expenses, making the net result of the Company without effect.

## Commercial and Administrative Expenses

The group of commercial expenses increased 10.9% in the annual comparison, basically due to the incorporation of Nakata's balances. As far as administrative expenses in the annual comparison, these increased by 36%, caused by the figures from Nakata e by fees related o tax lawsuits, totaling R\$ 6.4 million in the year.

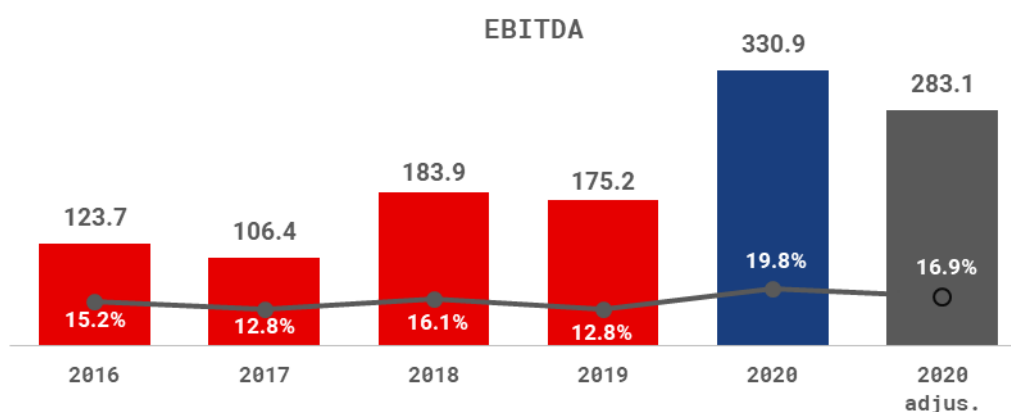
In 2020, the Company showed a significant reduction in expenses such as: travel and accommodation, fairs and events, maintenance in general and labor related to working hours and salary reductions as a result of the pandemic, in addition to the voluntary employment termination in May 2020.

Additional expenses related to the provision for loss of receivables amounted to R\$ 1.2 million and changes in the expectation of recoverability of the pension plan amounted to R\$ 2.2 million.

## Other Operating Expenses/Income

In 2020, the Company had several non-recurring events that make up the balance of this group. The most representative ones are: gains from lawsuits totaling R\$ 135.8 million and impairment of assets totaling R\$ 34.5 million, associated with the controlled Units Jurid do Brasil, Fanacif and Armetal in the amounts of R\$ 12.2 million, R\$ 14.4 million and R\$ 7.9 million respectively, in addition to R\$ 2.2 million related to the write-off of the parent company's assets.

## EBITDA (Gross Cash Generation)



Consolidated EBITDA was R\$ 330.9 million in 2020, accounting for an increase of 88.8% in monetary value and 7p.p. in Ebitda margin.

It is important to note that Nakata operation had not yet been acquired, which started to consolidate its results at Fras-le as of September 2020.

## Adjusted Results

In line with the best governance practices, we show in the table below the adjusted results, disregarding in its calculation the events non-recurring in the year 2020 and in this way we present the values that best reflect the Company's cash generation.

	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

The effects listed above, referring to the year 2020, can also be seen in the following graph:

## Financial Result

	2020	2019	Δ %	2018	2017	Δ %
Exchange Variation	178.2	121.0	47.2%	147.6	30.3	387.9%
Interests on Capital Investment	13.3	9.8	35.0%	17.0	46.6	-63.4%
Present Value Adjust	12.9	5.3	143.7%	6.7	11.1	-40.0%
Other Financial Income	57.8	3.1	1743.4%	0.6	8.3	-92.9%
Monetary adjustment (IAS 29)	30.3	23.9	26.7%	8.7	0.0	
<b>Financial Income</b>	<b>292.4</b>	<b>163.2</b>	<b>79.2%</b>	<b>180.7</b>	<b>96.2</b>	<b>87.8%</b>
Exchange Variation	-203.3	-150.4	35.2%	-174.2	-27.5	533.1%
Financing Interests	-34.4	-17.4	97.9%	-16.7	-21.2	-21.1%
Present Value Adjust	-22.1	-9.5	132.1%	-5.5	-3.8	45.7%
Bank Expenses	-9.1	-9.9	-8.7%	-9.5	-7.8	21.8%
Other Financial Expenses	-8.9	-12.3	-27.1%	-12.3	-17.5	-30.0%
<b>Financial Expenses</b>	<b>-277.8</b>	<b>-199.5</b>	<b>39.2%</b>	<b>-218.2</b>	<b>-77.8</b>	<b>180.3%</b>
<b>Financial Result</b>	<b>14.6</b>	<b>-36.3</b>	<b>-140.1%</b>	<b>-37.5</b>	<b>18.4</b>	<b>-304.3%</b>

Values in R\$ millions

Financial result in 2020 was R\$ 14.6 million (positive), reversing the negative result of 2019, a reduction due mainly to interest income on the gains from tax proceedings, totaling R\$ 52.9 million.

