

**FRAS-LE<sup>®</sup>**



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

**RESULTS FOR THE  
1ST QUARTER OF  
2021\_**

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# FRAS

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## B3 LISTED N1

Caxias do Sul, RS, May 12, 2021. Fras-le S.A. (B3: "FRAS3"), which stands out for being an Aftermarket powerhouse in auto parts, bringing together iconic products and brands in its portfolio, in addition to being the largest manufacturer of friction material in Latin America and one of the market leaders worldwide, is pleased to report its results for the first quarter of 2021 (1Q21). The financial and operating information of the Company is consolidated in compliance with the *International Financial Reporting Standards (IFRS)* and the monetary values are denominated in Reals, except when otherwise indicated. Comparisons are made with the first quarter of 2020 (1Q20).

MARKET CAP (March 31, 2021)

**R\$ 2.7 billion**

"FRAS3" QUOTE (March 31, 2021)

**R\$ 12.36**

#### CONFERENCE CALL RESULTSOS

In Portuguese, with simultaneous translation into English.

May 13, (Thursday)

11:00 AM Brasília

10:00 AM New York

15:00 PM London

#### Connections for audio in Portuguese:

Dial-In +55 11 3181-8565 or

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

#### Connections for audio in English:

Dial In +1 844 204-8942 or

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

#### WEBCAST:

Portuguese: [click on here](#).

English: [click on here](#).

#### REPLAY:

+55 11 3193 1012 or +55 11 2820 4012

Password for Portuguese: 4298952#

Password for English: 6652393#

## HIGHLIGHTS\_

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

R\$ 920.6 million or 88.5% up from 1Q20.

### »»» Net Revenue:

R\$ 640.7 million, or 87.4% up from 1Q20.

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

US\$ 42.6 million, or 9.0% up from 1Q20.

### »»» Gross Income:

R\$ 188.5 million, or 112.5% up from 1Q20.

### »»» EBITDA:

R\$ 125.6 million, or 229.7% up from 1Q20.

### »»» Net Result:

R\$ 62.3 million, or 4892.3% up from 1Q20.



# MOTION

**“In 1Q21, sales of non-friction products accounted for more than 50% of the Company's net revenue, an unprecedented fact that is in line with the diversification strategy adopted by the Company in its acquisition movements over the recent years.”**

## WORD FROM MANAGEMENT

Fras-le had a vibrant start to 2021, with records in net revenue and good results. In this 1Q21, the Company grew and showed good indicators of revenue and profitability. The moment genuinely expresses the way business has been conducted over the last years, broadly calibrated and orchestrated in geographies, production and warehouses, with markets served.

Our already-strong diversified revenue model has been strengthened by the acquisition of Nakata, which was not yet present in 1Q20, for comparison purposes. However, Nakata is already providing good support to our consolidated results. In 1Q21, sales of non-friction products accounted for more than 50% of the Company's net revenue, an unprecedented fact that is in line with the diversification strategy adopted by the Company in its acquisition movements over the recent years.

The moment of inflation and shortage of the main raw materials and components is a matter of concern to Fras-le's Management. Dedicated teams continue to work to mitigate potential effects, aiming at maximizing operating efficiency and recomposing prices for margins balance.

The Company remains attentive to the impacts of the pandemic and its effects on businesses and markets, as well as to the care dedicated to the people who are part of Fras-le Universe.





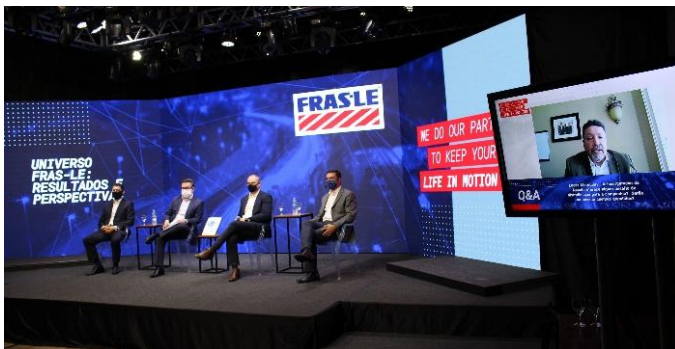
## FRAS-LE UNIVERSE\_

**Fras-le is among the top 10 suppliers in China.**



In March, Fras-le received an important recognition related to its Unit located in China. The company is among the top 10 suppliers to Huajing, which is one of China's largest producers of trailer axles. The only friction material supplier to receive this distinction, Fras-le Asia was represented, at the "Huajing's Annual Supplier Meeting", by the sales manager, Kevin Zhang.

**Fras-le was among the 10 finalists for the 2020 Quality Award promoted by APIMEC.**



For 19 consecutive years, Fras-le has been pleased to promote its public meeting with the support of APIMEC. In 2020, with the difficulties imposed by the pandemic, the meeting was broadcast live in 100% digital format, at the event called "Fras-le Universe". Fras-le is proud to be part of the team of 10 companies that have been best evaluated by APIMEC this year.

## ESG Panel\_

In this space, we highlight the actions taken by the Company in 1Q21, concerning the Environmental, Social and Governance pillars.

**COVID-19:** COVID-19: Since the beginning of the pandemic, Fras-le has implemented several measures to protect the health of its employees and their families - which is the main priority of the Company, in addition to ensuring the continuity of operations and contributing to the local and global economy. In this sense, the areas of Logistics, Maintenance, Procurement and Material Scheduling of Fras-le, aware of the critical moment of the pandemic in March, reviewed the stocks, the frequency of replacement and the schedule of industrial gases, and managed to join the White Martins's campaign called "Cylinders for Life", aimed at collecting low-use cylinders and making medical oxygen available, a simple action that can save lives.

As the campaign says: "If every life matters, each cylinder can make a difference for dozens of people who are fighting to win the war against Covid-19."

## ESG EVENT - Save the Date.

On June 1, 2021, Fras-le, along with Randon Companies, will present its strategic pillars as well as public commitments for the coming years in relation to the ESG ambitions of the Companies.

Be informed signing the newsletter by [clicking on here.](#)



