

SAFETY IN MOTION CONTROL,
SAFETY TO GO
BEYOND

SEGURANÇA NO CONTROLE DE MOVIMENTOS, SEGURANÇA PARA IR ALÉM



Caxias do Sul, RS, June 03, 2020. Fras-le S.A. (B3: "FRAS3"), a Randon Company that has grown to be the largest manufacturer of friction materials in Latin America and one of the Market leaders worldwide, is pleased to report its results for the first quarter of 2020 (1Q20). The financial and operating information of the Company is consolidated, in compliance with the International Financial Reporting Standards (IFRS) and the monetary values are denominated in Reais, except when otherwise indicated. Comparisons are made with the first quarter of 2019 (1Q19).

FRAS-LE REPORTS ITS RESULTS FOR THE 1ST QUARTER OF 2020

MARKET CAP (31/03/2020)

R\$ 862 Million

"FRAS3" QUOTE (31/03/2020)

R\$ 3.96

CONFERENCE CALL RESULTS

(In Portuguese with simultaneous translation into English)

04 JUN 2020, (Thursday);

11:00 AM (Brasília) | 10:00 AM New York | 3:00 PM London;

Connections in Brazil : Dial-In +55 11 3181 8565 or
+55 11 4210 1803 | Ticker: Fras-le;

Connections in the United States: Dial In +1 844 204-8942
or +1 412 717-9627 | Ticker: Fras-le.

WEBCASTING

Portuguese: [click on here](#)

English: [click on here](#)

REPLAY: +55 11 3193-1012 or +55 11 2820-4012

Ticker in Portuguese: 4298952# | Ticker in English: 6652393#

MAIN RESULTS

1Q20 - Consolidated

- ✓ **Total Gross Revenue, with no eliminations:** R\$ 488.3 million, or 2.9% up from 1Q19;
- ✓ **Net Income:** R\$ 341.8 million, 5.9% up from 1Q19;
- ✓ **Sales in the Foreign Market (Exports + overseas Operations):** US\$ 39.1 million, 4.8% down from 1Q19;
- ✓ **Gross Income:** R\$ 88.7 million, 18.3% up from 1Q19;
- ✓ **EBITDA:** R\$ 38.1 million, or 31.5% up from 1Q19;
- ✓ **Consolidated Net Income:** R\$ 1.3 million (negative), impacted by decreased deferred taxes and financial expenses, due to exchange rate adjustments.

“Our revenues are one of Fras-le's strengths and the diversification of our business helps build resilience in the performance of sales and results indicators.”

The world is being faced with an unprecedented situation with the health crisis resulting from the Coronavirus (SARS-CoV-2 | Covid-19), impacting all economies and all industries, including auto parts.

Although the crisis has impacted results, Fras-le's business performance in this 1Q20 was positive, reinforcing the assertiveness of the adjustments we made in 2019. Even though volumes have decreased, revenues increased, driven by the performance of exports and currency conversions.

Fras-le's strong business profile, shown in the composition of its revenues, is one of the Company's strengths. Revenues are largely concentrated in the aftermarket, primarily to maintain fleets of vehicles (which have been highly fragmented) in circulation. In addition, more than half of sales are made outside Brazil, in more than 100 different countries. Such diversification helps build resilience in the performance of sales and results indicators, driven by the exchange rate factor.

Impacts caused by the SARS-CoV-2 | COVID-19

In February, during the new-year holidays in China, our operations in that country were impacted by the interruption of production activities, due to the outbreak of the new coronavirus (Covid-19).

At the end of the quarter, as a result of the pandemic, our operations stopped abruptly, impacting all units. Vacations were given on an urgent basis and some of our customers were unable to receive our products on account of the numerous state and municipal decrees limiting activities in various sectors. The measures we have taken will be detailed later in this document, in their entirety.

Although the impacts of this crisis will probably extend to the quarters ahead, with consequences on the Company's turnover and profitability, Fras-le is confident, on account of the robustness of its business model, that this moment will be overcome.