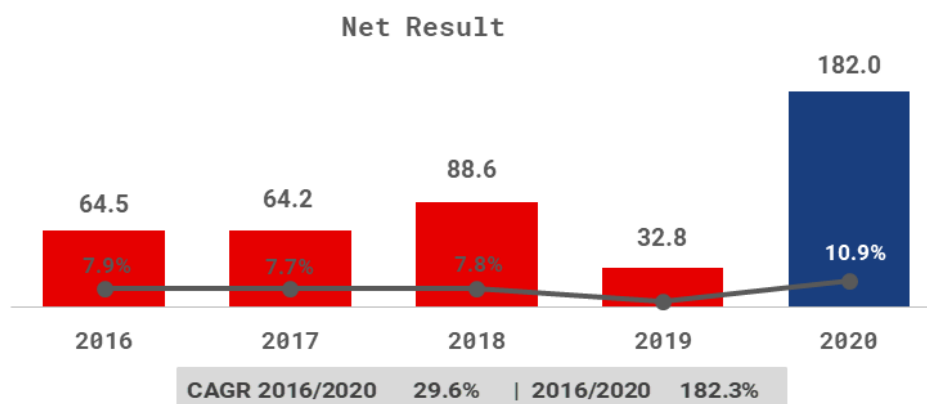
In addition, the impact on the devaluation of the Argentine peso was smaller, which resulted in lower levels of expenses with variation on balance sheet accounts subject to monetary effects, at Fras-le's subsidiaries located in that country.

In the year, the average US dollar appreciated by 30.7% against the Real (2019 R\$ 3.95 | 2020 R\$ 5.16), which directly impacts the balances of our operations abroad, in addition to generating exchange variation on accounts payable and receivable in foreign currency, of the Companies located in Brazil.

Another important point to be highlighted is that, as of early 2018, the Company has reduced its available financial resources due to M&A movements, which consequently reflects in the reduction in the income from financial investments, as compared to previous years.

In order to maintain the resource cycles, it was also necessary to reinforce cash and cash equivalents by taking out new loans, including the issuance of two debentures, a fact that helped increase financial interest.

## Net Income



The combination of all the factors listed above, mainly the gains from tax and interest on these lawsuits, resulted in a net accounting profit of R\$ 182.0 million in 2020.

## FINANCIAL MANAGEMENT

### Financial Indebtedness

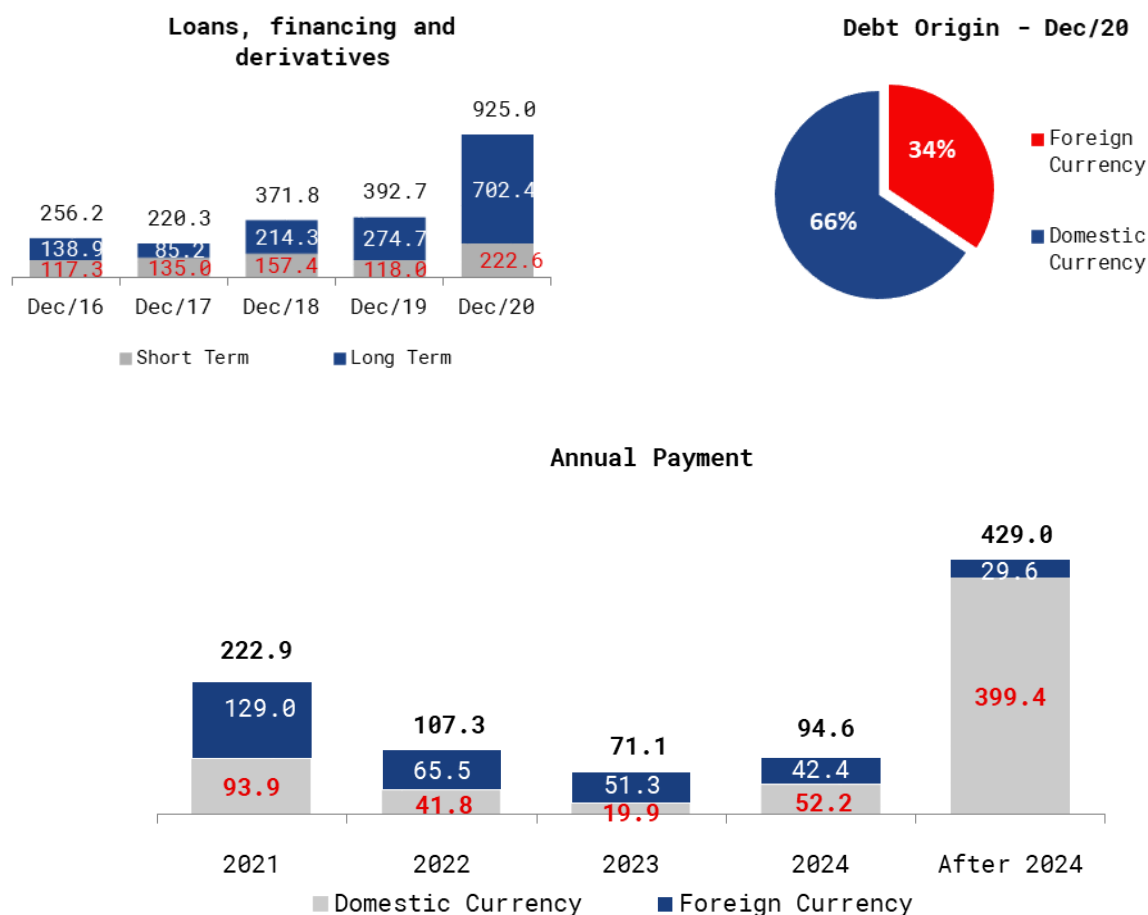
In 2020, the Company amortized R\$ 146.6 million, of which the Parent Company accounts for R\$ 100.2 million in amortizations of financial debt, while the subsidiaries had R\$ 46.4 million in amortizations.

