

**FRAS-LE<sup>®</sup>**



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

**RELEASE OF  
RESULTS FOR THE  
SECOND QUARTER  
OF 2021.**

[RI.FRAS-LE.COM.BR](http://RI.FRAS-LE.COM.BR)



# FRAS

## B3 LISTED N1

Caxias do Sul, RS, August 9, 2021. Fras-le SA (B3: "FRAS3") stands out for being an auto parts replacement powerhouse bringing together products and iconic brands in its portfolio, in addition to being the largest manufacturer of friction materials in Latin America and one of the world leaders, announces its results for the second quarter of 2021 (2Q21). The Company's financial information is consolidated in accordance with international standards IFRS - International Financial Reporting Standards and monetary values are expressed in reais, unless otherwise indicated. Comparisons are made with the first second of 2020 (2Q20).

MARKET CAP (June 30, 2021)

**R\$ 2.8 billion**

"FRAS3" Quote (June 30, 2021)

**R\$ 12.70**

### CONFERENCE CALL OF RESULTS

In Portuguese, with simultaneous translation into English.

10 AUG 2021, (Tuesday)

11:00 AM Brasília

10:00 AM New York

15:00 PM London

### WEBCAST:

Portuguese: [click here](#)

English: [click here](#)

## HIGHLIGHTS\_

▶▶▶▶ Total Gross Revenue, with no elimination:  
R\$ 858.3 MILLION, or 112;3% up from 2Q20;

▶▶▶▶ Net Revenue:  
R\$ 599.1 million, or 113.9% up from 2Q20;

▶▶▶▶ Sales in the Foreign Market (Exports + overseas operations):  
US\$ 44.1 million, or 47.0% up from 2Q20.

▶▶▶▶ Gross Income:  
R\$ 174.4 million, or 169.1% higher than 2Q20;

▶▶▶▶ EBITDA:  
R\$ 101.2 million, which is 141.0% higher than 2Q20;

▶▶▶▶ Net Result:  
R\$ 43.6 million, or 232.8 up from 2Q20.



# MOTIONS

## WORD FROM THE MANAGEMENT

Figures in the second quarter of 2021 remained good. Fras-le delivered an unprecedented and record performance in the first half of the year in terms of accrued results. The strategic planning was executed with the involvement, commitment and assertiveness of everyone involved, reinforcing the growth points brought up by Management in its approaches to the market.

The pandemic poses challenges that are primarily related to price inflation, shortages of raw materials, and disturbances in logistical routes. These difficulties, however, did not overshadow the figures achieved at the end of the first half-year period, marked by a growth rate close to 100% when compared to the same period in 2020, despite the worst moment of the pandemic during this past year. Added to this is the arrival of Nakata, which began to be consolidated last September.

Innovation remains an asset, along with the best service support to customers and markets. In this sense, the new Nakata plant of shock absorbers will be opened in Extrema/MG in August. In addition, new developments in the smart composites line will be announced in the current quarter. This product line will create a new route in offering solutions to our customers, with unique benefits provided by intensive and permanent R&D, in addition to supporting our ESG ambition. The new line of products helps reduce the structural weight with components that add performance, competitiveness, and reduced emission of polluting gases.

Strategy continues to be turned into performance and the next steps come with optimism and important advantage edges for the perpetuation of Fras-le's businesses. After all, we do our part to keep your life moving.

**“Strategy continues to be turned into performance and the next steps come with optimism and important advantage edges for the perpetuation of Fras-le's businesses. After all, we do our part to keep your life moving.**







## »»» FRAS-LE UNIVERSE\_

### STOCK CAR AND TRUCK CUP



Fras-le and Fremax have confirmed the renewal of the contract for the supply of brake pads and discs to Stock Car. This year, the new stage dynamics will require more not only from drivers and teams, but also from the car systems and components. The novelty is that Fras-le is the new

official supplier of the Truck Cup, which will increase Fras-le's involvement in this national motor sport. Fras-le will support and supply brake pads to one of the main categories in Brazil, and to one of the largest in the world as far as trucks are concerned.



### SYNERGIES – NAKATA

Good results are still coming from the acquisition of Nakata in several lines of the consolidated results of Fras-le, with record revenues and profitability thereafter.

As we have disclosed since the first conference call, when Fras-le signed the acquisition agreements, the integration plan for Nakata showed synergies between R\$ 90 and R\$ 100 million in the first 5 years after the acquisition (sum of the combined synergies). In less than a year after closing the deal, quick wins results have already totaled R\$ 45 million in these 5 years. The synergies related to the project of moving the plan are not showing yet, but savings topping R\$ 19 million a year are expected, in addition to other ongoing structuring projects. Up to now, synergies are concentrated in spend and sourcing (34%) and in the consolidation of Nakata's warehouses in Extrema (60%). Consistently with these expectations, ongoing synergies are far exceeding our initial estimate.

### ESG Panel\_

In this space, we highlight the actions that the Company has taken concerning the Environmental, Social and Governance pillars.

#### HEALTH:

Since the beginning of the COVID-19 pandemic, Fras-le has adopted several measures to protect the health of its employees and their families, which is the main priority of the Company. Also important to us is to ensure the continuity of operations as a way to contribute to the local and global economy.

#### INNOVATION - SMART MATERIALS:

Fras-le, in line with the automotive industry's megatrends and diversification strategy, with the support of the IHR, has been working on the study of intelligent materials since 2018. With a focus on structural weight reduction, these new components add performance and competitiveness, in addition to decreasing the emission of polluting gases. The Company has already started producing this line, which will be launched in 3Q21.

#### GOVERNANCE:

Fras-le is continually seeking to improve its governance practices. In this regard, it approved, with the Board of Directors, the Management Compensation Policy and the Internal Regulations of the Executive Board, both available on the Investor Relations website at the link: <https://ri.fras-le.com/estatutos-codigos-e-politicas/>

#### ESG AMBITION AND THE SUSTAINABILITY REPORT OF 2020.

On June 1st, Fras-le, together with Randon Companies, presented to the market the ESG Ambition of the Companies for the coming years, in addition to making available their Sustainability Reports. Watch the short video with highlights by [clicking here](#). To access the full report, [click here](#).

## »»» MAIN FIGURES\_

	2Q21	2Q20	Δ %	1Q21	Δ %	1H21	1H20	Δ %
<b>Gross Revenue</b> *	<b>858.3</b>	<b>404.2</b>	<b>112.4%</b>	<b>920.6</b>	<b>-6.8%</b>	<b>1,779.0</b>	<b>892.5</b>	<b>99.3%</b>
<b>Net Revenue</b>	<b>599.1</b>	<b>280.1</b>	<b>113.9%</b>	<b>640.7</b>	<b>-6.5%</b>	<b>1,239.8</b>	<b>621.9</b>	<b>99.4%</b>
Domestic Market	365.4	119.7	205.4%	406.6	-10.1%	772.1	285.5	170.4%
Foreign Market	233.7	160.4	45.7%	234.0	-0.1%	467.7	336.4	39.0%
Foreign Market US\$	44.1	30.0	47.3%	42.6	3.6%	86.7	69.0	25.6%
Exports - Brazil US\$	23.5	13.3	77.2%	21.6	8.7%	45.1	30.1	49.9%
<b>Gross Profit</b>	<b>174.4</b>	<b>64.8</b>	<b>169.2%</b>	<b>188.5</b>	<b>-7.5%</b>	<b>363.0</b>	<b>153.5</b>	<b>136.4%</b>
Gross Margin	29.1%	23.1%	6.0 pp	29.4%	-0.3 pp	29.3%	24.7%	4.6 pp
<b>Operating Profit</b>	<b>75.2</b>	<b>21.7</b>	<b>245.8%</b>	<b>96.7</b>	<b>-22.3%</b>	<b>171.9</b>	<b>40.2</b>	<b>328.0%</b>
Operating Margin	12.5%	7.8%	4.8 pp	15.1%	-2.6 pp	13.9%	6.5%	7.4 pp
<b>EBITDA</b>	<b>101.2</b>	<b>42.0</b>	<b>141.1%</b>	<b>125.6</b>	<b>-19.4%</b>	<b>226.8</b>	<b>80.1</b>	<b>183.1%</b>
EBITDA Margin	16.9%	15.0%	1.9 pp	19.6%	-2.7 pp	18.3%	12.9%	5.4 pp
<b>Net Profit</b>	<b>43.6</b>	<b>13.1</b>	<b>232.0%</b>	<b>60.5</b>	<b>-27.9%</b>	<b>104.0</b>	<b>11.9</b>	<b>776.5%</b>
Attributable to controlling shareholders	44.9	14.0	220.8%	60.7	-25.9%	105.6	17.9	490.7%
Attributable to non-controlling shareholders	-1.4	-0.9	-54.0%	-0.2	-482%	-1.6	-6.0	73.5%
Net Margin	7.3%	4.7%	2.6 pp	9.4%	-2.2 pp	8.4%	1.9%	6.5 pp
<b>Adjusted EBITDA</b>	<b>101.2</b>	<b>30.4</b>	<b>233.4%</b>	<b>121.3</b>	<b>-16.6%</b>	<b>222.6</b>	<b>76.4</b>	<b>191.3%</b>
Adjusted EBITDA Margin	16.9%	10.8%	6.1 pp	18.9%	-2.0 pp	18.0%	12.3%	5.7 pp