## »»» MAIN FIGURES\_

	1Q21	1Q20	Δ %	1Q21	4Q20	Δ %
<b>Gross Revenue *</b>	<b>920.6</b>	<b>488.3</b>	<b>88.5%</b>	<b>920.6</b>	<b>832.7</b>	<b>10.6%</b>
<b>Net Revenue</b>	<b>640.7</b>	<b>341.8</b>	<b>87.4%</b>	<b>640.7</b>	<b>595.3</b>	<b>7.6%</b>
Domestic Market	406.6	165.8	145.2%	406.6	391.0	4.0%
Foreign Market	234.0	176.0	33.0%	234.0	204.3	14.5%
Foreign Market US\$	42.6	39.1	9.0%	42.6	37.9	12.5%
Exports - Brazil US\$	21.6	16.9	28.3%	21.6	19.4	11.2%
<b>Gross Profit</b>	<b>188.5</b>	<b>88.7</b>	<b>112.5%</b>	<b>188.5</b>	<b>175.8</b>	<b>7.2%</b>
Gross Margin	29.4%	26.0%	3.5 pp	29.4%	29.5%	-0.1 pp
<b>Operating Profit</b>	<b>96.7</b>	<b>18.4</b>	<b>424.9%</b>	<b>96.7</b>	<b>129.5</b>	<b>-25.3%</b>
Operating Margin	15.1%	5.4%	9.7 pp	15.1%	21.8%	-6.7 pp
<b>EBITDA</b>	<b>125.6</b>	<b>38.1</b>	<b>229.3%</b>	<b>125.6</b>	<b>156.6</b>	<b>-19.8%</b>
EBITDA Margin	19.6%	11.2%	8.4 pp	19.6%	26.3%	-6.7 pp
<b>Net Profit</b>	<b>60.5</b>	<b>-1.3</b>	<b>4899.0%</b>	<b>60.5</b>	<b>128.4</b>	<b>-52.9%</b>
Attributable to controlling shareholders	60.7	3.9	1468.3%	60.7	128.6	-52.8%
Attributable to non-controlling shareholders	-0.2	-5.1	95.5%	-0.2	-0.2	34.4%
Net Margin	9.4%	-0.4%	9.8 pp	9.4%	21.6%	-12.1 pp
<b>Adjusted EBITDA</b>	<b>121.3</b>	<b>46.0</b>	<b>163.5%</b>	<b>121.3</b>	<b>114.0</b>	<b>6.4%</b>
Adjusted EBITDA Margin	18.9%	13.5%	5.5 pp	18.9%	19.2%	-0.2 pp

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

(\*) Includes intercompany sales

	1Q21	1Q20	Δ %	1Q21	4Q20	Δ %
<b>Average price of the US dollar</b>	<b>5.47</b>	4.46	22.8%	<b>5.47</b>	5.40	1.4%

## Subsequent Events\_

To fully access the documents, just scan the QR code.



»»» The Board of Directors of Fras-le approved, at the Annual Shareholders' Meeting held on April 13, 2021, the payment of dividends in the amount of R\$ 21.4 million (R\$ 0.0996 per share). Payment started in April 2021 for the shareholders holding shares on April 16, 2021.



»»» As announced to the market on April 28, 2021, the Company's Board of Directors approved, on April 27, 2021, the consolidation of the company *Centro Tecnológico Randon Ltda.* (CTR), with equity interest of *Randon S.A. Implementos e Participações* (Randon). Fras-le has had assets linked to this business since 2009.



## SALES PERFORMANCE

### Sales Overview

In a positive moment now, Fras-le has reaped the results of investments it has made, with unprecedented levels of revenue. Sales growth is directly related to both, the market that has remained heated during most of the first quarter, and to the effective work that has been carried out to keep supply in the plants and warehouses. At the end of March, a second wave of lockdowns intensified in Brazil, resulting in a small slowdown, mainly in light line items. In the 1Q21 consolidated figures, volumes were higher when compared to the same period last year, leading Fras-le to achieve historical results.

### Volume and Revenue by Family of Material

Sales Volumes by Product Line in millions of pieces or liters												
VOLUMES		1Q21			1Q20			4Q20				
				Δ %			Δ %			Δ %		
	<b>Friction Material</b>	26.8		23.3	15.4%			26.8		26.8	0.2%	
	Components for the <b>Brake System</b>	2.2		1.8	21.4%			2.2		3.6	-38.3%	
	Components for the <b>Suspension, Steering and Powertrain</b>	4.0		0.1	2616.3%			4.0		4.0	1.7%	
Sales Revenue by Material in R\$ million												
NET REVENUE		1Q21			1Q20			4Q20				
				Δ %			Δ %			Δ %		
	<b>Friction Material</b>	309.7	48.3%	252.6	73.9%	22.6%		309.7	48.3%	311.8	52.4%	-0.6%
	Components for the <b>Brake System</b>	111.2	17.3%	69.4	20.3%	60.1%		111.2	17.3%	93.2	15.7%	19.2%
	Components for the <b>Suspension, Steering and Powertrain</b>	162.4	25.4%	9.1	2.7%	1681.5%		162.4	25.4%	141.6	23.8%	14.7%
	<b>Other products</b>	57.3	8.9%	10.7	3.1%	436.5%		57.3	8.9%	48.7	8.2%	17.7%
	<b>Total Net Revenue</b>	<b>640.7</b>	<b>100.0%</b>	<b>341.8</b>	<b>100.0%</b>	<b>87.4%</b>		<b>640.7</b>	<b>100.0%</b>	<b>595.3</b>	<b>100.0%</b>	<b>7.6%</b>

The components are detailed at the end of this report.

The growth delivered in the **friction material family** was causally related to the growth of the Aftermarket, both for the light line and commercial line, a direct result of growing volumes and inventory replenishment. In terms of revenue, price increases were passed on in both lines, an effect of inflation.

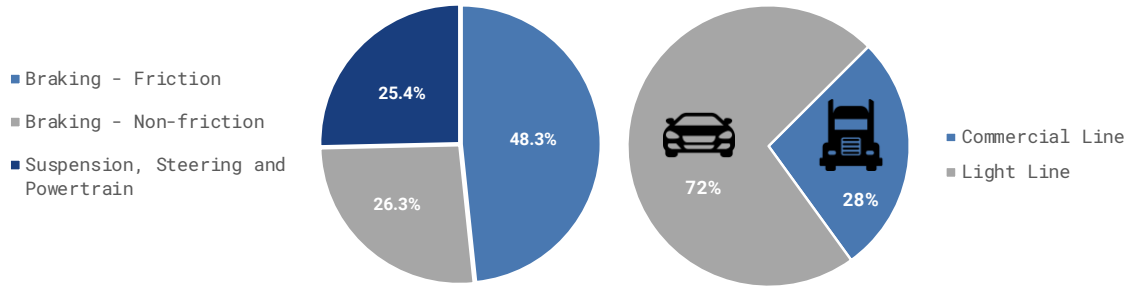
The family of **Brake System Components** was the most impacted by inflation in 1Q21, and so prices were passed on to minimize the impact. In addition, when comparing the quarters, volumes and revenues were increased by those coming from Nakata.

**Components for suspension, steering and powertrain** stand out again in the quarter, with the record sales by our subsidiary Nakata and the good moment of the aftermarket. In addition, we highlight



the performance of the procurement staff, which was able to ensure the flow of supply of inputs and goods, not to leave the market depleted.