MAIN FIGURES

	1Q20	1Q19	Δ %	1Q20	4Q19	Δ %
Gross Revenue*	488.3	474.5	2.9%	488.3	564.4	-13.5%
Net Revenue	341.8	322.7	5.9%	341.8	370.8	-7.8%
Domestic Market	165.8	167.9	-1.3%	165.8	168.6	-1.7%
Foreign Market	176.0	154.8	13.7%	176.0	202.2	-13.0%
Foreign Market US\$	39.1	41.0	-4.8%	39.1	49.1	-20.4%
Exports - Brazil US\$	16.9	19.6	-14.2%	16.9	29.1	-42.2%
Gross Profit	88.7	75.0	18.3%	88.7	103.1	-13.9%
Gross Margin	26.0%	23.2%	2.7 pp	26.0%	27.8%	-1.8 pp
Operating Profit	18.4	15.1	22.1%	18.4	37.0	-50.3%
Operating Margin	5.4%	4.7%	0.7 pp	5.4%	10.0%	-4.6 pp
EBITDA	38.1	29.0	31.5%	38.1	61.1	-37.6%
EBITDA Margin	11.2%	9.0%	2.2 pp	11.2%	16.5%	-5.3 pp
Net Result	-1.3	-2.5	-50.0%	-1.3	-4.6	-72.9%
Attributable to non-controlling shareholders	-5.1	-0.3	1428.2%	-5.1	-1.4	260.5%
Net Margin	-0.4%	-0.8%	0.4 pp	-0.4%	-1.3%	0.9 pp
Adjusted EBITDA	46.0	33.2	38.5%	46.0	64.6	-28.7%
Adjusted EBITDA Margin	13.5%	10.2%	3.3 pp	13.5%	17.4%	-3.9 pp

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

(*) Includes intercompany sales

SALES PERFORMANCE

SALES PHYSICAL VOLUMES

Sales Volumes by Product Line							
	Unit	1Q20	1Q19	Δ %	1Q20	4Q19	Δ %
Brake linings for Heavy Vehicles (Blocks)	PCS	13.1	15.5	-15.0%	13.1	14.7	-10.7%
Brake Pads	PCS	7.1	8.6	-17.3%	7.1	8.7	-18.7%
Other Friction Materials	PCS	3.0	3.6	-16.3%	3.0	3.2	-7.5%
Friction Material	PCS	23.3	27.6	-15.9%	23.3	26.7	-12.9%
Components for the Brake System	PCS	1.8	2.0	-8.8%	1.8	1.9	-5.3%
Components for the Suspension System	PCS	0.1	0.2	-30.7%	0.1	0.1	27.9%
Components for the Engine	PCS	1.4	2.7	-49.7%	1.4	2.5	-46.2%
Other Various Products	PCS	1.2	0.5	139.3%	1.2	0.3	353.8%
Other Friction Materials	PCS	4.6	5.4	-16.1%	4.6	4.9	-5.9%
Packed liquids	L	0.83	0.47	77.1%	0.83	0.69	20.2%

Values in millions of pieces or liters.

Note: The components are detailed at the end of this report.

When compared to 1Q19, sales volumes in 1Q20 went down in the product lines related to friction materials, a result of the pandemic in Fras-le's operations around the world. This includes the aftermarket volumes in the domestic market, which have already shown retractions.

The group of miscellaneous products went down as well, mainly in engine and suspension components, which are also parts related to the segment of automakers and are part of the demands by the Argentine market.

When it comes to the sales portfolio, the friction material group accounted for the largest share in 1Q20, led by brake linings for commercial vehicles (13.1 million pieces sold), followed by brake pads (7.1 million units).

As for the group of miscellaneous products, the brake system components accounted for the largest share (1.8 million parts) sold in 1Q20. Engine components, despite showing the highest level of fall, appear in the sequence, reaching 1.4 million units sold.