New loans were taken on in the amount of R\$ 541.5 million, of which R\$ 522.1 million by the Parent Company and R\$ 19.3 million by the controlled units. The increase in indebtedness is due to the acquisition of the Subsidiary Nakata. To fulfill our commitment of approximately R\$ 457 million, the Company issued two debentures. The 3rd issue of debentures was made on June 15, 2020 and the 4th issue was on July 15, 2020, in the amounts of R\$ 210, 0 million each, totaling R\$ 420.0 million, all of which through a private placement instrument with restricted efforts, of simple debentures not convertible into shares, of the unsecured type, in a single series, under subscription regime. The final maturity is June 15, 2027 and July 15, 2027, respectively.

Thus, consolidated gross financial debt ended the fiscal year 2020 with a balance of R\$ 1.1 billion, of which R\$ 924.9 million in loans and financing (R\$ 222.6 million in short-term and R\$ 702.4 million long-term), R\$

7.0 million in debts with other related parties, R\$ 222.2 million in accounts payable for business combinations and R\$ 8.3 million in derivative transactions.

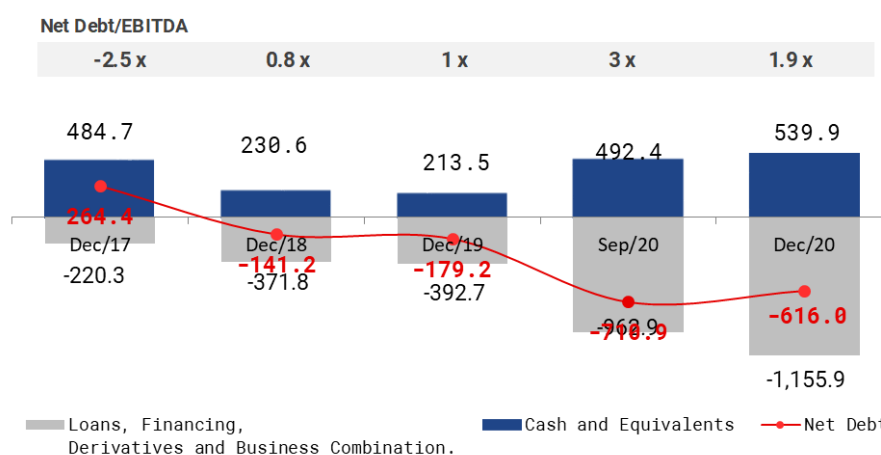
The amortization of consolidated debt is as follows:



## Net Debt Composition

The chart below shows the composition of the Company's consolidated net debt and its multiple with EBITDA. In the years ended in 2016 and 2017, Fras-le was in a comfortable position in its financial resources, originated by the resources of a capital increase in 2016, through an offering of shares. In 2018, most of these funds were used to pay for acquisitions, gradually reducing the volume of funds invested.

In 2020, the Company made the 3rd and 4th issue of debentures, the aim of which was to pay for the acquisition price of the shares related to the acquisition of Nakata, and also to reinforce cash. In this context, net debt ended the year 2020 at R\$ 616.0 million, which is equivalent to a multiple of 1.9x EBITDA.



Note: in the period ended Dec / 17, there is a financial surplus in the net debt indicator, due to the raising of funds through the offering of shares in 2016.

## 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

The acquisitions we have made over the last years have added new industrial structures and warehouses, increasing our need for working capital (NWC), mainly due to the nature of the operations, which need stock to guarantee the stability and maintenance of the businesses. In addition to the inventories formed by the new warehouses, the increase in NWC was also caused by increased balances receivable from customers, balances of inventories of raw materials and finished products, balances payable to suppliers, and other sources and investments of resources originated from the new industrial operations. In 2020, in particular, with the acquisition of Nakata, we added to our business a manufacturing plant, a warehouse and administrative headquarters/technology and development center, which

explains the raise in NWC. However, when we annualize Nakata's Gross Revenue to compose the NWV calculation, it drops to 81 days.

In addition, the Company eventually uses, as a strategy, to make early purchases of raw materials in order to mitigate the effects on the materials used in its manufacturing processes, and these movements may also reflect in the balances of inventories and suppliers.

We also need to clear that, as the exchange rate changes, the balances of the working capital accounts of businesses outside Brazil are also subject to some impact when converting to the national currency, and therefore showing higher or lower levels, depending on the currency fluctuation.



## 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

Obs: os The date on taxes, without results, are presented by competence and not by cash.

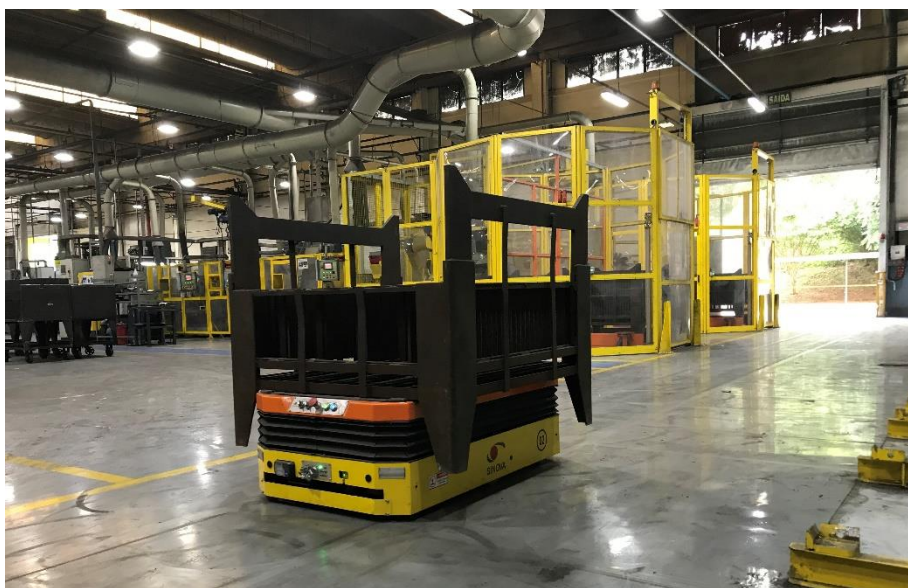
Likewise, the new structure also changes the behavior of free cash flow. In the comparative analysis with periods prior to the expansion movements, it shows some significant variations, mainly in the NWC (Need for Working Capital) variation line, as the new operations began to incorporate the structure.