Below are graphs showing the breakdown of revenues in 1Q21:



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

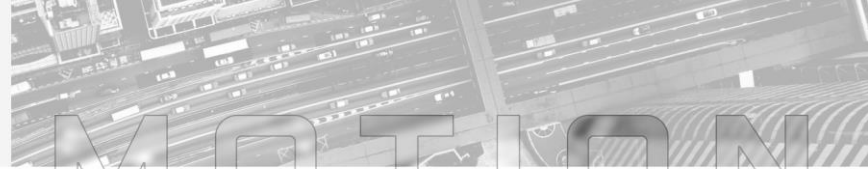
## Revenues by Market\_

Net Revenue by Markets											
Markets	1Q21		1Q20		Δ %		1Q21		4Q20		Δ %
DM Aftermarket	368.2	57.5%	131.8	38.5%	179.5%	368.2	57.5%	353.2	59.3%	4.3%	
DM OEM	38.4	6.0%	34.1	10.0%	12.7%	38.4	6.0%	37.8	6.4%	1.5%	
<b>Domestic Market</b>	<b>406.6</b>	<b>63.5%</b>	<b>165.8</b>	<b>48.5%</b>	<b>145.2%</b>	<b>406.6</b>	<b>63.5%</b>	<b>391.0</b>	<b>65.7%</b>	<b>4.0%</b>	
FM Aftermarket	196.9	30.7%	166.3	48.6%	18.4%	196.9	30.7%	172.1	28.9%	14.4%	
FM OEM	37.2	5.8%	9.7	2.8%	282.8%	37.2	5.8%	32.2	5.4%	15.5%	
<b>Foreign Market</b>	<b>234.0</b>	<b>36.5%</b>	<b>176.0</b>	<b>51.5%</b>	<b>33.0%</b>	<b>234.0</b>	<b>36.5%</b>	<b>204.3</b>	<b>34.3%</b>	<b>14.5%</b>	
Total Aftermarket Net Revenue	565.1	88.2%	298.0	87.2%	89.6%	565.1	88.2%	525.3	88.2%	7.6%	
Total OEM Net Revenue	75.6	11.8%	43.8	12.8%	72.6%	75.6	11.8%	70.0	11.8%	7.9%	
<b>Total Net Revenue</b>	<b>640.7</b>	<b>100%</b>	<b>341.8</b>	<b>100%</b>	<b>87.4%</b>	<b>640.7</b>	<b>100%</b>	<b>595.3</b>	<b>100%</b>	<b>7.6%</b>	

Values in R\$ million

**DOMESTIC MARKET:** it remained heated for almost the entire quarter. The second wave of lockdowns, which intensified as of the second half of March, had no significant impact on 1Q21 operations.

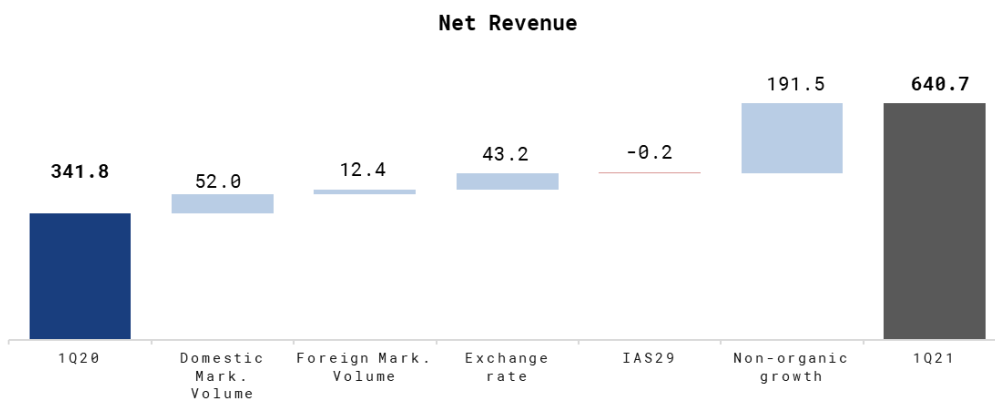
**FOREIGN MARKET:** both exports and revenues from our Units abroad delivered growth when compared to the same quarter last year. The growth does not refer only to the 22.8% increase in the exchange rate, when comparing quarters, but also to recovered volumes.



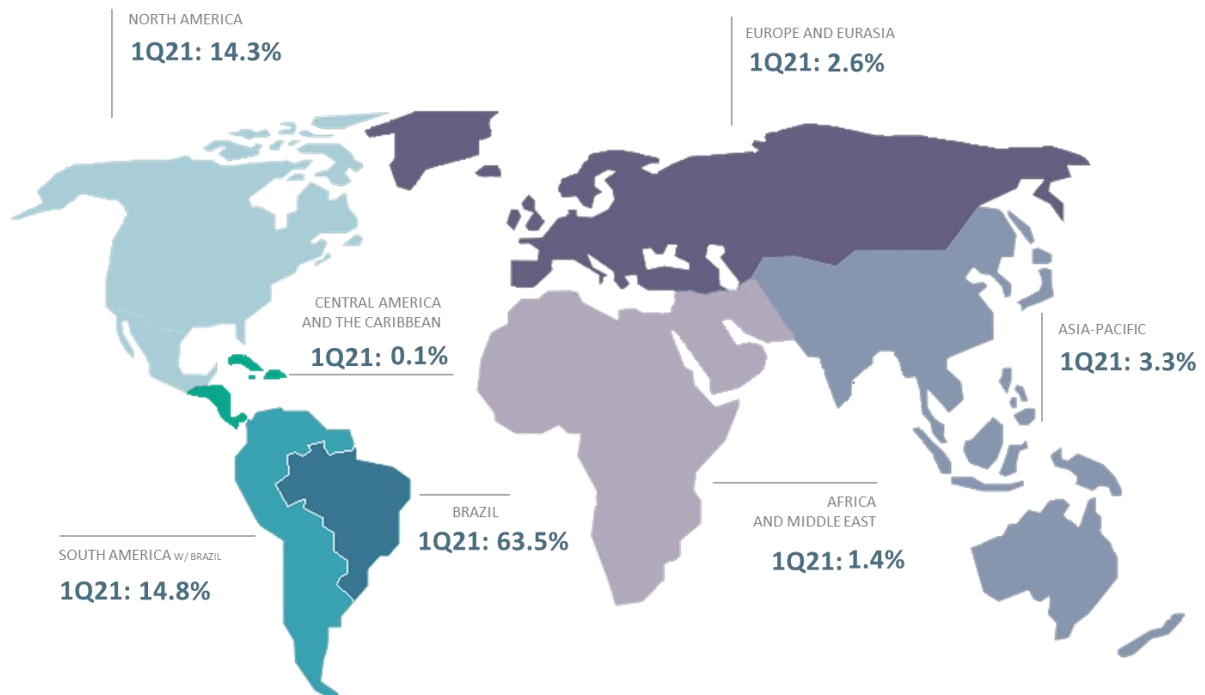
**AFTERMARKET:** in this heated and growing market, the strategies adopted by the Company helped mitigate the risk of shortages and gain market share, due to the availability of some product lines. However, the shortages of some inputs, mainly packaging, put pressure on delivery times.

**OEMs:** while waiting for market pickup, which has been slow and gradual, the growth in this line is timid in volumes. In net revenue, the largest growth rates came from exports and exchange rate conversion.

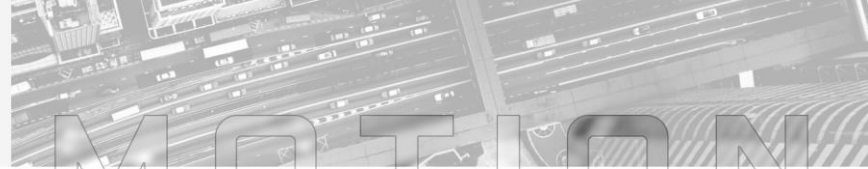
Below is a causal-format graph showing the effects that changed the performance of consolidated net revenue in 1Q21, as compared to 1Q20:



## Net Revenue Breakdown in the World\_







»»» **BRAZIL:** Responsible for approximately 65% of the Company's consolidated net revenue, sales in the domestic market set a record in 1Q21, driven by market resumption.