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

(\*) Includes intercompany sales

## Subsequent Events

To access the complete documents, just click or scan the QR code below.



At a meeting held on July 19, 2021, Fras-le's Board of Directors approved the payment of Interest on Equity in the amount of R\$ 19.9 million (R\$ 0.0932 per share) with payment beginning on August 18, 2021 for holders of common shares of the Company on the shareholding basis of July 22, 2021. The shares started to be traded "ex dividends" as of July 23, 2021.



## »» SALES PERFORMANCE\_

### Sales Overview\_

Growth of more than 110% in net revenue quarter-over-quarter, and almost 100% when compared to the result of the accumulated first half-year period demonstrate once again the assertiveness of Fras-le`s strategy of innovation, diversification of portfolio and geographies. This 1H21 clearly reflects the strength of Fras-le's diversified model, with revenues from a growing number of product families whose replacement is not elective. It is also worth mentioning the offer across new geographies of the new products that have recently been incorporated into the Company`s portfolio.

In the light line, when compared to 1Q21, the quarter was slightly impacted by the wave of lockdowns and the equalization of inventories at distributors. In the commercial line, the aftermarket and domestic automakers are still seeking to rebuild their stocks in view of the strong demand for cargo transportation in Brazil. In addition, exports out of Brazil are growing with great liquidity in global markets. Blank sailing and lack of containers affect the logistics of customers waiting to receive their goods in the foreign market, but, on the other hand, the significant increase in global maritime freight, mainly from India and China, is favoring Brazil as a supplier in some markets.

It is worth remembering that the comparative base of the previous year is low, since in 2Q20 a large part of the world was paralyzed by the coronavirus pandemic and Nakata was still not performing in the Company's numbers.





## Volume and Revenue by Family of Material\_

Sales Volumes by Product Line in millions of pieces or liters											
	2Q21		2Q20		Δ %	1H21		1H20		Δ %	
<b>Friction Material</b>	24.3		18.5		31.2%	51.1		41.8		22.4%	
Components for the <b>Brake System</b>	2.2		1.5		50.6%	4.4		3.3		34.4%	
Components for the <b>Suspension, Steering and Powertrain</b>	3.5		0.1		3494.0%	7.6		0.2		#####	
Sales Revenue by Material in R\$ million											
	2Q21		2Q20		Δ %	1H21		1H20		Δ %	
<b>Friction Material</b>	304.7	50.8%	211.1	75.4%	44.3%	614.4	49.6%	463.6	74.6%	32.5%	
Components for the <b>Brake System</b>	117.0	19.5%	53.4	19.1%	119.1%	228.2	18.4%	122.8	19.8%	85.7%	
Components for the <b>Suspension, Steering and Powertrain</b>	151.1	25.2%	6.4	2.3%	2268.3%	313.5	25.3%	15.5	2.5%	#####	
<b>Other products</b>	26.4	4.4%	9.2	3.3%	186.5%	83.7	6.8%	19.9	3.2%	320.7%	
<b>Total Net Revenue</b>	<b>599.1</b>	<b>100.0%</b>	<b>280.1</b>	<b>100.0%</b>	<b>113.9%</b>	<b>1,239.8</b>	<b>100.0%</b>	<b>621.9</b>	<b>100.0%</b>	<b>99.4%</b>	

The components are detailed at the end of this report.

**Friction Material:** The demand for light line friction material (brake pads) has gone through a small reduction due to the equalization of stocks from distributors, while commercial line material (brake linings/blocks) continues heated, led by the agribusiness and exports to automakers. The low supply of new vehicles and the consequent momentary aging of fleets provide opportunities for an increase in the aftermarket demand.

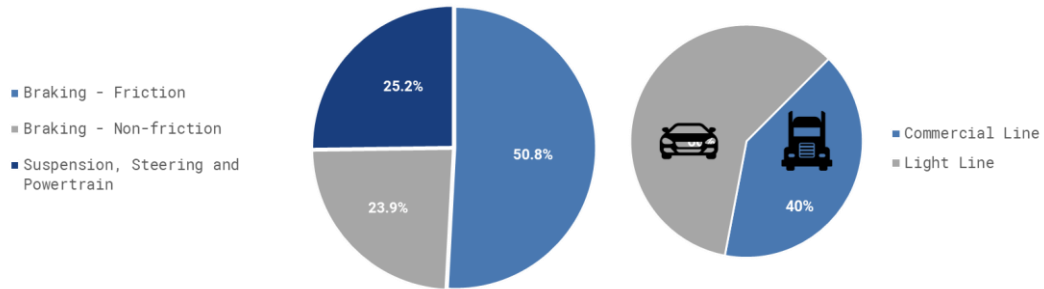
**Components for the Brake System:** With strong demand in the domestic and foreign markets, the quarter was marked by record volumes in these families after the increase in capacity that was made available in discs/drums and master cylinders. This was also the family of products most affected by the rise in commodity prices, since transfers are required to cover the high inflation in associated costs. In the year-on-year comparison, we have the increase in Nakata's volume and revenue.

**Suspension, Steering and Powertrain Components:** A large part of these components is imported, and delays in shipments from Asia to Brazil were caused by the worldwide logistical instability, thus causing delays for our customers as well.