In 2020, important increases took place in cash flow, of which we can highlight: Income Tax and Social Contribution due to the result leveraged by the success in the tax processes and Capital Payment, due to the acquisition of Nakata.

## 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 2020, investments totaled R\$ 56.0 million, the main ones being: R\$ 25.9 million in Fras-le unit in Caxias do Sul (investments in the railway shoe, AGV's to supply cutters, machines and equipment, various automations and NR-12 safety adjustments, in addition to investments in the VBA and ABS lanes of the CTR (Randon Technolgical Center).

In the controlled units, the expansion of the casting capacity of Fremax and the machining capacity of Freios Controil were completed. In Nakata, investments were made in the new plant to be headquartered in the city of Extrema - MG.

## **CORPORATE GOVERNANCE**

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### **Listed at Level 1**

In addition to being listed at Level 1 on Corporate Governance, Fras-le is also represented in IGCX - Special Corporate Governance Stock Index, B3, offering the best practices that extend the corporate rights of minority shareholders, In addition to maintaining transparency and fairness with regard to the information disclosed.

### **Administrative Structure**

The administrative structure consists of the Board of Directors, which is composed of five members, three appointed by the controlling shareholder and two by minority shareholders, while the Executive Board consists of five members, three of whom are statutory. This structure also includes the Supervisory Board, which is composed of three members, two appointed by the controlling shareholder and one by the minority shareholders, and an equal number of alternates, elected by the General Shareholder's` Meeting.

### **Related Parties Committee**

A non-statutory body, with advisory functions, this body advises the Board of Directors, ensuring that transactions with related parties are backed by the interest of the Company, while meeting the commutative conditions through a transparent and ethical process, inconformity with current legislation. It comprises three members of the Board of Directors, two appointed by the controlling shareholder and one by minority shareholders, as foreseen in the Shareholders ' Agreement.

### **Remuneration of the Administrators**

Administrators' remuneration practices are aligned with the interests of the Company, and are aimed at recognizing professionals for the performance of their duties, in order to encourage these professionals to

help expand business and, as a result, seek the return on shareholders, taking into account the responsibilities of each Member and the time devoted to their duties.

The annual fees of the Board of Directors, Statutory Board, and Supervisory Board are paid in twelve monthly installments. The remuneration consists of fixed fees, variable fees (represented by profit sharing), pension plan, health care, personal accident insurance, and severance pay indemnity fund; The remuneration of the Board of Directors and Executive Board is suggested by the Human Resources area of the Company and approved at a meeting of Board of Directors. The suggestion takes into account a market survey that is conducted on an annual basis. There are no

formal mechanisms of individual assessment of the members of the Board of Directors, Supervisory Board and Executive Board. However, the Executive Board is assessed annually through individual performance, based on the goals and results of the Company. Individual payment increases are made annually in the month following the close of the Company's Management Performance Cycle.

### CVM Instruction no. 381/2003 – Independent Auditors

In compliance with Instruction No. 381/2003, (Securities and Exchange Commission), Fras-le informs that: In 2020, the Company paid fees to *Ernst Young Auditores Independentes S/S* in the amount of R\$ 1.9 million, which include external audit services and other services, whose characteristics are shown below:

<b>(a) Other services</b>			
Period	Duration	Fees Paid	% over the external audit services
January to December	12 months	0.16	8.4%
During the year ended December 31, 2020, additional fees were paid (clarifications on the <i>Nakata Automotiva</i> acquisition transaction) and hours of the Valuation specialists team related to the review of the <i>Nakata Automotiva</i> Purchase Price Allocation (PPA) report.			

These services did not affect the restrictions of CVM Instruction 381/03, as they refer mainly to other specific works and were performed by professionals from an area totally different from that in which the professionals who perform the external audit services work, therefore not affecting the objectivity required for external audit services.

**(b) Mandatory External Audit Services**

Period	Duration	Fees Paid	% over the total value paid to the External Audit.
January to December	12 months	1.72	91,6%

The mandatory legal external audit services included the review of quarterly information (ITRs) for the periods ended in March, June and September 2020 as well as the auditing of the financial statements for the year ended December 31, 2020 (DFP).