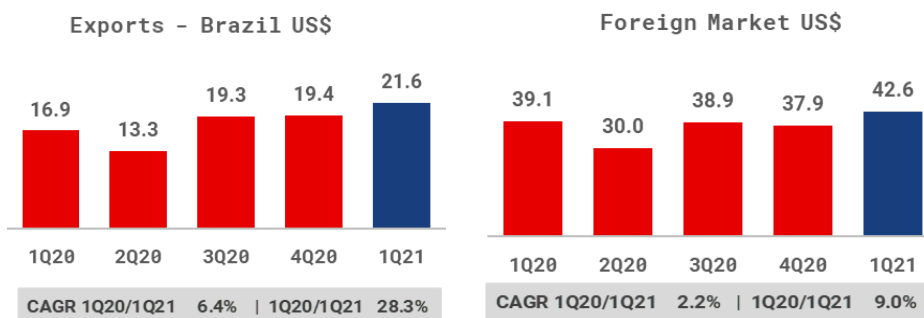
»»» **SOUTH AMERICA:** The South American markets performed positively. Operations located in Argentina still face restrictions on the import and export of dollars from the country. As in Brazil, a slowdown can be already seen due to new restrictions on circulation, that intensified at the end of 1Q21.

»»» **NORTH AMERICA:** The North American market is emerging from the pandemic crisis faster than in other regions.

»»» **EMEA (EUROPE, MIDDLE EAST, and AFRICA):** Europe faced a series of lockdowns during 1Q21, with several circulation restrictions. In addition, it suffered from a delay in the delivery of products from Brazil to supply the region.

»»» **ASIA AND PACIFIC:** This region is growing. Specifically speaking of China, the Chinese New Year was celebrated there in February, during which the Chinese migrate to their cities. This year, however, the Chinese government, aiming to reduce migration, offered subsidies to ensure the decrease of circulation, which favoured the economy of that region. Like in other regions of the world, China and India's operations also face problems with input inflation. Another point of attention is in relation to the pandemic in India, which has been getting worse, registering high levels of daily contamination of Covid-19.

## Foreign Market and Exports\_



The foreign market, which corresponds to exports out of Brazil, combined with our Units abroad, showed recovery in 1Q21, a result of the performance of exports and of our controlled companies abroad, which was higher than 1Q20.



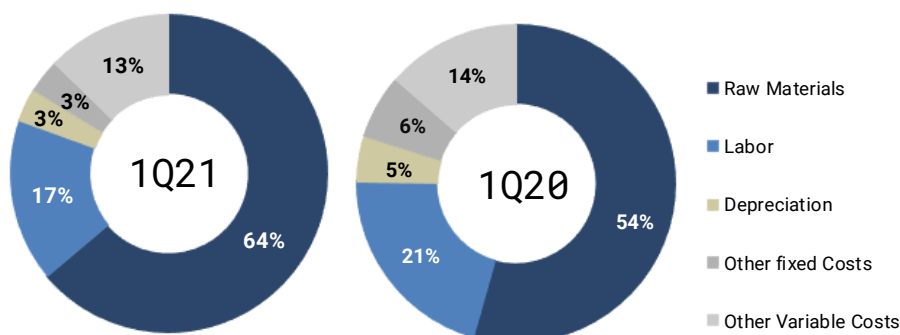
## OPERATING PERFORMANCE

### Operating Performance Overview

Fras-le's sales performance, its good management of the supply chain, and the strategies it has adopted over the past few years, helped the Company achieve a positive operating result in 1Q21. Additionally, 1Q21 had six extra working days than 1Q20 (plants usually operate at ideal levels of capacity utilization). These factors boosted productivity and, when added to the operational adjustments made even before the beginning of the pandemic, it resulted in a good gross margin, compared to last year.

### Cost of Products Sold

The cost of products sold amounted to R\$ 452.1 million in 1Q21, accounting for 70.6% of the net revenue for the period. When compared to the same period last year, it shows a reduction of 3.5 pp. The chart below shows the breakdown of Cost of Products Sold:

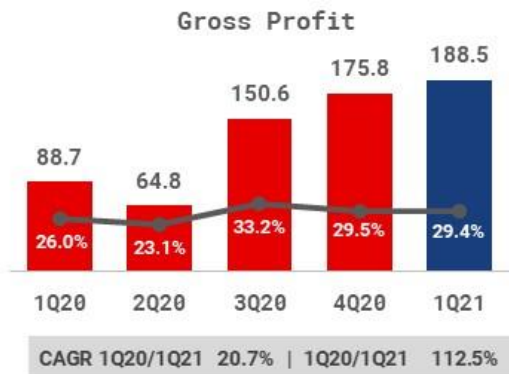


The share of raw material in the charts above, when compared to the same quarter last year, has increased considerably with the addition of Nakata, which, on account of its business models, imports a large part of the products it sells, with significant inflation impacts on the costs related to exchange rate and sea freight. This is also the reason why the share of workforce is lower in the charts above.

At Fras-le, the impact of inflation is not only on direct materials, but also on indirect materials such as gases and electricity. The challenges in the supply chain are many, but the Company is attentive to market movements and has been able to mitigate the risks of shortages by pre-planned negotiations with suppliers and by carrying out internal productivity work.



## Gross Profit



The Company has been working to mitigate the impacts of inflation with gains in productivity and synergies. Attentive to market movements, the Company has passed on prices to guarantee profitability to its business. This has resulted in an increase of 3.4p. p in gross margin when compared to the same period last year.

## Operating Expenses and Revenues

	1Q21		1Q20		Δ %	1Q21		4Q20		Δ %
<b>Selling Expenses</b>	<b>-55.0</b>	<b>-8.6%</b>	<b>-34.1</b>	<b>-10.0%</b>	<b>61.2%</b>	<b>-55.0</b>	<b>-8.6%</b>	<b>-46.9</b>	<b>-7.9%</b>	<b>17.3%</b>
Variable Expenses w/ Sales	-18.1	-2.8%	-10.7	-3.1%	68.5%	-18.1	-2.8%	-13.6	-2.3%	32.9%
Other Expenses w/ Sales	-36.9	-5.8%	-23.4	-6.8%	57.9%	-36.9	-5.8%	-33.3	-5.6%	10.9%
<b>Administrative Expenses</b>	<b>-41.9</b>	<b>-6.5%</b>	<b>-28.0</b>	<b>-8.2%</b>	<b>49.5%</b>	<b>-41.9</b>	<b>-6.5%</b>	<b>-52.9</b>	<b>-8.9%</b>	<b>-20.7%</b>
<b>Other Net Expenses/Income</b>	<b>5.1</b>	<b>0.8%</b>	<b>-8.2</b>	<b>-2.4%</b>	<b>-162.3%</b>	<b>5.1</b>	<b>0.8%</b>	<b>53.4</b>	<b>9.0%</b>	<b>-90.5%</b>
Other Operating Expenses	-3.7	-0.6%	-14.5	-4.2%	-74.6%	-3.7	-0.6%	-64.1	-10.8%	-94.3%
Other Operating Income	8.8	1.4%	6.3	1.8%	38.9%	8.8	1.4%	117.5	19.7%	-92.6%
<b>Total Operating Exp/Income</b>	<b>-91.8</b>	<b>-14.3%</b>	<b>-70.3</b>	<b>-20.6%</b>	<b>30.6%</b>	<b>-91.8</b>	<b>-14.3%</b>	<b>-46.3</b>	<b>-7.8%</b>	<b>98.1%</b>

Values in R\$ millions and % over Net Revenue

General Administrative and Selling Expenses: when comparing 1Q21 with 1Q20, it is important to point it out that Nakata was not yet in 1Q20 results, helping dilute fixed costs. Furthermore, the pandemic began in the second half of March 2020, and, until then, travel and fairs were happening normally. As a result, selling expenses went down this year.