CONSOLIDATED NET REVENUE

Net Revenue by Product Line										
	1Q20		1Q19		Δ %	1Q20		4Q19		Δ %
Brake linings for Heavy Vehicles (Blocks)	141.9	41.5%	135.1	41.9%	5.0%	141.9	41.5%	151.2	40.8%	-6.2%
Brake Pads	81.8	23.9%	82.1	25.5%	-0.4%	81.8	23.9%	91.7	24.7%	-10.9%
Other Friction Materials	28.9	8.5%	24.3	7.5%	19.1%	28.9	8.5%	30.9	8.3%	-6.3%
Friction Material	252.6	73.9%	241.5	74.8%	4.6%	252.6	73.9%	273.8	73.8%	-7.8%
Components for the Brake System	69.4	20.3%	60.9	18.9%	14.0%	69.4	20.3%	76.0	20.5%	-8.7%
Components for the Suspension System	9.1	2.7%	9.3	2.9%	-1.6%	9.1	2.7%	7.3	2.0%	24.9%
Components for the Engine	3.7	1.1%	3.7	1.1%	1.7%	3.7	1.1%	4.4	1.2%	-15.8%
Other Various Products	3.0	0.9%	2.6	0.8%	18.9%	3.0	0.9%	1.6	0.4%	86.6%
Other Friction Materials	85.3	25.0%	76.4	23.7%	11.7%	85.3	25.0%	89.4	24.1%	-4.5%
Packed liquids	3.9	1.1%	4.8	1.5%	-18.2%	3.9	1.1%	7.6	2.0%	-48.6%
Total Net Revenue	341.8	100.0%	322.7	100.0%	5.9%	341.8	100.0%	370.8	100.0%	-7.8%

Values in R\$ millions

Note: The components are detailed at the end of this report

The net revenue breakdown by products shows that the friction materials group accounts for the largest share (73.9% in 1Q20), with brake linings for commercial vehicles appearing first (41.5% of revenues). As it can be seen in the table above, brake pads show a slight drop when comparing both periods, which is mainly related to products for the light vehicle line.

In relation to the miscellaneous product group, the subgroup of components for the brake system accounts for the largest share (20.3% of total revenues in 1Q20), while the suspension and engine components subgroups remained stable (2.7% and 1.1%, respectively), over total revenues.

It is worth noting that the performance of sales revenues by products does not reflect the same behavior of volumes sold, due to possible fluctuations in the exchange rate, production mix and prices.

In 1Q20, the Company recorded R\$ 4.1 million (positive) in the global amount of revenues due to hyperinflation in Argentine operations, unlike the performance along the past year, when hyperinflation subtracted a significant portion of revenues.

The breakdown of sales by domestic and foreign markets, and by Aftermarket and OEM companies, shows the following composition:

Markets	Net Revenue by Markets									
	1Q20		1Q19		Δ %	1Q20		4Q19		Δ %
DM Aftermarket	131.8	38.5%	136.3	42.2%	-3.3%	131.8	38.5%	139.5	37.6%	-5.5%
DM OEM	34.1	10.0%	31.7	9.8%	7.6%	34.1	10.0%	29.2	7.9%	16.7%
Domestic Market	165.8	48.5%	167.9	52.0%	-1.3%	165.8	48.5%	168.6	45.5%	-1.7%
FM Aftermarket	166.3	48.6%	143.1	44.3%	16.2%	166.3	48.6%	191.1	51.5%	-13.0%
FM OEM	9.7	2.8%	11.7	3.6%	-17.0%	9.7	2.8%	11.1	3.0%	-12.6%
Foreign Market	176.0	51.5%	154.8	48.0%	13.7%	176.0	51.5%	202.2	54.5%	-13.0%
Total Aftermarket Net Revenue	298.0	87.2%	279.4	86.6%	6.7%	298.0	87.2%	330.5	89.1%	-9.8%
Total OEM Net Revenue	43.8	12.8%	43.4	13.4%	0.9%	43.8	12.8%	40.3	10.9%	8.6%
Total Net Revenue	341.8	100.0%	322.7	100.0%	5.9%	341.8	100.0%	370.8	100.0%	-7.8%

Values in R\$ million

In 1Q20, consolidated net revenue reached R\$ 341.8 million, an increase of 5.9% in relation to 1Q19. Despite this growth rate, when comparing 1Q20 with 4Q19, the performance is lower. The behavior of revenues can be understood as follows:

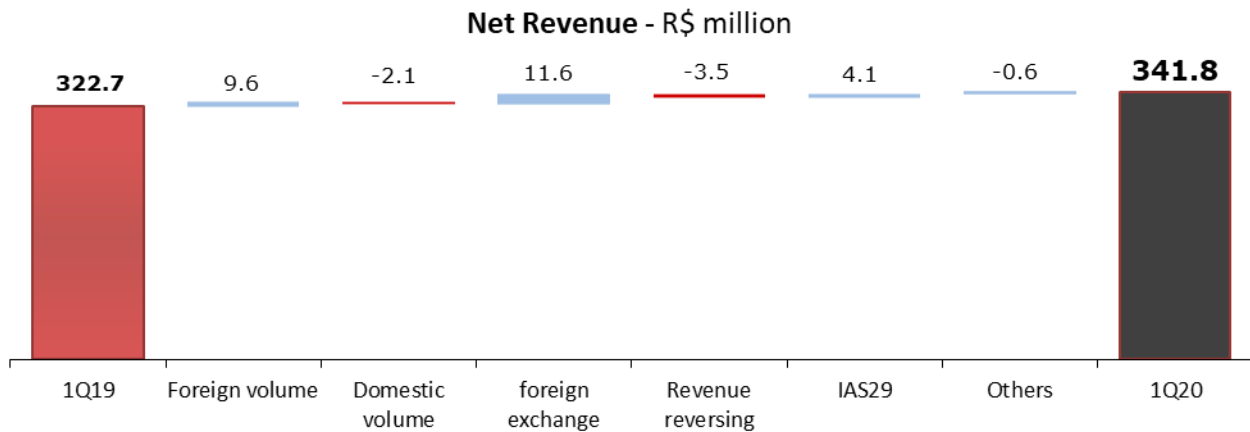
In sales out of Brazil to abroad, revenues were favored by the exchange rate, since the average dollar of R\$ 4.46 in 1Q20 went up 18.2%, as compared to R\$ 3.77 in 1Q19. However, exports retracted due to the lower demand in our order book, both in the replacement and automakers segments, also on account of the Covid-19 in countries where Fras-le trades its products. In the following pages (under the

Foreign Market Sales comments), the main factors that have contributed to the lower volume of exports will be further detailed.

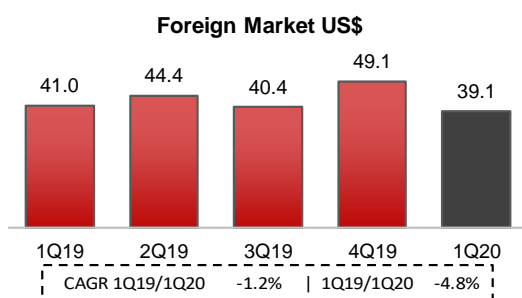
In the domestic market, Fras-le's performance in the automakers segment continued going up, at last year level, and even exceeding the sales goals for this 1Q20. However, the replacement segment is already showing the effects of the pandemic as a result of the social isolation measures initiated in Brazil as of the second half of March. In fact, some customers' warehouses and vehicle repair depots had to reduce their business activities and even temporarily cease them.

Variations in Consolidated Net Revenue

The chart below shows the impacts on net consolidated revenue in 1Q20, as compared to the year-ago period:



PERFORMANCE IN THE FOREIGN MARKET



Total sales in the foreign market (exports out of Brazil) plus the sales made by our Operations abroad, amounted to US\$ 39.1 million in 1Q20, a 4.8% decrease as compared to 1Q19. This performance shows partially some effects of the pandemic, such as stops in the industrial and commercial activities in our controlled

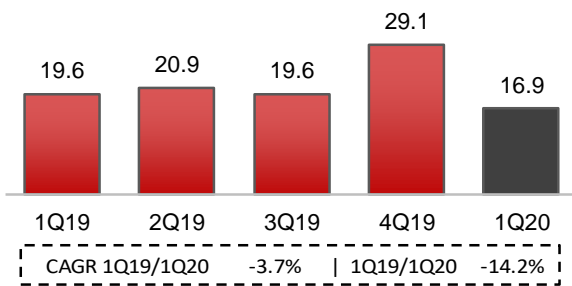
companies abroad (India and some South American countries). Furthermore, the level of our exports went down as well. All this will be detailed on the next page.

In our China Unit, for example, operations stopped completely in February as a result of the local government protocols caused by the pandemic. However, as of March, with the gradual release by the Government, activities went gradually back to normal, which has enabled Fras-le, through additional efforts, to reach its sales targets for the quarter in that controlled company.

In South American operations, particularly in Uruguay and Argentina, the halt of activities and the closing of borders due to the pandemic

affected our sales volumes, which went down, although in a not relevant level in the global universe of the Company's revenues.