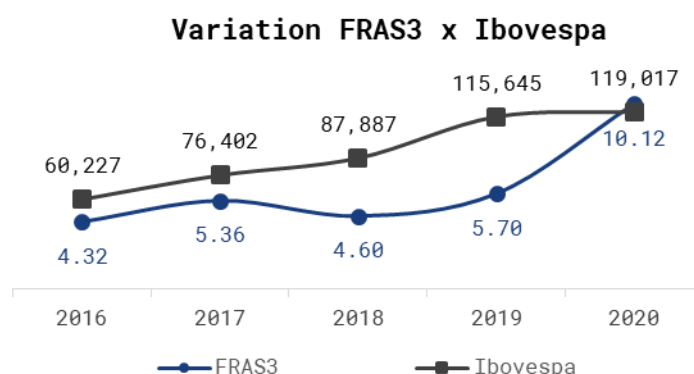
Values expressed in million of Reais

It is the Company's policy to meet the service restrictions of the independent auditors, that is, ensuring that there is no conflict of interest, loss of independence or objectivity for the services provided by independent auditors, unrelated to the external audit. Such independence is obtained through the provision of services by professionals from areas independent from the auditing company.

## CAPITAL MARKET

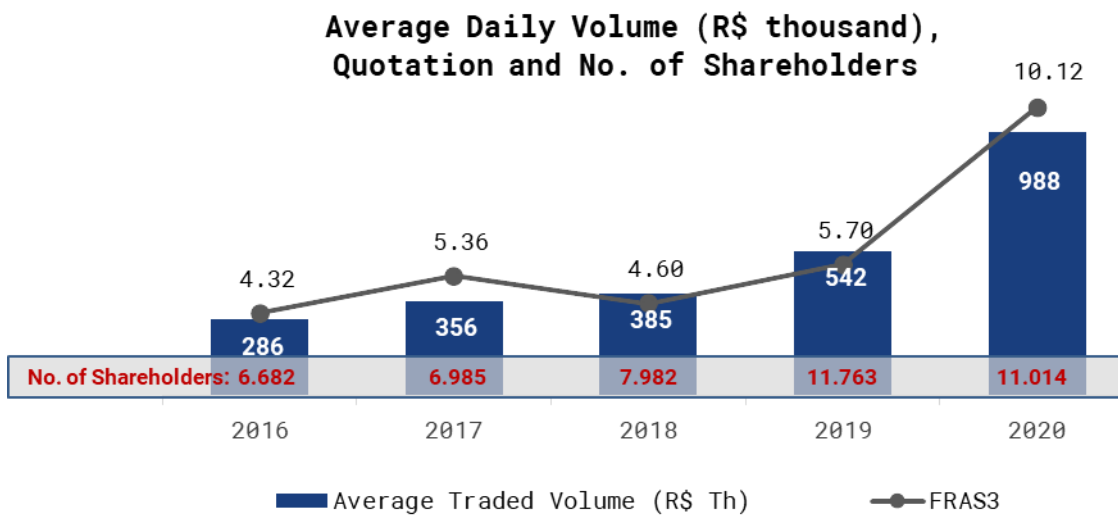
### Performance of Shares

Fras-le's common shares, traded on *B3 S.A.-Brazil, Bolsa, Balcão*, under the ticker "FRAS3", rose by **77.5%** in 2020, and ended the period quoted at R\$ 10,12 per share on December 30, 2020. The IBOVESPA index closed the same period with 119.0 thousand points, an increase of 2.9%.



## Volume of Shares Traded

In fiscal 2020, 41.5 million shares “FRAS3” were traded through 118.5 trades on the spot Market of B3. In this period, the average daily trading volume was R\$ 1.0 million, an increase of 82.3% as compared with 2019. The Company’s value in the market, at the end of December 2020, reached R\$ 2.2 billion.



## Shareholders` Profile

The Free Float of the Company corresponds to 34.8% over the total shares paid up, and statutory provisions guarantee equal treatment to minority shareholders, which ensures a Tag-along of 100% in the case of sale of the Company.

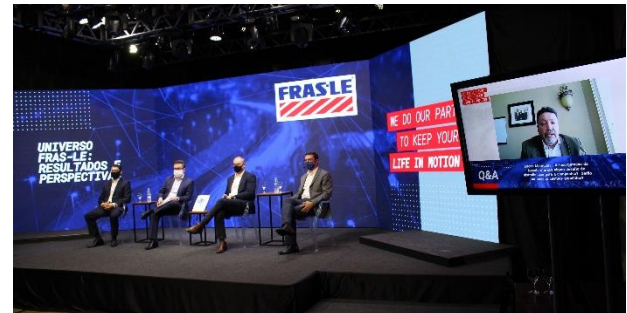
Fras-le’s shareholding base comprised 11,014 shareholders at the end of 2020. The Company’s shares composition was represented by several shareholders` profiles, as shown in the graph below:

## Investor Relations

Every year, several meetings were held to present our results and main highlights in relation to our business. However, in 2020 many of these activities did not take place due to the pandemic. Even so, the Company has adapted to new ways of taking its information and results to its investors. In partnership with the Association of Capital Market Analysts and Investment Professionals (Apimec), *Fras-le Day* was promoted in a completely digital way. The event named *Fras-le Universe* was held in November 2020. At the



meeting, directors spoke about the Company in general, its financial results, innovation trends, growth strategy and future prospects.

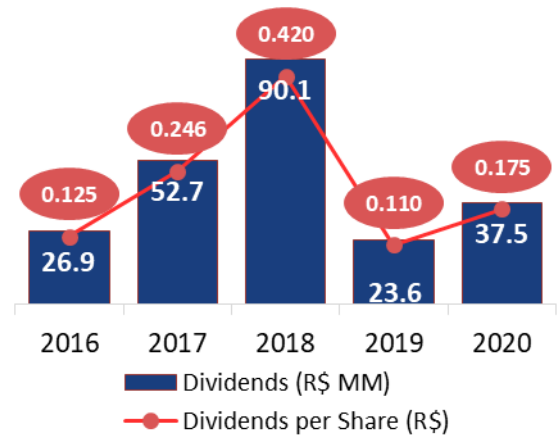


It is important to report that Fras-le has dedicated analysts to cover its results. Currently, professionals from different institutions carry out this monitoring, some of which are: *Banco Santander, Banco Safra, Eleven Financial* and *Nord Research*. We have to highlight the importance of these analysts, who monitor and issue impartial opinions on Fras-le's operational and financial performance, and may even recommend the purchase, sale or maintenance of the "FRAS3" shares, as well as indicating a fair price for the paper .