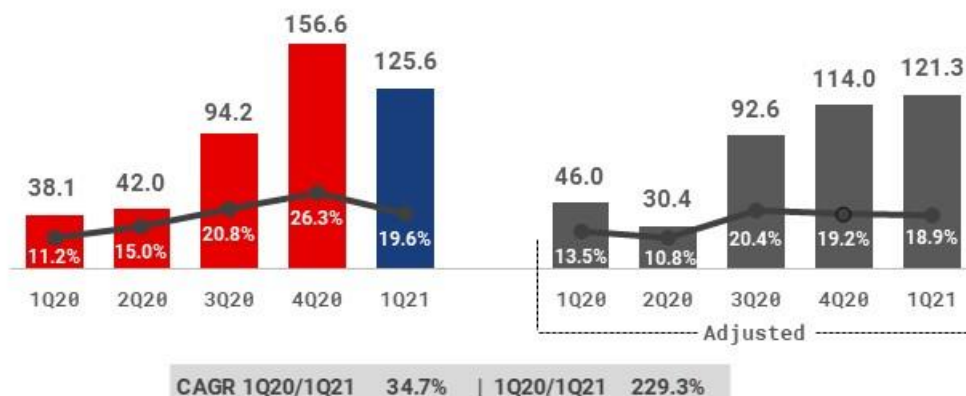
Other Operating Income: loss due to non-recoverability of investment was calculated in the controlled unit Fanacif, leading to the reversal of Impairment in the amount of R\$ 4.2 million.





## EBITDA\_

### EBITDA



Consolidated EBITDA was R\$ 125.6 million in 1Q21, accounting for 8.4 pp in EBITDA margin.

Below is the Company's adjusted EBITDA for the period:

	1Q21	
	Adjusted	Accounted
<b>Net Revenue</b>	<b>640.7</b>	<b>640.7</b>
<b>COGS – Cost of Goods Sold</b>	<b>-452.1</b>	<b>-452.1</b>
<b>Gross Profit</b>	<b>188.5</b>	<b>188.5</b>
Gross Margin	29.4%	29.4%
(-) Impairment reversal	-4.3	
Operating Expenses	-96.9	-96.9
Other Expenses/Revenues	5.1	5.1
<b>Operating Expenses</b>	<b>-96.1</b>	<b>-91.8</b>
<b>EBIT</b>	<b>92.5</b>	<b>96.7</b>
Depreciation/Amortisation	28.9	28.9
<b>EBITDA</b>	<b>121.3</b>	<b>125.6</b>
EBITDA Margin	18.9%	19.6%

Values in R\$ millions

The only one-off effects in 1Q21 was the reversal of Impairment related to the subsidiary Fanacif. Therefore, when excluding this one-off effect, adjusted EBITDA of 1Q21 reached R\$ 121.3 million, a margin of 18.9 %.





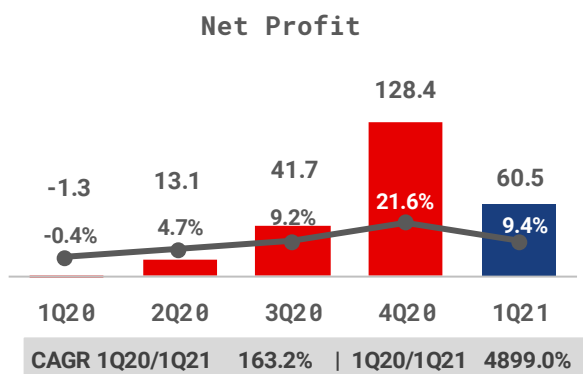
## Financial Result\_

	1Q21	1Q20	Δ %	1Q21	4Q20	Δ %
Exchange Variation	48.4	86.2	-43.9%	48.4	17.3	178.8%
Interests on Capital Investment	4.4	2.6	70.7%	4.4	5.1	-13.4%
Present Value Adjust	0.5	1.0	-49.7%	0.5	10.6	-95.0%
Other Financial Income	9.1	0.2	3695.4%	9.1	46.4	-80.4%
Monetary adjustment (IAS 29)	13.4	-1.6	-918.0%	13.4	23.0	-41.7%
<b>Financial Income</b>	<b>75.8</b>	<b>88.5</b>	<b>-14.3%</b>	<b>75.8</b>	<b>102.5</b>	<b>-26.0%</b>
Exchange Variation	-65.8	-91.0	-27.7%	-65.8	-31.1	111.5%
Financing Interests	-7.2	-6.0	19.9%	-7.2	-9.1	-20.7%
Present Value Adjust	-2.9	-2.3	26.4%	-2.9	-16.1	-82.0%
Bank Expenses	-4.8	-1.4	229.1%	-4.8	-3.1	54.9%
Other Financial Expenses	-7.0	-1.1	514.6%	-7.0	-4.7	47.4%
<b>Financial Expenses</b>	<b>-87.6</b>	<b>-101.9</b>	<b>-14.0%</b>	<b>-87.6</b>	<b>-64.1</b>	<b>36.7%</b>
<b>Financial Result</b>	<b>-11.8</b>	<b>-13.4</b>	<b>-12.0%</b>	<b>-11.8</b>	<b>38.4</b>	<b>-130.8%</b>

Values in R\$ millions

The positive variation in the Financial Result was mainly due to the 22.8% appreciation of the average US dollar against the Real. In addition, hyperinflation impacts the financial result of the Company's operations in Argentina, with foreign exchange insurance costs, due to the control on the outflow of dollars from the country.

## Net Profit\_



All factors above, combined, resulted in a net income of R\$ 60.5 million in 1Q21 and a net margin of 9.4%