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



Below are graphs showing the breakdown of revenues in 2Q21:



## Revenues by Market\_

Markets	Net Revenue by Markets										
	2Q21		2Q20		Δ %	1Q21		Δ %	1H21	1H20	Δ %
DM Aftermarket	325.9	54.4%	95.1	33.9%	242.8%	368.2	57.5%	-11.5%	694.1	226.8	206.0%
DM OEM	39.5	6.6%	24.6	8.8%	60.9%	38.4	6.0%	3.0%	77.9	58.6	32.9%
<b>Domestic Market</b>	<b>365.4</b>	<b>61.0%</b>	<b>119.7</b>	<b>42.7%</b>	<b>205.4%</b>	<b>406.6</b>	<b>63.5%</b>	<b>-10.1%</b>	<b>772.1</b>	<b>285.5</b>	<b>170.4%</b>
FM Aftermarket	195.6	32.7%	151.6	54.1%	29.1%	196.9	30.7%	-0.6%	392.5	317.8	23.5%
FM OEM	38.1	6.4%	8.8	3.2%	330.1%	37.2	5.8%	2.4%	75.2	18.6	305.4%
<b>Foreign Market</b>	<b>233.7</b>	<b>39.0%</b>	<b>160.4</b>	<b>57.3%</b>	<b>45.7%</b>	<b>234.0</b>	<b>36.5%</b>	<b>-0.1%</b>	<b>467.7</b>	<b>336.4</b>	<b>39.0%</b>
Total Aftermarket Net Revenue	521.5	87.0%	246.6	88.1%	111.5%	565.1	88.2%	-7.7%	1,086.6	544.7	99.5%
Total OEM Net Revenue	77.6	13.0%	33.4	11.9%	132.1%	75.6	11.8%	2.7%	153.2	77.2	98.4%
<b>Total Net Revenue</b>	<b>599.1</b>	<b>100%</b>	<b>280.1</b>	<b>100%</b>	<b>113.9%</b>	<b>640.7</b>	<b>100%</b>	<b>-6.5%</b>	<b>1,239.8</b>	<b>621.9</b>	<b>99.4%</b>

Values in R\$ million

### DOMESTIC MARKET (DM)

Demand went down for replacement items when compared to the previous quarter, mainly in the light line, a factor that is associated with several facts: the second wave of lockdowns at the beginning of the quarter, the search for equalization of inventories at distributors, and the loss of purchasing power by individuals because of high inflation and reduced government aid. The market for OEMs of heavy vehicles, on the other hand, continues heated, as the pandemic did not stop the road freight sector, but there were pauses in production, which means that this market is still seeking to rebuild its stocks.

2Q20 was the most affected quarter by the Covid-19 pandemic. Therefore, the comparison quarter-over-quarter and the accumulated results show strong growth in 2Q21 both in the aftermarket and in the automakers line. In addition, the acquisition of Nakata, which took place in September 2020, had a significant impact on the Domestic Market replacement numbers.



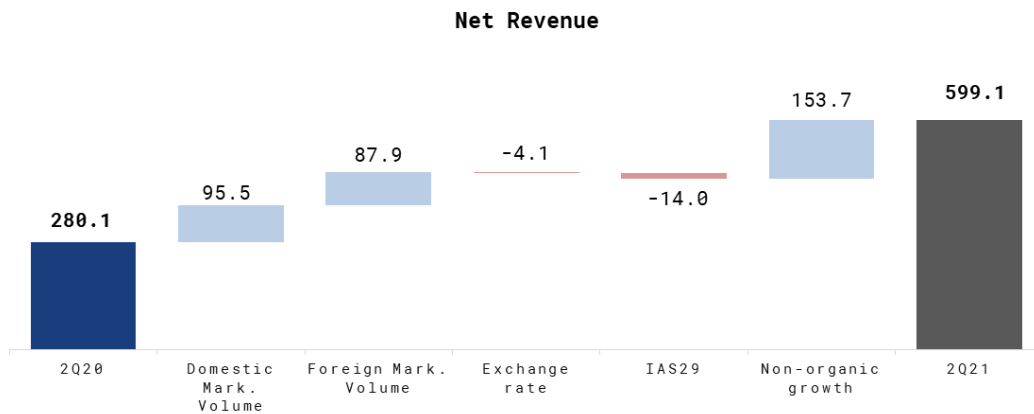


### FOREIGN MARKET (FM)

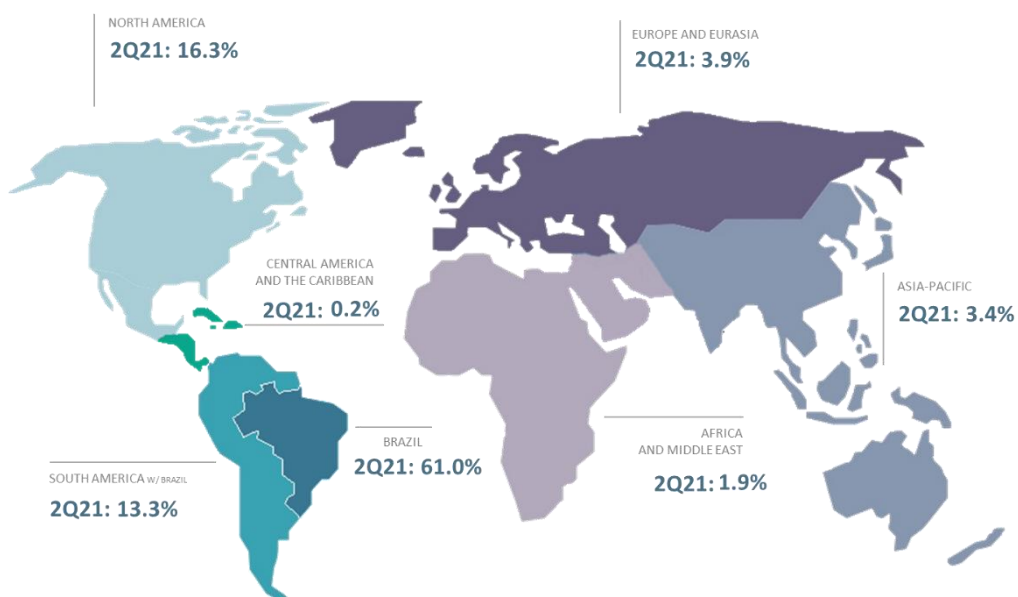
With vaccination progressing in many countries, the scenario of a reopening and possible return to normality has stimulated a demand that was repressed, causing the need for companies to rebuild their stocks very quickly.

Similarly, to what happened in the Domestic Market, the second quarter of 2020, in the Foreign Market, was also the most affected quarter by the Covid-19 pandemic, so the comparison quarter-over-quarter and accumulated results shows strong growth, especially in the automakers line.

The casual-format chart below shows the effects that have changed the performance of consolidated net revenue in 2021, when compared to 2020.



### Net Revenue Breakdown in the World\_





»»» BRAZIL: Mobility was affected by the second wave of lockdowns at the beginning of 2Q21, leading to a reduced demand in some markets, in addition to the delay in the delivery of imported goods, which also impacted the result.

»»» SOUTH AMERICA: Restrictions on circulation were present in some countries at the beginning of 2Q21, and Argentina continues with restrictions on the import and exit of dollars from the country.

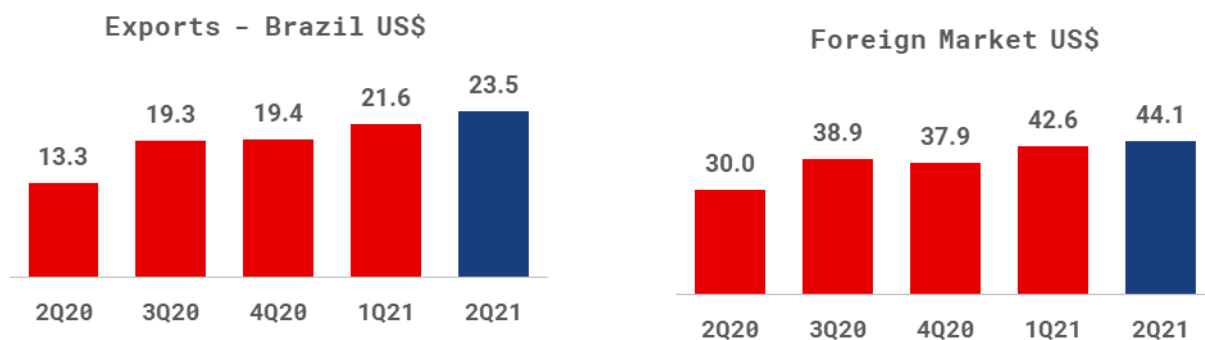
»»» NORTH AMERICA: With the advanced level of vaccination in the North American market, challenges are associated with inflation on inputs and labor shortage enhanced by the program of incentives offered by the Government, which ends up generating an increase in internal costs.