Exports - Brazil US\$



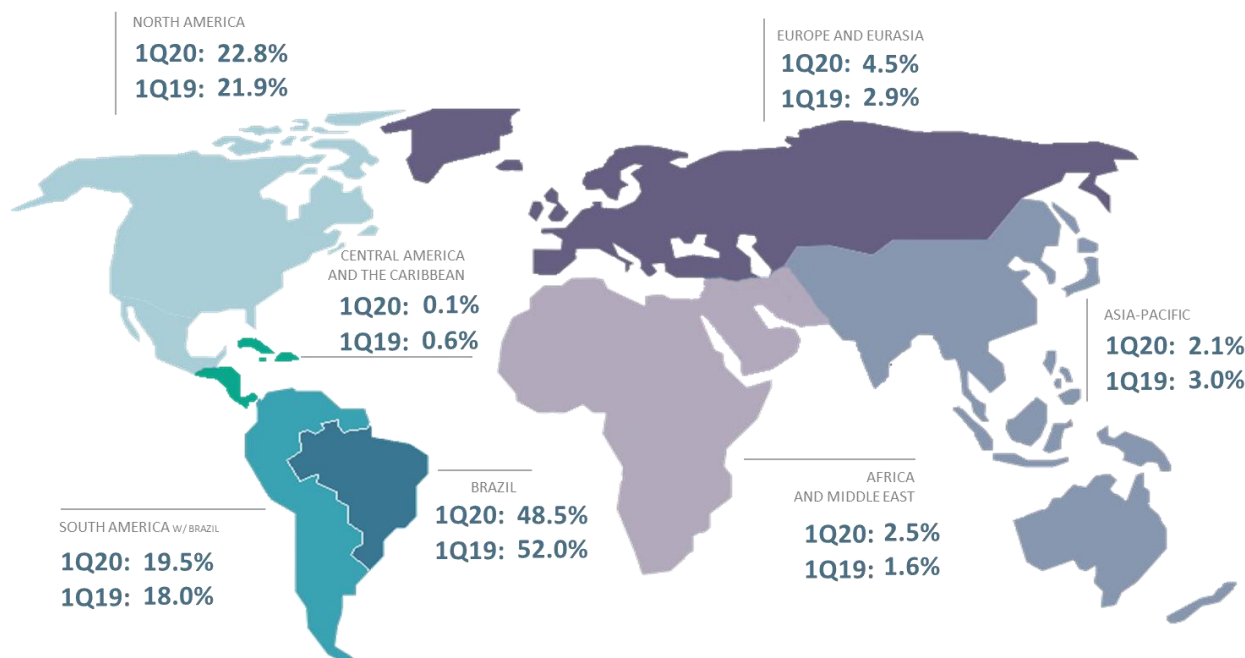
As for the exports out of Brazil, turnover in 1Q20 amounted to US\$ 16.9 million, a reduction of 14.2% when compared to 1Q19. One of the factors responsible for this performance was the lower level in our order book (for future supplies) for North America,

showing the first effects of the pandemic in that market. With the drop in the order book in our Fras-le North America subsidiary, we had to reduce the shipments from Fras-le Brazil to that controlled company, impacting exports.

The lower export volumes are also related to reduced sales to some South American countries, which adopted some customs barriers in late March as a result of the pandemic.

To better understand, the chart below shows the breakdown of consolidated net income by geographic region:

Net revenue Breakdown (%)



OPERATING PERFORMANCE

COST OF PRODUCTS SOLD

Consolidated cost of products sold totaled R\$ 253.1 million in 1Q20, accounting for 74.0% of net revenue (76.8% in 1Q19).

It is worth pointing out that despite the social distance measures initiated in most of the Company's Units, as of the second half of March 2020, such as vacations and reduced industrial activity, the quarter did not show significant additional costs resulting from these movements.

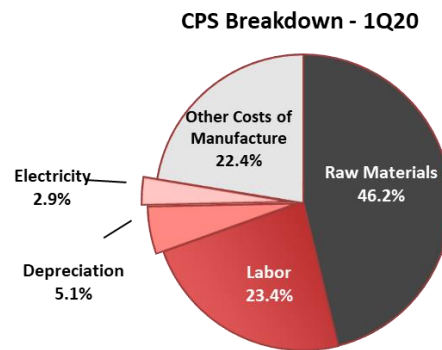
To better understand the behavior of costs, we see that the inflationary effects and

exchange rate variations on raw material prices are not timely, and usually become effective in the following quarter. Based on this premise, there were no significant impacts on the production costs in 1Q20, due to exchange rate fluctuation.