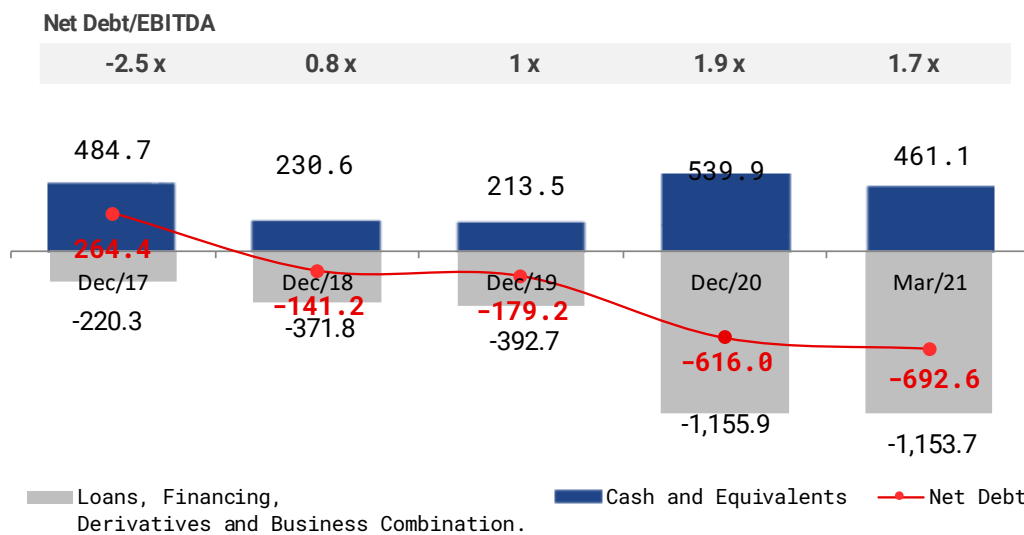


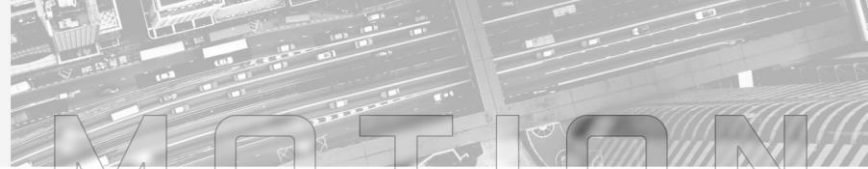
## »»» FINANCIAL MANAGEMENT\_

### Net Debt\_

»»» 2017 to 2019: In 2017, Fras-le was in a comfortable situation in its financial resources, originated from both, the resources of a capital increase in 2016 through an offering of shares, and from the Company`s own cash flow resources. In 2018 and 2019, most of these funds were used to pay for acquisitions and to remunerate shareholders (represented by dividends and interest on equity), thus gradually reducing the volume of funds invested.

»»» 2020 and 2021: In 2020, the Company issued two debentures to comply with the commitments made in the acquisition of the subsidiary Nakata. The 3rd issue took place in June and the 4<sup>th</sup> in July, in the amount of R\$ 210.0 million each. Both were carried out by means of 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.

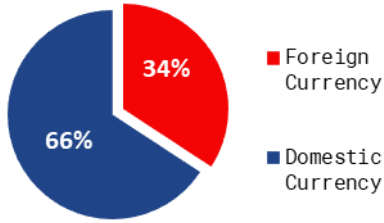




# MOTION

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

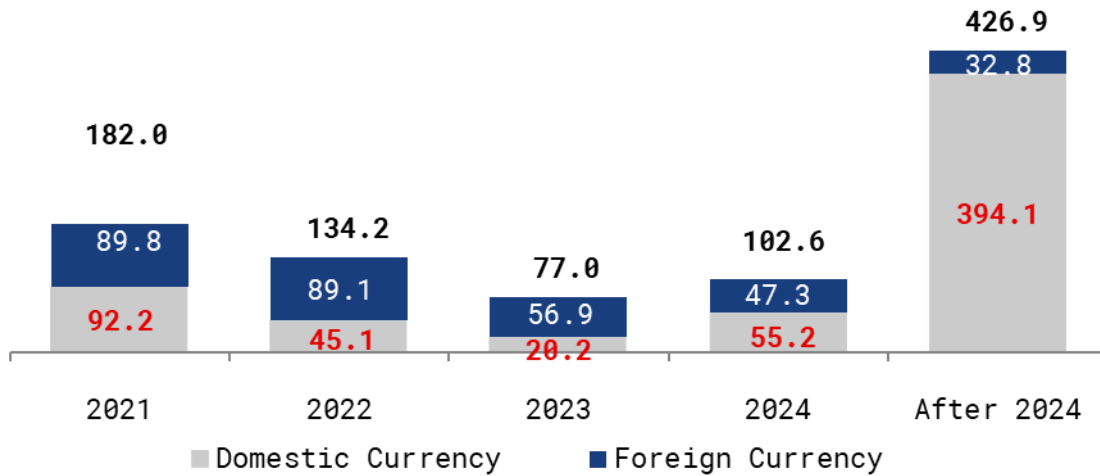
**Debt Origin - Mar/21**



**Loans, financing and derivatives**



**Annual Payment**



## Working Capital Need\_

	2017	2018	2019	2020	1Q21
<b>Resources Investment</b>					
Customers	77.8	112.8	123.4	289.2	356.2
<i>In Days</i>	<i>26 d</i>	<i>28 d</i>	<i>25 d</i>	<i>49 d</i>	<i>51 d</i>
Inventory	256.2	368.3	333.3	494.1	564.9
<i>In Days</i>	<i>84 d</i>	<i>91 d</i>	<i>69 d</i>	<i>84 d</i>	<i>81 d</i>
Others Resources	40.8	61.9	42.9	221.9	205.6
<b>Total of Resources Invested</b>	<b>374.8</b>	<b>542.9</b>	<b>499.6</b>	<b>1,005.2</b>	<b>1,126.8</b>
<b>Sources</b>					
Suppliers	-78.4	-95.7	-93.7	-265.4	-301.6
<i>In Days</i>	<i>26 d</i>	<i>24 d</i>	<i>19 d</i>	<i>45 d</i>	<i>43 d</i>
Others Resources	-57.5	-71.3	-82.6	-133.9	-122.5
<b>Total of Sources</b>	<b>-135.8</b>	<b>-167.0</b>	<b>-176.3</b>	<b>-399.3</b>	<b>-424.0</b>
<b>WC in R\$</b>	<b>238.9</b>	<b>375.9</b>	<b>323.3</b>	<b>606.0</b>	<b>702.7</b>
<i>WC in Days</i>	<i>78 d</i>	<i>93 d</i>	<i>67 d</i>	<i>103 d</i>	<i>101 d</i>
<i>WC in Days annualizing Nakata's Gross Revenue</i>				<i>81 d</i>	<i>87 d</i>

Values in R\$ million

»»» 2017 to 2019: During Fras-le's expansion cycle, from 2017 to 2018, new structures were added, creating the need for resources to operationalize the business. In 2019, efforts were made to reduce working capital levels, after which volumes returned to ideal levels for the Company, reinforcing cash and, consequently, leading to a reduction in working capital need (WCN);

»»» 2020 and 2021: In 2020, because of the acquisition of Nakata, the working capital need (WCN) increased significantly. The new structures added - a shock absorber plant, a warehouse and a Research and Development Center - also added figures to the Company's consolidated results. As the acquisition took place in September 2020, when annualizing Nakata's Gross Revenue to compose the calculation of WCN in days, it drops to 81 days at the end of 2020 and 87 days in 1Q21. In addition, the exchange rate conversion causes an increase in the balances of operations abroad, directly impacting consolidated figures.