»»» EMEA (EUROPE, AFRICA, and MIDDLE EAST): After the lockdowns at the beginning of the year, the region is in sales ramp-up, but still suffers from a shortage of products from Brazil and China and with maritime freight inflation.

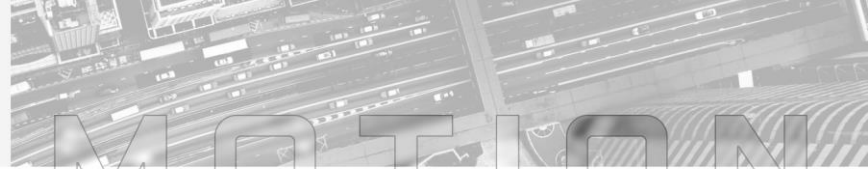
»»» ASIA AND PACIFIC: In China, rising commodity prices and aggressive competition impacted business in this region. In India, the plant located in New Delhi was closed for 3 days in April due to the new Delta variant, but there was no significant impact on the operation.

Note: The Delta variant of Covid-19 is a concern in all regions.

## Foreign Market and Exports\_



The foreign market (exports out of Brazil and the sum of our Units abroad) show a gradual evolution. This result reflects the performance of exports and the good performance delivered by Fras-le`s-controlled companies abroad.



## OPERATING PERFORMANCE\_

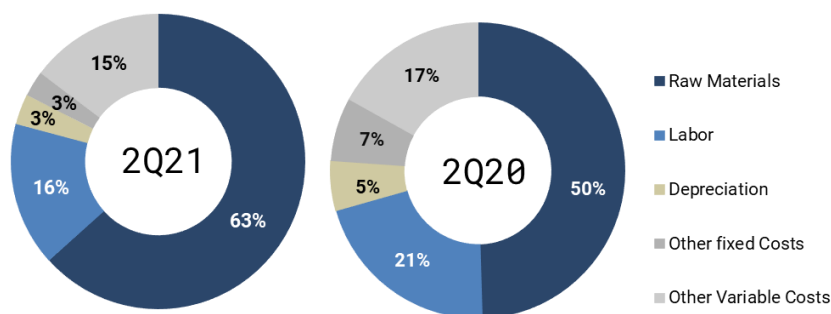
### Operating Performance Overview\_

The execution of Fras-le`s strategy, by dedicated and committed teams, linked to market support - especially to the Aftermarket and different geographies - allows Fras-le to continue delivering positive results. Having completed the first expansion cycle, the Company's focus at this time is to capture the synergies between the projects and continue doing its homework, while seeking productivity through automation and innovation in the launch of new products, always aiming at the Company's sustainable future.

Inflation dynamics continued to affect the 2Q21 results, and the company seeks to maintain its margins through price transfers. In addition, there are difficulties in finding containers available to ship exports and, also as a result, there were delays in receiving imported goods, mainly from Asia, not to mention the increase in freight and maritime logistics costs.

### Cost of Products Sold\_

The Cost of Goods Sold totaled R\$ 424.7 million in 2Q21, accounting for 70.9% of net revenue for the period. When compared to the same period last year, it shows a reduction of 6 p.p. The chart below shows the breakdown of Cost of Products Sold:



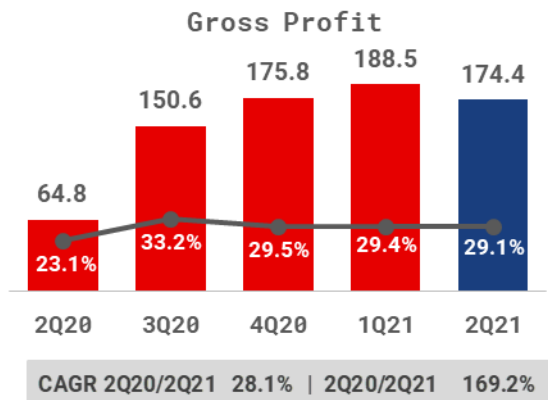
Raw material`s representativeness considerably increased quarter-over-quarter, as a result of Nakata's business model, which imports a large part of the products it sells, in addition to relevant inflation in costs related to ocean freight. The supply chain challenges are many, but the Company



is attentive to market movements and has managed to mitigate the risks of shortages through negotiations with suppliers. Inflation is being dealt with internal productivity work.

The impact of inflation is not only a reality in direct materials, but also in indirect materials such as gases and electricity. In addition, the Company had, in 2Q21, a high number of overtime hours caused by high demand and employees' absences due to COVID-19.

## Gross Profit



Inflation has been gradually putting pressure on gross margin. To mitigate these impacts, the Company is working to reduce mismatches between the absorption of inflation and the transfer of prices. In addition, productivity gains and synergies are sought.

## Operating Expenses and Revenues

	2Q21		2Q20		Δ %	1Q21		Δ %	1H21		1H20		Δ %
<b>Selling Expenses</b>	-55.0	-9.2%	-26.4	-9.4%	108.3%	-55.0	-8.6%	-0.1%	-110.0	-8.9%	-60.5	-9.7%	81.7%
Variable Expenses w/ Sales	-17.2	-2.9%	-9.7	-3.5%	76.9%	-18.1	-2.8%	-5.1%	-35.3	-2.8%	-20.5	-3.3%	72.5%
Other Expenses w/ Sales	-37.8	-6.3%	-16.7	-6.0%	126.5%	-36.9	-5.8%	2.4%	-74.7	-6.0%	-40.0	-6.4%	86.5%
<b>Administrative Expenses</b>	-44.2	-7.4%	-29.9	-10.7%	47.5%	-41.9	-6.5%	5.4%	-86.1	-6.9%	-58.0	-9.3%	48.5%
<b>Other Net Expenses/Income</b>	-0.5	-0.1%	13.3	4.7%	-103.7%	5.1	0.8%	-109.5%	4.6	0.4%	5.1	0.8%	-10.1%
Other Operating Expenses	-23.7	-4.0%	-12.9	-4.6%	83.4%	-3.7	-0.6%	546.4%	-27.4	-2.2%	-27.4	-4.4%	0.0%
Other Operating Income	23.2	3.9%	26.2	9.4%	-11.3%	8.8	1.4%	165.5%	32.0	2.6%	32.5	5.2%	-1.6%
<b>Total Operating Exp/Income</b>	<b>-99.6</b>	<b>-16.6%</b>	<b>-43.1</b>	<b>-15.4%</b>	<b>131.4%</b>	<b>-91.8</b>	<b>-14.3%</b>	<b>8.5%</b>	<b>-191.4</b>	<b>-15.4%</b>	<b>-113.4</b>	<b>-18.2%</b>	<b>68.9%</b>

Values in R\$ millions and % over Net Revenue

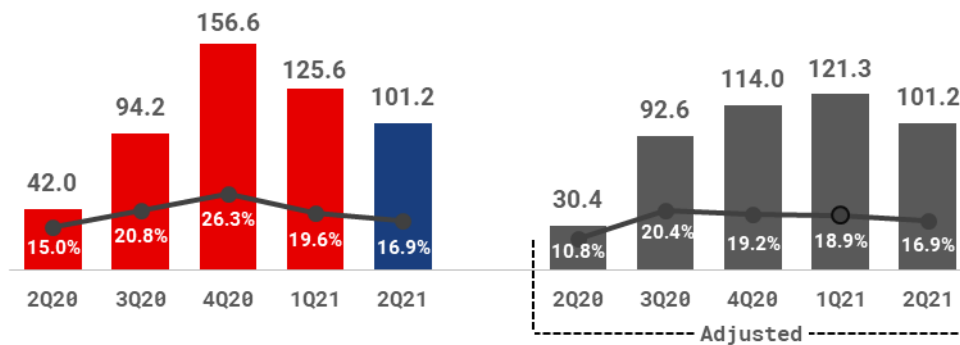
When comparing quarter-over-quarter, it is important to highlight that Nakata did not yet integrate the 2Q20 results, which helps dilute fixed costs. In addition, we did not have on-off events in this quarter. We also highlight the following events: Updated percentage of collective bargaining on the provision for the annual Christmas Bonus salary, vacations, salaries and charges and provision for profit sharing.