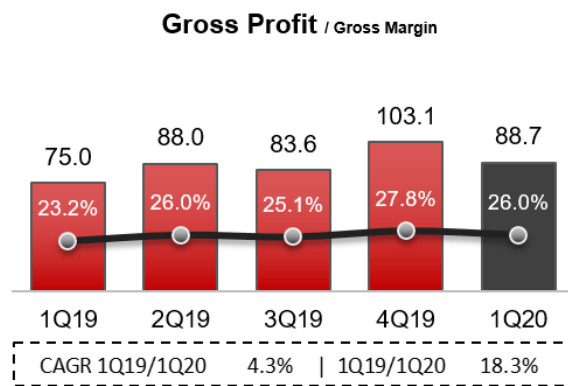
However, the prices of these inputs will be more vulnerable as of the next quarter, as there have been difficulties in supplying some commodities.

Some suppliers in the countries affected by the pandemic were forced to temporarily interrupt their activities, which may not only increase prices from alternative sources but also impact costs. Attention must be placed in the effects of exchange rate variation in the coming quarters, on imported raw material. In addition to efforts aimed at reducing cost (which are normally made by Management), a crisis committee was created to find solutions and alternatives in order to compensate for

possible economic impacts on results, resulting from the Covid-19.



CONSOLIDATED GROSS INCOME



Consolidated gross profit in 1Q20 (R\$ 88.7 million), increased by 18.3% when compared to

R\$ 75.0 million in 1Q19, reaching a gross margin of 26.0%, which is 2.7 percentage points higher than the same quarter last year.

Based on the comments previously reported herein, and in relation to the performance of sales revenues and production costs, it is possible to state that consolidated gross income in 1Q20 did not absorb, in this period, significant impacts as a result of the pandemic that has spread throughout the world.

OPERATING EXPENSES

The operating expenses group showed an increase of 17.3% in 1Q20, as compared to 1Q19, due to investment impairment in our subsidiary company *Jurid do Brasil* and to the divestiture of fixed assets in the operation located in Caxias do Sul.

Also pushing this group of expenses is an increase in provisioned amounts, mainly regarding vacations and the impact on the

conversion of expenses of our foreign controlled units (due to the devaluation of the real against the dollar and against other currencies) as a result of the Covid-19, which may intensify in the coming quarters.

The following table shows the expenditure subgroups and their respective developments

The following table lists the expenditure subgroups and their evolution:

	1Q20	%	1Q19	%	Δ %	1Q20	%	4Q19	%	Δ %
Selling Expenses	-34.1	-10.0%	-34.0	-10.5%	0.3%	-34.1	-10.0%	-35.9	-9.7%	-4.9%
Administrative Expenses	-28.0	-8.2%	-25.6	-7.9%	9.6%	-28.0	-8.2%	-30.7	-8.3%	-8.8%
Other Net Expenses/Income	-8.2	-2.4%	-0.4	-0.1%	2128.1%	-8.2	-2.4%	0.6	0.2%	-1549.9%
Other Operating Expenses	-14.5	-4.2%	-1.6	-0.5%	781.2%	-14.5	-4.2%	-12.8	-3.5%	13.0%
Other Operating Income	6.3	1.8%	1.3	0.4%	394.2%	6.3	1.8%	13.4	3.6%	-52.8%
Total Operating Exp/Income	-70.3	-20.6%	-59.9	-18.6%	17.3%	-70.3	-20.6%	-66.0	-17.8%	6.5%

Values in R\$ millions and % over Net Revenue

Selling and Administrative Expenses

When analyzing the operating expenses group in more detail, we see that selling expenses totaled R\$ 34.1 million in 1Q20, remaining stable when compared to 1Q19 and accounting for 10.0% of consolidated net revenue. For comparative purposes, this group shows a leaner workforce level in this quarter when compared to the same period last year.

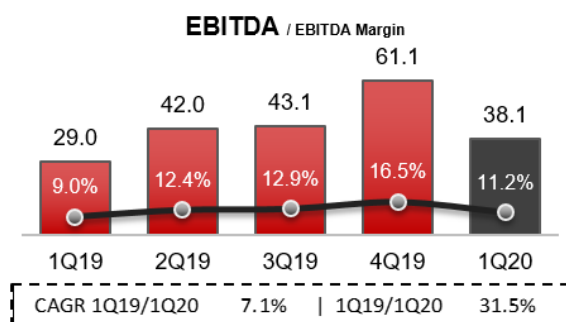
Administrative expenses (R\$ 28.0 million in 1Q20) accounted for 8.2% of revenues and are 9.6% higher than the R\$ 25.6 million recorded in 1Q19. This higher level is due to an increase in the accounts related to vacation provisions and in the accounts for foreign operations due to the increased exchange rate.