## Free Cash Flow\_

	2017	2018	2019	2020	1Q21
<b>EBITDA</b>	<b>106.4</b>	<b>183.9</b>	<b>175.2</b>	<b>330.9</b>	<b>125.6</b>
Investments	-45.0	-61.5	-83.2	-56.0	-21.3
Financial Result	18.4	-37.5	-36.3	14.6	-11.8
Income and Social Taxes	-19.4	-13.7	-37.5	-72.5	-24.5
Working Capital Variation	-81.1	-137.0	52.7	-272.6	-96.8
<b>Operating Cash Flow</b>	<b>-20.7</b>	<b>-65.9</b>	<b>70.8</b>	<b>-55.6</b>	<b>-28.8</b>
Dividends/ROE	-44.1	-50.9	-73.6	-15.5	-37.5
Capital Integralization	-6.9	-301.8	0.0	-283.4	0.0
Debt Exchange Variation	0.3	-0.4	0.0	0.0	0.0
Others	56.3	18.8	-35.3	-82.3	-10.4
<b>Free Cash Flow</b>	<b>-15.1</b>	<b>-400.2</b>	<b>-38.0</b>	<b>-436.8</b>	<b>-76.6</b>
<b>NET DEBT (NET CASH)</b>	<b>259.0</b>	<b>-141.2</b>	<b>-179.2</b>	<b>-616.0</b>	<b>-692.6</b>

Values in R\$ million

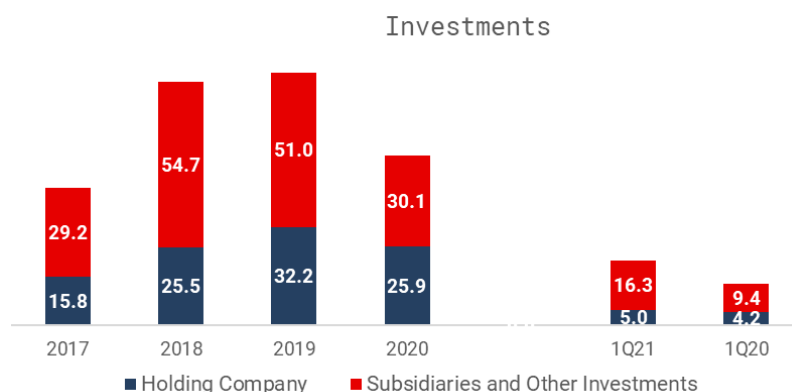
Likewise, when comparing with periods leading up to the expansion movements, significant variation showed as well, mainly in the WCN variation line, on account of the changes introduced between the years 2017 and 2018. In 2020, the increase reported under the WCN comments directly impacted cash flow, which absorbed an increase of R\$ 398.8 million in 2020 when compared to the flow of 2019. The positive conversion of R\$ 125.6 million in EBITDA in 1Q21 allowed us to end the quarter with a negative free cash flow of R\$ 76.6 million.

### Dividends / Interest on Equity

On December 15, 2020, Fras-le's Board of Directors approved, in a meeting, the payment of interest on equity for the period January to November 2020, in the amount of R\$ 37.5 million (R\$ 0.17 per share), paid on January 20, 2021. The Board of Directors also approved, at the Annual Shareholders' Meeting held on April 13, 2021 the payment of dividends in the amount of R\$ 21.4 million (R\$ 0.10 per share), with payment date on April 30, 2021 for shareholders holding shares on April 16, 2021.



## Investments\_



In 1Q21, investments in Capex totalled R\$ 21.3 million. At the Parent Company, investments were made aiming the automation of the plant, such as projects at the Railway Blocks and Shoes plant, and an AGV (automated guided vehicle) for supplying the cutters. In addition, we highlight the continuous investments in the NR12 Standard adjustments.



FIGURE 1 – MACHINING CELLS - CONTROIL

In the controlled companies, the largest investments were made in Nakata (R\$ 6.1 million) to make adjustments for the new plant located in Extrema / MG. Another investment (R\$ 4.1 million) was made in the subsidiary Controil to expand the machining capacity of brake master cylinders.





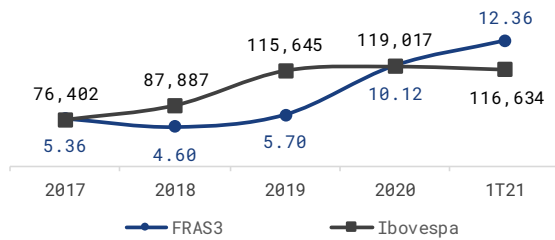
## STOCK MARKET\_

# FRAS

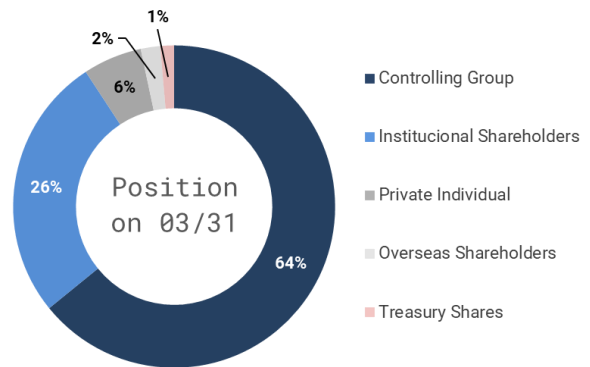
## B3 LISTED N1

In 1Q21, 13.5 million “FRAS3” shares were traded. In this period, an average daily trading volume of R\$ 2.6 million was recorded, an increase of more than 160% compared to the average daily volume of 2019. The Company's market value at the end of March 2021 reached R\$ 2.6 billion.

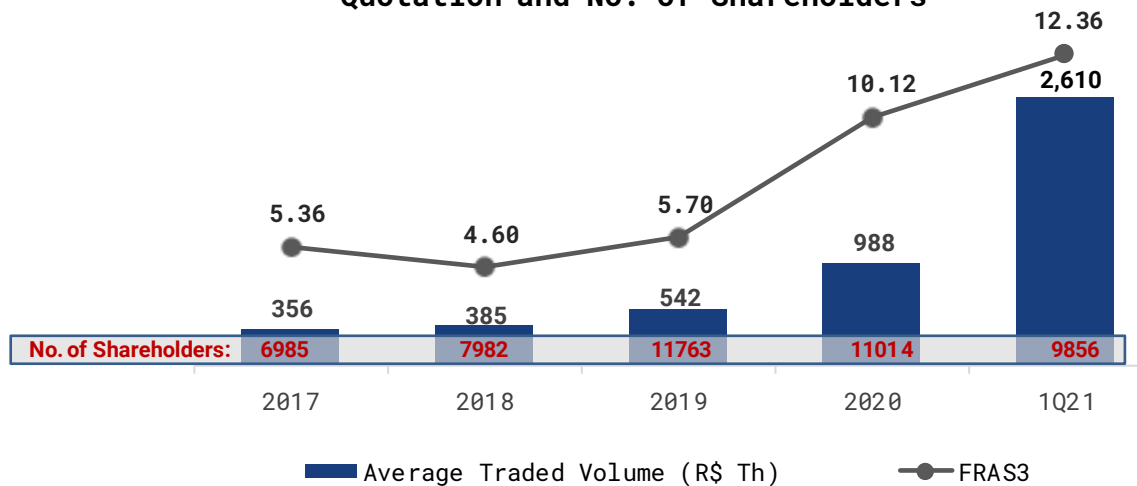
Variation FRAS3 x Ibovespa



CAGR 2017/1T21 23.2% | 2020/1T21 22.1% | CAGR 2017/1T21 11.2% | 2020/1T21 -2.0%



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



No. of Shareholders: 6985 (2017), 7982 (2018), 11763 (2019), 11014 (2020), 9856 (1Q21)