## EBITDA\_

### EBITDA



Consolidated EBITDA reached R\$101.2 million in 2Q21 and a margin of 16.9%, which account for a reduction of 2.7 p.p. compared to 1Q21 (increase of 1.9 p.p.) when compared to 2Q20.

The adjusted EBITDA for the period is shown below:

	1H21	
	Adjusted	Accounted
<b>Net Revenue</b>	<b>1,239.8</b>	<b>1,239.8</b>
<b>COGS – Cost of Goods Sold</b>	<b>-876.8</b>	<b>-876.8</b>
<b>Gross Profit</b>	<b>363.0</b>	<b>363.0</b>
Gross Margin	29.3%	29.3%
(-) Impairment reversal	-4.3	
Operating Expenses	-196.0	-196.0
Other Expenses/Revenues	4.6	4.6
<b>Operating Expenses</b>	<b>-195.7</b>	<b>-191.4</b>
<b>EBIT</b>	<b>167.3</b>	<b>171.5</b>
Depreciation/Amortisation	55.3	55.3
<b>EBITDA</b>	<b>222.6</b>	<b>226.8</b>
EBITDA Margin	18.0%	18.3%

Values in R\$ millions

The Company did not record on-off events in 2Q21, so adjusted EBITDA for 1H21 reached R\$ 222.6 million, accounting for a margin of 18.0%.



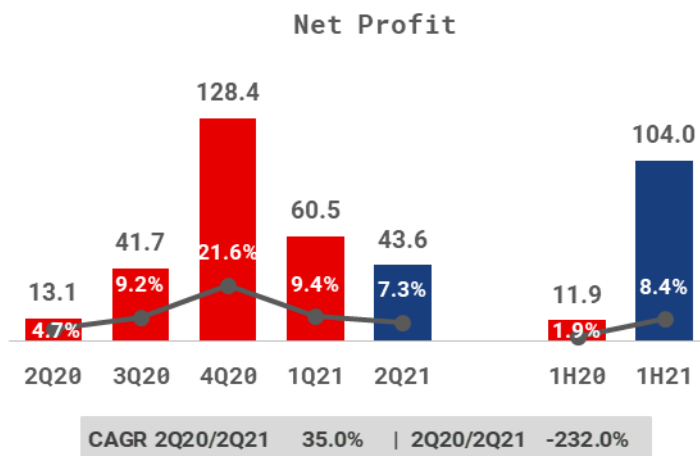


## Financial Result\_

	2Q21	2Q20	Δ %	1Q21	Δ %	1H21	1H20	Δ %
Exchange Variation	13.3	39.1	-66.1%	48.4	-72.6%	61.6	125.3	-50.8%
Interests on Capital Investment	4.6	2.3	98.1%	4.4	3.9%	9.0	4.9	83.6%
Present Value Adjust	0.7	0.6	19.0%	0.5	33.1%	1.2	1.6	-24.9%
Other Financial Income	3.5	6.6	-47.3%	9.1	-61.8%	12.6	6.9	83.7%
Monetary adjustment (IAS 29)	9.8	5.0	97.4%	13.4	-26.9%	23.2	3.3	597.7%
<b>Financial Income</b>	<b>31.8</b>	<b>53.5</b>	<b>-40.6%</b>	<b>75.8</b>	<b>-58.0%</b>	<b>107.6</b>	<b>142.0</b>	<b>-24.2%</b>
Exchange Variation	-10.6	-45.6	-76.9%	-65.8	-84.0%	-76.3	-136.6	-44.1%
Financing Interests	-13.9	-6.0	132.3%	-7.2	92.7%	-21.1	-12.0	76.0%
Present Value Adjust	-3.7	-1.7	112.4%	-2.9	27.7%	-6.6	-4.0	63.5%
Bank Expenses	-5.6	-1.7	228.6%	-4.8	16.5%	-10.3	-3.1	228.8%
Other Financial Expenses	-10.5	-0.1	14704.2%	-7.0	50.8%	-17.5	-1.2	1350.7%
<b>Financial Expenses</b>	<b>-44.2</b>	<b>-55.1</b>	<b>-19.7%</b>	<b>-87.6</b>	<b>-49.5%</b>	<b>-131.9</b>	<b>-157.0</b>	<b>-16.0%</b>
<b>Financial Result</b>	<b>-12.4</b>	<b>-1.6</b>	<b>697.2%</b>	<b>-11.8</b>	<b>5.2%</b>	<b>-24.2</b>	<b>-15.0</b>	<b>61.8%</b>

Values in R\$ millions

## Net Profit\_

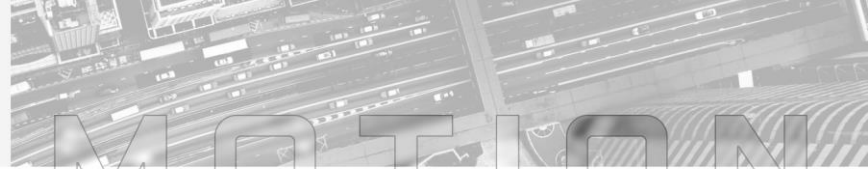


With all the above factors combined, net income was R\$ 43.6 million in 2Q21, accounting for a net margin of 7.3%.