## Shareholders` Remuneration

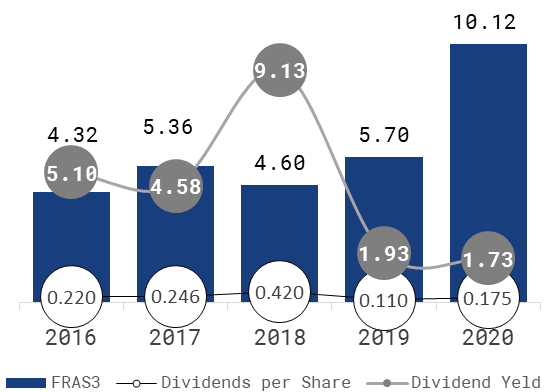
The Company paid interest on net equity to shareholders, relating to the period January to November 2020, pursuant to the form and limits established by legislation and in the following conditions: (i) amount credited and paid of R\$ 37.5 million, corresponding to R\$ 0, 17477 per common share; (ii) payment began on January 20, 2021; (iii) the shares were traded ex-right as of December 18, 2020.

### Shareholders Remuneration



In 2020, the shareholders were remunerated with the amount of R\$ 37.5 million, an amount that can be attributed to dividends related to the year 2020, as to be resolved at the next Annual General Meeting, scheduled for April 2021.

### Dividend Yield

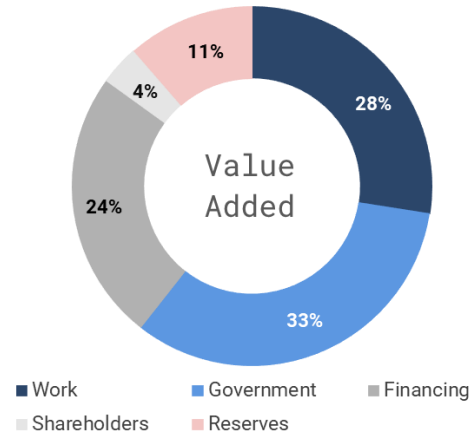




## SUSTAINABILITY

### Value Added

With consolidated revenue of R\$ 2.3 billion, Fras-le generated a net added value of R\$ 1.2 billion in fiscal year 2020, which were distributed as shown in the chart shown here.



### Social Responsibility

With management practices valuing people, the Company has more than 4,400 employees, considering all the operations worldwide. The activities aimed at human actions are planned and developed through programs and practices, based on the principle of "People Valued and Respected". The programs are aimed at providing a healthy organizational environment, encouraging the practice of good habits and attitudes, in addition to making available professional qualification and technical and behavioral improvement.

### Environmental Responsibility

The Company was the first manufacturer of friction materials in South America to achieve the ISO 14001 Certification, known as the Environmental ISO, and this has determined the creation of the Environmental Management System (EMS) in the 1990s. In 2017, Fras-le was re-certified to ISO 14001:2015, which lays down new requirements and criteria in relation to concerns about value chain, lifecycle, risks and opportunities, among others. The new version requires the identification of the main environmental aspects through mitigation, control or plans of action, with full attention to possible impacts. The Company also holds the IATF 16949, ISO 9001 and OHSAS 18001 Certifications.

The Company's investments related to environmental conservation are guided by the Health, Safety and Environmental Policy (SSMA), and investments totaled, in this last fiscal period, R\$ 4.2 million.

## WATER

The Company's water consumption throughout 2020 reached 63.4 million m<sup>3</sup>. Fras-le has its own Effluent Treatment Station, in which all effluents generated in daily activities are treated, both sanitary and industrial. In 2020, more than 49.4 m<sup>3</sup> of effluents were treated and 41% of that volume was reused in activities that do not require the use of drinking water, thus minimizing the environmental impact on water resources.

Below are the volumes of consumption, treatment and reuse of effluents in the last 5 (five) years:

Year	2016	2017	2018	2019	2020
Consumption (m <sup>3</sup> )	91,907	84,274	63,533	68,706	<b>63,486</b>
Potable water (m <sup>3</sup> )	43,797	56,378	65,185	45,653	<b>49,432</b>
Reused (m <sup>3</sup> )	15,382	18,806	18,763	17,673	<b>20,449</b>
% Reuse	35%	33%	29%	38%	<b>41%</b>

## WASTE MANAGEMENT

Fras-le has a Waste Management Program that aims to eliminate or reduce waste in its production process and properly dispose of waste that can cause damage to the environment. In addition to the legal implications, inadequate waste management causes soil degradation / contamination, pollution of water sources, air, risks to the health and quality of life of the population.

For this reason, the waste generated by Fras-le receives adequate treatment, in accordance with the norms and standards required by official environmental agencies, the Company's Environment Policy and the Waste Management Program.

The Company has not used waste disposal in industrial landfills for more than 10 years. In 2020, more than 8,400 tons of waste was correctly disposed of, with more than 65% of this volume destined for recycling.