## »»» BOARDS AND FUNCTIONS\_

### Board of Directors

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

### Audit Committee

Geraldo Santa Catharina  
Rogério Luiz Ragazzon  
Valmir Pedro Rossi

### 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

## »»» ADDRESSES AND CONTACTS\_

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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

	1Q21		1Q20		1Q21		4Q20		Variations	
		%		%		%		%	1Q21/1Q20	1Q21/4Q20
<b>Net Revenue</b>	<b>640,655</b>	<b>100.0%</b>	<b>341,810</b>	<b>100.0%</b>	<b>640,655</b>	<b>100.0%</b>	<b>595,316</b>	<b>100.0%</b>	<b>87.4%</b>	<b>7.6%</b>
COGS – Cost of Goods Sold	-452,130	-70.6%	-253,081	-74.0%	-452,130	-70.6%	-419,483	-70.5%	78.7%	7.8%
<b>Gross Profit</b>	<b>188,525</b>	<b>29.4%</b>	<b>88,729</b>	<b>26.0%</b>	<b>188,525</b>	<b>29.4%</b>	<b>175,833</b>	<b>29.5%</b>	<b>112.5%</b>	<b>7.2%</b>
Selling Expenses	-54,995	-8.6%	-34,109	-10.0%	-54,995	-8.6%	-46,880	-7.9%	61.2%	17.3%
Administrative Expenses	-41,899	-6.5%	-28,033	-8.2%	-41,899	-6.5%	-52,867	-8.9%	49.5%	-20.7%
Other Operation Expens./Incom.	5,083	0.8%	-8,163	-2.4%	5,083	0.8%	53,403	9.0%	-162.3%	-90.5%
<b>Financial Result</b>	<b>-11,810</b>	<b>-1.8%</b>	<b>-13,417</b>	<b>-3.9%</b>	<b>-11,810</b>	<b>-1.8%</b>	<b>38,374</b>	<b>6.4%</b>	<b>12.0%</b>	<b>130.8%</b>
Financial Income	75,808	11.8%	88,467	25.9%	75,808	11.8%	102,466	17.2%	-14.3%	-26.0%
Financial Expenses	-87,618	-13.7%	-101,884	-29.8%	-87,618	-13.7%	-64,092	-10.8%	-14.0%	36.7%
<b>Income Before Tax</b>	<b>84,904</b>	<b>13.3%</b>	<b>5,007</b>	<b>1.5%</b>	<b>84,904</b>	<b>13.3%</b>	<b>167,863</b>	<b>28.2%</b>	<b>1595.9%</b>	<b>-49.4%</b>
Income and Social Tax	-24,452	-3.8%	-6,266	-1.8%	-24,452	-3.8%	-39,420	-6.6%	290.2%	-38.0%
<b>Net Profit</b>	<b>60,452</b>	<b>9.4%</b>	<b>-1,260</b>	<b>-0.4%</b>	<b>60,452</b>	<b>9.4%</b>	<b>128,443</b>	<b>21.6%</b>	<b>4899.0%</b>	<b>-52.9%</b>
Attributable to non-controlling shar.	-231	0.0%	-5,128	-1.5%	-231	0.0%	-172	0.0%	95.5%	34.4%

Values in R\$ thousands



## ATTACHMENT II

### CONSOLIDATED BALANCE SHEET

Values in R\$ Thousands

	03.31.21	03.31.20
<b>Assets</b>	<b>2,956,705</b>	<b>1,662,551</b>
<b>Current Assets</b>	<b>1,487,845</b>	<b>723,852</b>
Cash and Cash Equivalents	362,992	121,463
Receivables	356,191	146,353
Inventory	564,932	364,029
Financial Applications	19,721	22,566
Derivative Operations	9,435	47,827
Taxes Recoverable	152,088	879
Others Current Assets	22,485	20,735
<b>Non-current Assets</b>	<b>1,468,860</b>	<b>938,699</b>
Taxes Recoverable	55,639	21,064
Judicial Deposits	22,861	17,415
Deferred Taxes	44,941	31,775
Financial investments	68,928	0
Others Non-current Assets	6,269	7,490
Investments	1,412	1,332
Fixed Assets	621,967	570,178
Right of Use of Leases	142,559	108,844
Intangible	504,285	180,601
<b>Liabilities</b>	<b>2,956,705</b>	<b>1,662,551</b>
<b>Current Liabilities</b>	<b>811,916</b>	<b>294,693</b>
Accounts Payable	301,580	100,260
Loans and Financing	233,637	81,300
Derivative Financial Instruments	582	0
Taxes and Contributions	52,838	33,129
Salaries and Charges	49,281	32,484
Business combination	56,805	0
Lease	18,294	11,080
Others Obligations	98,898	36,440
<b>Non-current Liabilities</b>	<b>1,109,465</b>	<b>538,751</b>
Loans and Financing	689,060	306,925
Deferred Taxes	55,622	69,683
Provisions	24,503	20,798
Tax Incentive	2,281	2,550
Accounts payable per business combination	172,505	0
Lease	129,101	96,188
Others Obligations	36,393	42,607
<b>Equity</b>	<b>1,035,324</b>	<b>829,107</b>
Social Capital	600,000	600,000
Tax Incentive Reserve	7,218	4,256
Costs with Issue of Shares	-4,622	-4,622
Profit Reserves	383,238	187,936
Stocks in Treasury	-13,352	-13,352
Other Comprehensive Results	51,372	42,592
Non-controlling Participation	11,471	12,297

Values in R\$ thousands



## ATTACHMENT III

### STATEMENTS OF CASH FLOW – INDIRECT METHOD

Values in R\$ Thousands

	03.31.21	03.31.20
<b>Operational Cash Flow</b>		
<b>Net operational cash</b>	<b>19,494</b>	<b>57,516</b>
<b>Cash generated from operations</b>	<b>135,410</b>	<b>129,064</b>
Income statement	62,284	-1,259
Provision of income and social tax and deferred	24,452	6,266
Depreciation and amortization	28,869	19,717
Provision for disputes	432	-823
Allowance for doubtful accounts	1,696	1,925
Obsolete inventory provision	-2,506	4,355
Other provisions	-4,980	-671
Cost of the fixed assets sold	-2,021	9,399
Revenue from active lawsuits	0	0
Monetary adjustment	-15,229	1,638
Loans and leases variation	42,413	88,517
<b>Assets and liabilities fluctuations</b>	<b>-115,916</b>	<b>-71,548</b>
Financial applications	-272	12,506
Judicial Deposits	-856	236
Receivables	-68,521	-25,103
Inventory	-67,369	-37,253
Others assets	18,347	-112
Accounts payable	36,179	6,545
Others liabilities	2,625	-22,963
Paid income and social tax	-36,049	-5,404
<b>Investment Cash Flow</b>		
<b>Net investment cash</b>	<b>-21,297</b>	<b>-13,650</b>
Fixed assets acquisitions and intangible	-20,812	-13,650
Additions to intangible assets	-485	0
Business combination	0	0
<b>Cash From Financing Activities</b>		
<b>Net funding cash</b>	<b>-78,448</b>	<b>-100,794</b>
Payment of the return over equity	-33,347	-14,055
Loans Taken	21,195	9,367
Loans and leases payments	-55,878	-89,547
Paid interests	-10,418	-6,559
<b>Funding Cash Flow</b>	<b>-80,251</b>	<b>-56,928</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>	