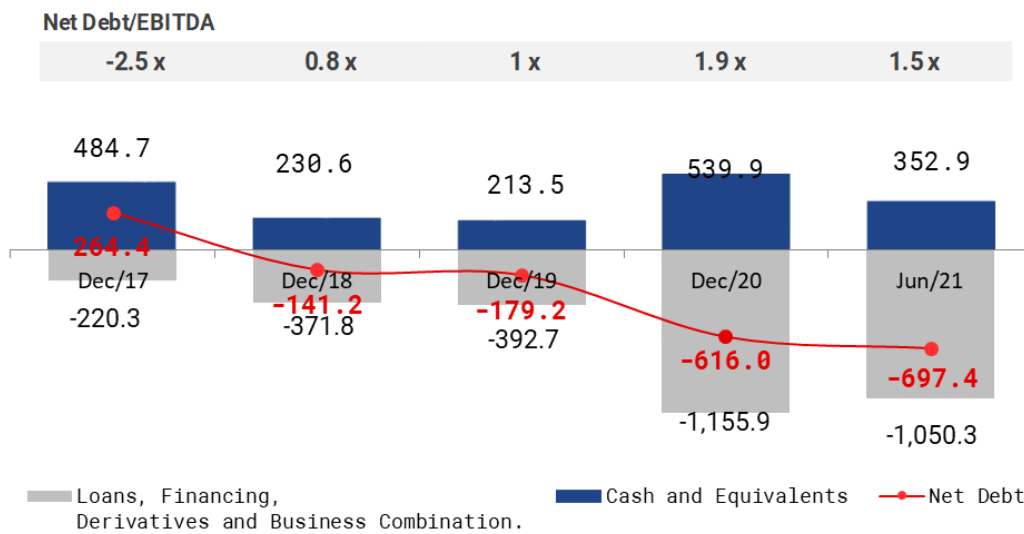
## FINANCIAL MANAGEMENT\_

### Net Debt\_

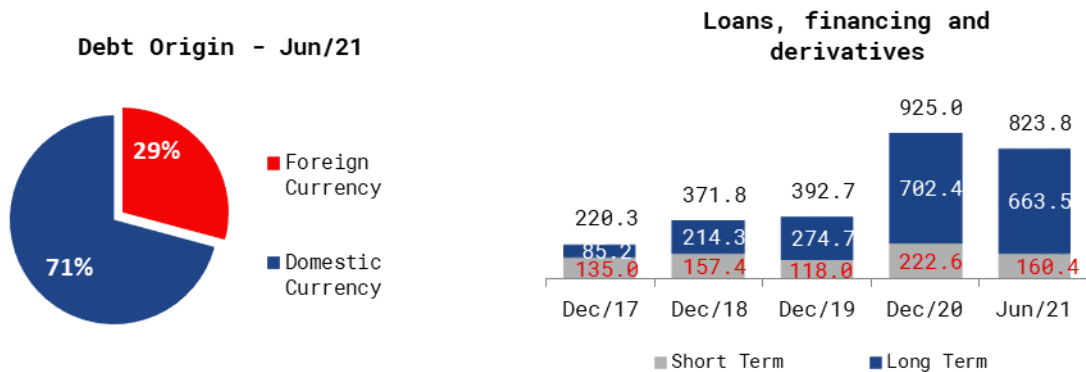
2017 to 2019: In 2017, Fras-le`s financial resources were in a comfortable situation, owing to resources from a capital increase in 2016 (through an offering of shares) and from resources from the company`s cash generation itself. Over the years 2018 and 2019, most of these funds were used to pay for acquisitions and for remunerating shareholders, (dividends and interest on equity), gradually reducing the volume of funds invested.



2020 and 2021: In 2020, the Company made two debenture issues to meet the commitments related to the acquisition of our subsidiary Nakata. The 3rd issue took place in July and the 4th issue took place in July, in the amount of R\$ 210.0 million each. Both took place through a private placement instrument with restricted efforts, of simple debentures, not convertible into shares, unsecured, in a single series, under the subscription regime. The final maturity is June 15, 2027 and July 15, 2027, respectively.

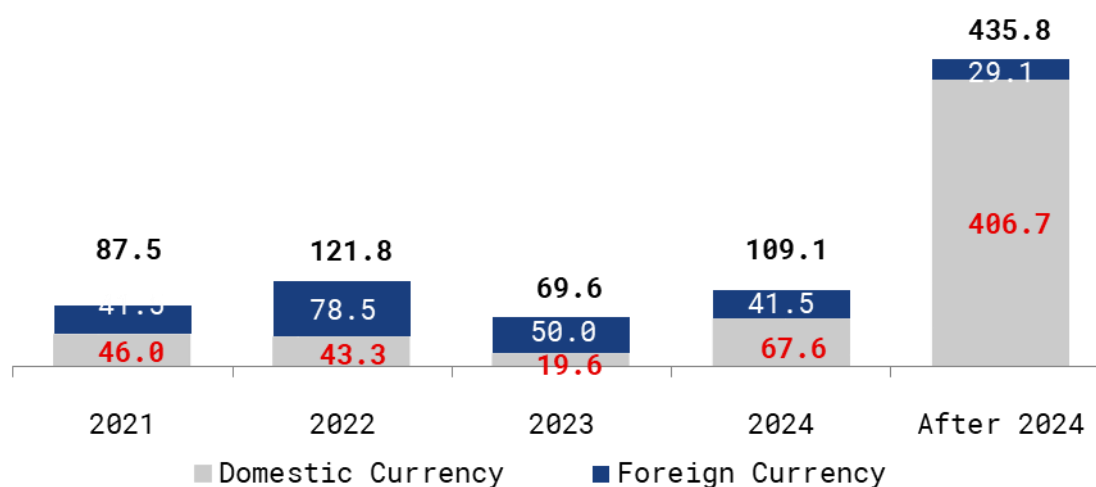


The Company's debt details are shown in the graphs below:





### Annual Payment



### Working Capital

	2017	2018	2019	2020	1H21
<b>Resources Investment</b>					
Customers	77.8	112.8	123.4	289.2	306.8
<i>In Days</i>	26 d	28 d	25 d	49 d	38 d
Inventory	256.2	368.3	333.3	494.1	612.8
<i>In Days</i>	84 d	91 d	69 d	84 d	75 d
Others Resources	40.8	61.9	42.9	221.9	153.3
<b>Total of Resources Invested</b>	<b>374.8</b>	<b>542.9</b>	<b>499.6</b>	<b>1,005.2</b>	<b>1,072.9</b>
<b>Sources</b>					
Suppliers	-78.4	-95.7	-93.7	-265.4	-279.2
<i>In Days</i>	26 d	24 d	19 d	45 d	34 d
Others Resources	-57.5	-71.3	-82.6	-133.9	-114.5
<b>Total of Sources</b>	<b>-135.8</b>	<b>-167.0</b>	<b>-176.3</b>	<b>-399.3</b>	<b>-393.7</b>
<b>WC in R\$</b>	<b>238.9</b>	<b>375.9</b>	<b>323.3</b>	<b>606.0</b>	<b>679.2</b>
<i>WC in Days</i>	78 d	93 d	67 d	103 d	83 d
<i>WC in Days annualizing Nakata's Gross Revenue</i>				81 d	79 d

Values in R\$ million

2017 to 2019: During the expansion cycle from 2017 to 2018, new structures were added and so the need aroused for resources to operationalize the business. In 2019, efforts were made to reduce working capital levels and volumes returned to levels considered regular for the Company.



As a result, we obtained cash reinforcement and, consequently, an important reduction in Working Capital Need days.

➤➤➤ 2020 and 2021: In 2020, as a result of the acquisition of the subsidiary Nakata, the need for working capital increased significantly. Structures were added to the Company's consolidated figures, such as a shock absorber plant, a warehouse and a R&D Center. As the acquisition took place in September 2020, when we annualize Nakata's Gross Revenue to compose the Need for Working Capital calculation in days, it drops from 103 to 81 days in the end of 2020 and from 83 to 79 days in June 2021.

## Free Cash Flow\_

	2017	2018	2019	2020	1H21
<b>EBITDA</b>	<b>106.4</b>	<b>183.9</b>	<b>175.2</b>	<b>330.9</b>	<b>226.8</b>
Investments	-45.0	-61.5	-83.2	-56.0	-47.6
Financial Result	18.4	-37.5	-36.3	14.6	-24.2
Income and Social Taxes	-19.4	-13.7	-37.5	-72.5	-43.6
Working Capital Variation	-81.1	-137.0	52.7	-272.6	-73.3
<b>Operating Cash Flow</b>	<b>-20.7</b>	<b>-65.9</b>	<b>70.8</b>	<b>-55.6</b>	<b>38.1</b>
Dividends/ROE	-44.1	-50.9	-73.6	-15.5	-58.9
Capital Integr. / Business Acquis.	-6.9	-301.8	0.0	-283.4	-6.1
Debt Exchange Variation	0.3	-0.4	0.0	0.0	0.0
Others	56.3	18.8	-35.3	-82.3	-54.5
<b>Free Cash Flow</b>	<b>-15.1</b>	<b>-400.2</b>	<b>-38.0</b>	<b>-436.8</b>	<b>-81.4</b>
<b>NET DEBT (NET CASH)</b>	<b>259.0</b>	<b>-141.2</b>	<b>-179.2</b>	<b>-616.0</b>	<b>-697.4</b>

Values in R\$ million

Likewise, in the comparative analysis with periods that preceded the expansion movements, we see significant variations, mainly in the Need for Working Capital variation line due to the changes made in 2017 and 2018. In the year 2020, the increase reported under Working Capital directly impacted cash flow, which absorbed an increase of BRL 398.8 million in 2020 as compared to the flow in 2019. The positive conversion of BRL 226.8 million in accumulated EBITDA until June 2021 ended the quarter with a negative free cash flow of R\$81.1 million.