As sustainable practices, Fras-le has in its unit the activity of composting solid waste, which in 2020 transformed more than 60 tons of waste into organic compost, in addition to the incorporation of the waste generated in the exhaustion of the friction material manufacturing process. In 2020, more than 13,300 tons were incorporated as raw material.

As an additional and differential service offered to our customers, we have the Pro Environment

Program, in which Fras-le performs the environmentally-correct collection and disposal of friction materials after use. We currently have

more than 360 registered customers. In 2020, more than 850 tons were correctly collected and disposed of, an investment of R\$ 850 thousand.

## Governance and Risk Management

### ETHICS: A PRINCIPLE THAT WE TAKE VERY SERIOUSLY

Fras-le and Randon Companies are concerned with building an ethical organizational environment for everyone to carry out their activities based on honesty, transparency, integrity and seriousness and, through this, reaffirm their commitment to society as a whole .

The Cde of Ethical Conduct shows how the organization's principles and values must be applied, in practice, in the exercise of relations between it and its stakeholders, shareholders, customers, suppliers, employees, the government and society.

### WE HAVE SIGNED THE BUSINESS PACT FOR INTEGRITY AND AGAINST CORRUPTION -ETHOS INSTITUTE

In 2019, we became signatories to the Ethos Institute's Business Pact for Integrity and Against Corruption, thus taking a public commitment towards integrity in the business environment. This pact is related to the 10th principle (Anticorruption) of the Global Compact of the United Nations Convention against Corruption.

### RECOGNITION RECEIVED FROM THE BRAZILIAN INSTITUTE OF BUSINESS ETHICS

Randon Companies are among the most ethical companies in Brazil, according to the Brazilian Institute of Business Ethics. For having reached more than 80 points in the Ethics Management Indicators (IGE) of the survey carried out by this entity, the Company received the title of Outstanding Company of the Year 2020.

### MAP OF CORPORATE RISKS

Since 2018, Randon Companies have kept their corporate risk map updated. The risk assessment is carried out together with different areas of the Company and includes a number of factors, such as threats and opportunities, vulnerabilities and capabilities, assessing the impact of changes in the external and internal environment for the identification of risks. The risk map presents the classification and prioritization of corporate risks by crossing the impact and probability of the risk assessed by a group of executives selected by Randon Companies.

The identified risk is categorized as strategic, operational, financial or regulatory, in order to be part of future analyzes and provide a corporate vision, as described in the Company's Risk Management Policy.

Randon Companies are committed to ensuring compliance in the treatment of personal data, and so they have established guidelines,

strategies and responsibilities in the governance of the privacy of personal data, which in addition to LGPD ( Brazilian General Data Protection Law) , also aims to comply with the General Data Protection Regulation (GDPR), of the European Union.

## **RESEARCH, DEVELOPMENT & INNOVATION**

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Born with the DNA of innovation, Fras-le has become, in more than six decades, a global benchmark for high-performance friction materials, the fruit of constant investments in technology and engineering technical qualification, a combination that results in innovative products. Over the recent years, an average of 2% of its net revenue has been intended for development

projects of more competitive, sustainable and modern technologies that allow the Company to compete in new and particular markets and business niches, in addition to supporting Fras-le's policy of continuous technical training of its engineering staff, being this one of the pillars of our capacity to face new challenges

## CREDITS AND HIGHLIGHTS

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### Events/Actions:

Launch of the Auto Experts digital catalog  
Opening of the CTR ( Randon Technological Center) - Innovation Labs  
Opening of the CTR - VDA and ABS tracks  
Fras-le Universe  
Automotive Repair Seminar online  
Mechanical Congress online  
*Rota do Reparador* (Service Station Brazil) – Online training  
HDAW USA Fair - January 2020  
Online fair - “Feria de las dos ruedas”  
Online workshop - Aserv

### Awards:

- ✓ - **48th Export Award**
- ✓ - **Sindirepa Award**
- ✓ - **Marcas da Oficina Award**
- ✓ - **“As campeãs da inovação” (Champions in Innovation) Award..**

## ACKNOWLEDGEMENTS

2020, a rather distinct year, has left us a sense of achievement. Despite the turbulence, many uncertainties and challenges, we have learned and been successful, and these remain as legacies for the Company. In particular, the acquisition of *Nakata Automotiva*, that has been completed, marks the end of an expansion cycle that we started in 2017. The movement is a milestone in Fras-le's history and uniquely positions Fras-le as one of the important replacement powerhouses in Brazil, adding brands such as Controil, Lonaflex, Fremax, Nakata and Fras-le in a portfolio of products of more than 10,000 skus in several product lines.

Fras-le's path was built by many hands: an engaged and dedicated team that have reinforced our value: People Valued and Respected. It is this team that makes Fras-le a winning company. It is also this team that relates to all the stakeholders that form our entire relationship.

For this reason Fras-le thanks all customers, suppliers, distributors, shareholders, financial institutions, government agencies, employees, the community in general and all those who have contributed to its success.



## EXPECTATIONS

*"The  
certainty is  
unique: the  
year 2021  
will continue  
to be  
challenging."*

Crises always bring in opportunities. The pressure that the environment poses requires quick and often difficult decisions to be made, but with future benefits. Many of the actions that Fras-le implemented in 2018 and 2019 have already shown results in 2020. And the decisions we have made during this cycle, especially those made in view of the pandemic - loaded with innumerable learnings and changes - will reflect in the coming years, creating new habits and routines, and also new opportunities.