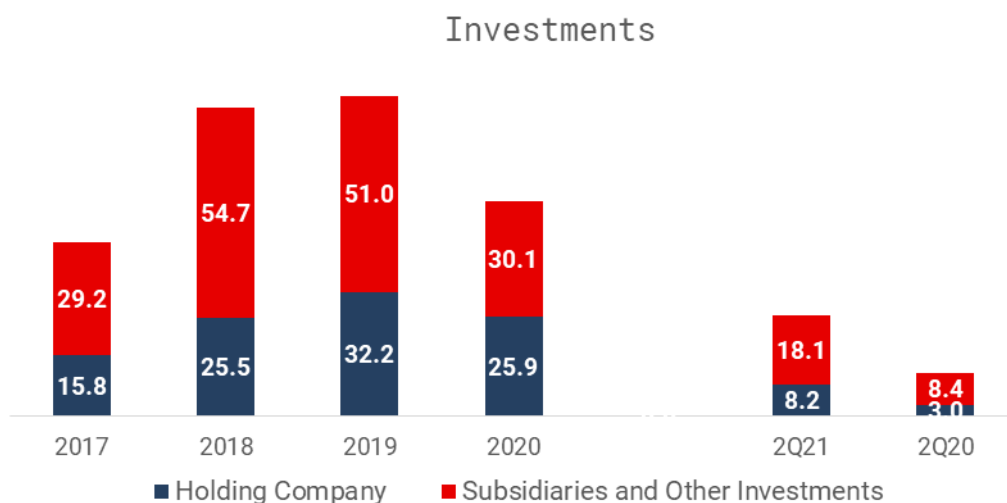
➤➤➤ Dividends / JSCP

Payments of Interest on Equity and Dividends of R\$ 58.9 million were made, as detailed below:



In addition, Fras-le's Board of Directors approved, at a meeting held on July 19, 2021, the payment of Interest on Equity in the amount of R\$ 19.9 million (R\$ 0.0932 per share). Payments will start on August 18, 2021.

## Investments\_



In 2Q21, Capex investments totaled R\$ 26.3 million. At the Controlling Company, investments were made in machinery and equipment, divided primarily into projects related to productivity and automation, innovation and new products, and continuous improvements in legal obligations and NR12 Standard. Some examples are: AGVs, plant projects for railway shoes, blocks and palletized robotization on brake pads.



Figura 1- Complexo Nakata - Banco de imagens Nakata

At the controlled companies, the largest investments made were in Nakata and Controil. At Nakata, R\$ 8.5 million were invested in the new shock absorber plant in Extrema-MG, which began production on June 7, 2021 and is currently ramping up, with expectation to reach full capacity in September this year. At Controil, investments totaled R\$ 5.7 million in machinery



WE DO OUR PART  
TO KEEP YOUR  
LIFE IN MOTION.



MOTION

and equipment related to the expansion of the production capacity of brake master cylinders and productivity/automation.



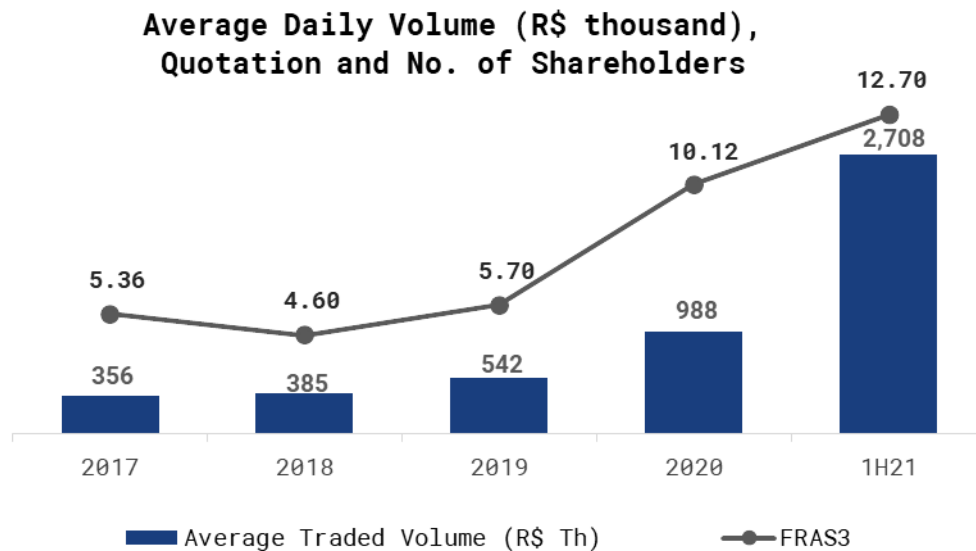
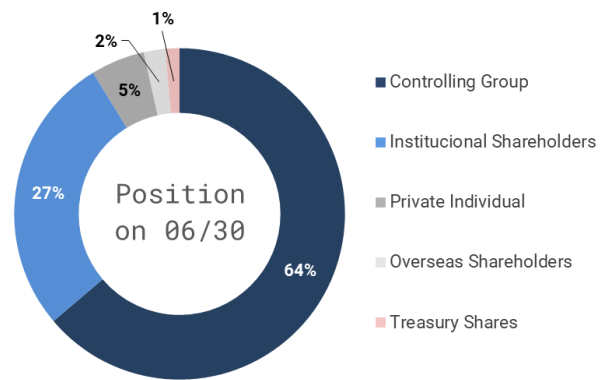
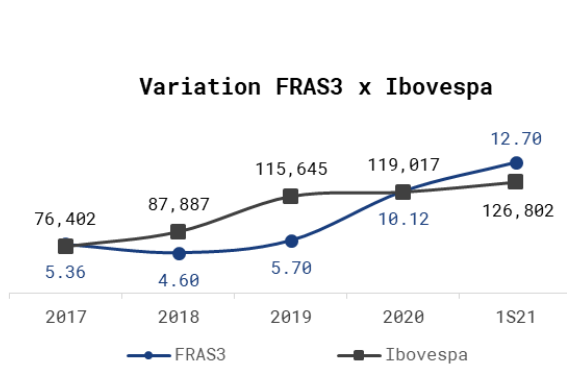


## »»» CAPITAL MARKET

# FRAS

## B3 LISTED N1

In 2Q21, 14.3 million “FRAS3” shares were traded. During this period, an average daily trading volume of R\$ 2.8 million was recorded, an increase of more than 335% compared to the average daily volume of 2Q20. The Company's market value at the end of June 2021 reached R\$ 2.8 billion. During the preparation of this Report, the Company's paper reached the peak of its market value, trading at R\$ 17.50 on July 14, 2021







## »»» BOARDS AND FUNCTIONS\_

### Board of Directors

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

### Audit Committee

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  
Eduardo Manenti Vargas – Non-Statutory Director  
Guilherme Rigo Adami – Non-Statutory Director

### Investor Relations

Hemerson Fernando de Souza – Investor Relations Officer  
Jessica Cristina Cantele  
Marcelo Scopel Caberlon  
Victor Gabrielli Gomes