2021 is still a year of uncertainty, but optimism comes with it. In a year when the pandemic will still be an issue, and health concerns will remain a priority, Fras-le expects for more stability.

Fras-le remains attentive to market movements and expects the economy to pick up, which brings optimism and concern at the same time. The concern is related to the risk of material shortages and productive capacity, since the increasing volumes may cause limitations in production lines.

Another concern is inflation, uncontrolled prices and exchange rates. What is certain is this: the year 2021 will continue to be a challenging one.

Caxias do Sul, March 3, 2021

The Management

## BOARDS AND FUNCTIONS

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### Board of Directors

David Abramo Randon – Chairman  
Astor Milton Schmitt – Vice-Chairman  
Daniel Raul Randon  
Ragazzon  
Bruno Chamas Alves  
Dan Antonio Marinho Conrado

### Supervisory Board

Gaspar Carreira Júnior  
Geraldo Santa Catharina  
Rogério Luiz

### 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





## ADDRESSES AND CONTACTS

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### Address

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Bairro Forqueta

Caxias do Sul, RS

### Contacts

Phone: +55 54 3239-1517 | +55 54 3239-1553 | +55 54 3239-3036

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

## ATTACHMENT I

### CONSOLIDATED STATEMENT OF INCOME

Values in thousands of Reais

	2020	%	2019	%	Variations 2020/2019
<b>Net Revenue</b>	<b>1,670,789</b>	<b>100.0%</b>	<b>1,365,509</b>	<b>100.0%</b>	<b>22.4%</b>
COGS – Cost of Goods Sold	-1,190,880	-71.3%	-1,015,843	-74.4%	17.2%
<b>Gross Profit</b>	<b>479,909</b>	<b>28.7%</b>	<b>349,666</b>	<b>25.6%</b>	<b>37.2%</b>
Selling Expenses	-147,918	-8.9%	-133,398	-9.8%	10.9%
Administrative Expenses	-146,339	-8.8%	-107,613	-7.9%	36.0%
Other Operation Expens./Incom.	54,328	3.3%	-1,976	-0.1%	-2848.7%
<b>Financial Result</b>	<b>14,573</b>	<b>0.9%</b>	<b>-36,345</b>	<b>-2.7%</b>	<b>140.1%</b>
Financial Income	292,410	17.5%	163,190	12.0%	79.2%
Financial Expenses	-277,836	-16.6%	-199,535	-14.6%	39.2%
<b>Income Before Tax</b>	<b>254,553</b>	<b>15.2%</b>	<b>70,333</b>	<b>5.2%</b>	<b>261.9%</b>
Income and Social Tax	-72,507	-4.3%	-37,527	-2.7%	93.2%
<b>Net Profit</b>	<b>182,046</b>	<b>10.9%</b>	<b>32,806</b>	<b>2.4%</b>	<b>454.9%</b>
Attributable to non-controlling shar.	-6,664	-0.4%	-4,084	-0.3%	63.2%

Values in R\$ thousands

## ATTACHMENT II

### 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

## ATTACHMENT III

### STATEMENTS OF CASH FLOW – INDIRECT METHOD

Values in thousands of Reais

	31.12.20	31.12.19
<b>Fluxos de Caixa das Atividades Operacionais</b>		
<b>Caixa Líquido Atividades Operacionais</b>	<b>241,216</b>	<b>121,037</b>
<b>Caixa gerado nas operações</b>	<b>459,748</b>	<b>196,133</b>
Resultado do exercício	182,045	32,805
Provisão p/ IR e CS corrente e diferido	72,507	37,527
Depreciação e amortização	90,906	68,547
Provisão para litígios	2,367	9,120
Provisão para crédito de liquidação duvidosa	-125	-435
Provisão para estoque obsoleto	5,452	2,575
Outras Provisões	15,479	-2,623
Custo de ativos permanentes vendidos	38,479	16,031
Receita de processos judiciais ativos	-182,769	0
Ajuste Correção Monetária	-30,280	-23,892
Variações de empréstimos e arrendamentos	82,918	56,478
<b>Variações nos ativos e passivos</b>	<b>-35,763</b>	<b>-75,096</b>
Aplicações financeiras	-53,305	-29,201
Depósitos judiciais	-4,354	-2,920
Contas a receber clientes	-30,513	-10,457
Estoques	-65,210	30,733
Outros Ativos	36,297	-2,286
Fornecedores	120,615	-1,943
Outros Passivos	6,684	-47,433
Imposto de Renda e Contribuição Social pagos	-45,977	-11,589
<b>Fluxos de Caixa das Atividades de Investimentos</b>		
<b>Caixa Líquido Atividades de Investimento</b>	<b>-319,640</b>	<b>-83,071</b>
Aquisição de ativo imobilizado	-56,066	-82,241
Adições ao ativo intangível	-403	-830
Combinação de negócios	-263,171	0
<b>Fluxos de Caixa das Atividades de Financiamentos</b>		
<b>Caixa Líquido Atividades de Financiamento</b>	<b>343,276</b>	<b>-84,295</b>
Pagamento de juros s/capital próprio e dividendos	-14,060	-70,396
Empréstimos Tomados	541,473	154,511
Pagamentos de empréstimos e arrendamentos	-165,742	-153,371
Juros pagos por empréstimos	-18,395	-15,039
<b>Aumento/Redução do Caixa e Equivalentes de Caixa</b>	<b>264,852</b>	<b>-46,329</b>

Valores em R\$ mil

## ATTACHMENT IV

### 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>	