## »»» ADDRESSES AND CONTACTS\_ \_

Rodovia RS 122, KM 66, nº 10.945  
Bairro Forqueta  
Caxias do Sul, RS

### Contacts

Phone: +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>

## ATTACHMENT I

### CONSOLIDATED STATEMENT OF INCOME

Values in R\$ Thousands

	2Q21	%	2Q20	%	1Q21	%	1H21	%	1H20	%	Variations	
											2Q21/2Q20	1H21/1H20
<b>Net Revenue</b>	<b>599,133</b>	<b>100.0%</b>	<b>280,072</b>	<b>100.0%</b>	<b>640,655</b>	<b>100.0%</b>	<b>1,239,788</b>	<b>100.0%</b>	<b>621,882</b>	<b>100.0%</b>	<b>113.9%</b>	<b>99.4%</b>
COGS – Cost of Goods Sold	-424,686	-70.9%	-215,277	-76.9%	-452,130	-70.6%	-876,816	-70.7%	-468,359	-75.3%	97.3%	87.2%
<b>Gross Profit</b>	<b>174,447</b>	<b>29.1%</b>	<b>64,794</b>	<b>23.1%</b>	<b>188,525</b>	<b>29.4%</b>	<b>362,972</b>	<b>29.3%</b>	<b>153,523</b>	<b>24.7%</b>	<b>169.2%</b>	<b>136.4%</b>
Selling Expenses	-54,957	-9.2%	-26,389	-9.4%	-54,995	-8.6%	-109,952	-8.9%	-60,498	-9.7%	108.3%	81.7%
Administrative Expenses	-44,172	-7.4%	-29,943	-10.7%	-41,899	-6.5%	-86,070	-6.9%	-57,976	-9.3%	47.5%	48.5%
Other Operation Expens./Incom.	-485	-0.1%	13,276	4.7%	5,083	0.8%	4,598	0.4%	5,112	0.8%	-103.7%	-10.1%
<b>Financial Result</b>	<b>-12,425</b>	<b>-2.1%</b>	<b>-1,559</b>	<b>-0.6%</b>	<b>-11,810</b>	<b>-1.8%</b>	<b>-24,235</b>	<b>-2.0%</b>	<b>-14,976</b>	<b>-2.4%</b>	<b>-697.2%</b>	<b>-61.8%</b>
Financial Income	31,822	5.3%	53,536	19.1%	75,808	11.8%	107,630	8.7%	142,003	22.8%	-40.6%	-24.2%
Financial Expenses	-44,247	-7.4%	-55,095	-19.7%	-87,618	-13.7%	-131,865	-10.6%	-156,979	-25.2%	-19.7%	-16.0%
<b>Income Before Tax</b>	<b>62,736</b>	<b>10.5%</b>	<b>20,180</b>	<b>7.2%</b>	<b>84,904</b>	<b>13.3%</b>	<b>147,640</b>	<b>11.9%</b>	<b>25,186</b>	<b>4.1%</b>	<b>210.9%</b>	<b>486.2%</b>
Income and Social Tax	-19,146	-3.2%	-7,050	-2.5%	-24,452	-3.8%	-43,599	-3.5%	-13,316	-2.1%	171.6%	227.4%
<b>Net Profit</b>	<b>43,589</b>	<b>7.3%</b>	<b>13,129</b>	<b>4.7%</b>	<b>60,452</b>	<b>9.4%</b>	<b>104,041</b>	<b>8.4%</b>	<b>11,870</b>	<b>1.9%</b>	<b>232.0%</b>	<b>776.5%</b>
Attributable to non-controlling shar.	-1,360	-0.2%	-883	-0.3%	-234	0.0%	-1,593	-0.1%	-6,012	-1.0%	54.0%	-73.5%

Values in R\$ thousands



## ATTACHMENT II

### CONSOLIDATED BALANCE SHEET

Values in R\$ Thousands

	06.30.21	06.30.20
<b>Assets</b>	<b>2,780,724</b>	<b>1,980,975</b>
<b>Current Assets</b>	<b>1,358,409</b>	<b>1,033,245</b>
Cash and Cash Equivalents	259,787	412,386
Receivables	306,759	135,804
Inventory	612,843	377,110
Financial Applications	19,869	18,533
Derivative Operations	3,794	0
Taxes Recoverable	131,883	72,841
Others Current Assets	23,474	16,571
<b>Non-current Assets</b>	<b>1,422,315</b>	<b>947,730</b>
Taxes Recoverable	42,837	19,809
Judicial Deposits	22,792	17,402
Deferred Taxes	41,329	38,838
Financial investments	69,440	0
Others Non-current Assets	5,597	8,528
Investments	24,110	1,325
Fixed Assets	586,172	576,235
Right of Use of Leases	133,226	107,115
Intangible	496,812	178,478
<b>Liabilities</b>	<b>2,780,724</b>	<b>1,980,975</b>
<b>Current Liabilities</b>	<b>678,595</b>	<b>382,612</b>
Accounts Payable	279,221	87,752
Loans and Financing	160,363	152,270
Derivative Financial Instruments	780	0
Taxes and Contributions	37,419	52,077
Salaries and Charges	56,802	34,115
Business combination	45,313	0
Lease	16,606	11,090
Others Obligations	82,092	45,307
<b>Non-current Liabilities</b>	<b>1,073,539</b>	<b>750,907</b>
Loans and Financing	663,454	510,309
Deferred Taxes	56,138	76,023
Provisions	23,509	24,313
Tax Incentive	2,281	2,550
Accounts payable per business combination	173,550	0
Lease	120,231	93,937
Others Obligations	34,376	43,774
<b>Equity</b>	<b>1,028,589</b>	<b>847,457</b>
Social Capital	600,000	600,000
Tax Incentive Reserve	7,626	4,734
Costs with Issue of Shares	-4,622	-4,622
Profit Reserves	417,362	201,801
Stocks in Treasury	-13,352	-13,352
Other Comprehensive Results	12,424	47,210
Non-controlling Participation	9,152	11,686

Values in R\$ thousands

## ATTACHMENT III

### STATEMENTS OF CASH FLOW – INDIRECT METHOD

Values in R\$ Thousands

	06.30.21	06.30.20
<b>Operational Cash Flow</b>		
<b>Net operational cash</b>	<b>37,475</b>	<b>70,026</b>
<b>Cash generated from operations</b>	<b>178,448</b>	<b>153,233</b>
Income statement	104,042	11,870
Provision of income and social tax and deferred	43,598	13,316
Depreciation and amortization	55,259	39,967
Provision for disputes	-814	2,692
Allowance for doubtful accounts	1,709	1,477
Obsolete inventory provision	-2,261	5,541
Other provisions	-6,196	-1,458
Cost of the fixed assets sold	-4,846	12,336
Revenue from active lawsuits	0	-27,591
Monetary adjustment	-23,189	-3,324
Loans and leases variation	11,146	70,816
<b>Assets and liabilities fluctuations</b>	<b>-140,973</b>	<b>-55,616</b>
Financial applications	-931	16,539
Judicial Deposits	-787	249
Receivables	-18,503	-13,175
Inventory	-115,305	-51,525
Others assets	54,527	2,947
Accounts payable	13,819	-5,963
Others liabilities	-36,242	3,336
Paid income and social tax	-37,551	-8,024
<b>Investment Cash Flow</b>		
<b>Net investment cash</b>	<b>-48,765</b>	<b>-25,051</b>
Fixed assets aquisitions and intangible	-46,982	-23,963
Additions to intangible assets	-624	-1,088
Business combination	0	0
<b>Cash From Financing Activities</b>		
<b>Net funding cash</b>	<b>-172,166</b>	<b>189,020</b>
Payment of the return over equity	-54,733	-14,055
Loans Taken	58,843	321,413
Loans and leases payments	-157,167	-106,454
Paid interests	-19,109	-11,884
<b>Funding Cash Flow</b>	<b>-183,456</b>	<b>233,995</b>

Values in R\$ thousands



## ATTACHMENT IV

### COMPONENTS BY PRODUCT FAMILY

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>	

Friction Materials – Brake linings for commercial vehicles (Blocks), Brake Pads, Other Friction Materials <sup>1</sup>

Brake System Components – Discs, Drums, Master cylinders, Wheel Cylinders.

Components for Suspensions, Steering System and Powertrain – Shock absorbers, shock absorber kits, suspension bushings, pivots, suspension trays, ball joints, homokinetic joints, linkage bars and wheel hubs.

Other Products – Engine components <sup>2</sup>, packed liquids <sup>3</sup>, others <sup>4</sup>.

<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.