Other Operating Expenses/Income

This group showed a significant increase in 1Q20 when compared to 1Q19, as it includes an expense of R\$ 5.7 million with investment impairment, constituted in the subsidiary

company *Jurid do Brasil*, and also R\$ 2.2 million due to the divestiture of fixed assets in our operation of Caxias do Sul.

EBITDA (Gross Cash Generation)



Regarding operating performance, it is important to highlight that in the first quarter of 2020, the Company continued to show good performance and results (shown in the last quarters of 2019), despite some inherent impacts of peculiarities not related to the operational processes, such as the impairment

of the controlled company *Jurid do Brasil*, and the fixed assets divestiture, previously highlighted in the comments under Operating Expenses.

Following these effects, consolidated EBITDA ended 1Q20 at R\$ 38.1 million, an increase of 31.5% when compared to 1Q19, while the EBITDA margin was 11.2%, also delivering better performance than 1Q19 (9 % margin).

Despite these peculiarities present in this indicator in 1Q20, it is important to highlight that the results achieved with efficiency gains in the plants, and strict budget control, reflect positively on this performance.

The composition of EBITDA in 1Q20 can also be seen through the following details:

	1Q20	1Q19	Δ %	1Q20	4Q19	Δ %
Net Revenue	341.8	322.7	5.9%	341.8	370.8	-7.8%
COGS – Cost of Goods Sold	-253.1	-247.7	2.2%	-253.1	-267.7	-5.5%
Gross Profit	88.7	75.0	18.3%	88.7	103.1	-13.9%
Operation Expenses	-62.1	-59.6	4.3%	-62.1	-66.6	-6.7%
Other Operation Expens./Incom.	-8.2	-0.4	2128.1%	-8.2	0.6	-1549.9%
Operating Profit	18.4	15.1	22.1%	18.4	37.0	-50.3%
Depreciation/Amortisation	19.7	13.9	41.7%	19.7	24.0	-17.9%
EBITDA	38.1	29.0	31.5%	38.1	61.1	-37.6%
EBITDA Margin	11.2%	9.0%	2.2 pp	11.2%	16.5%	-5.3 pp

Values in R\$ millions

ADJUSTED RESULTS

In line with the best governance practices, we show the adjusted results, disregarding non-recurring events in its calculation. So, we

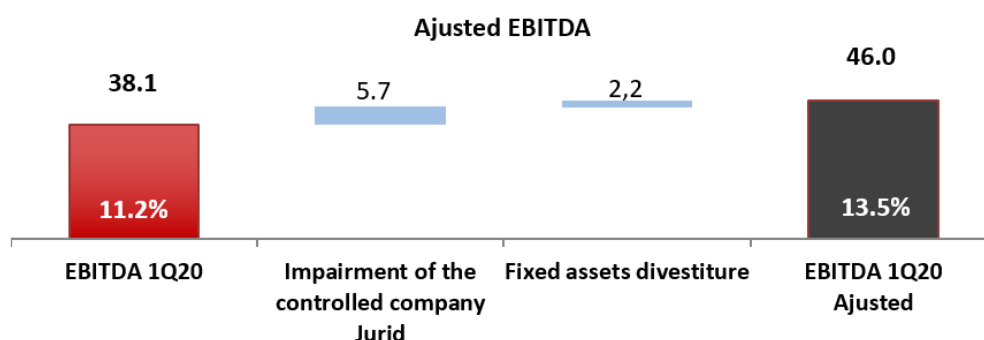
present the values that best reflect the Company's cash generation.

	1Q20	
	Adjusted	Accounted
Net Revenue	341.8	341.8
COGS – Cost of Goods Sold	-253.1	-253.1
Gross Profit	88.7	88.7
Gross Margin	26.0%	26.0%
(-) Recovery tax credits	5.7	
(+) M & A Expenses	2.2	
(-) Operating expenses	-62.1	-62.1
(-) Other Expenses/Revenues	-8.2	-8.2
Operating Expenses	-62.4	-70.3
EBIT	26.3	18.4
Depreciation/Amortisation	19.7	19.7
EBITDA	46.0	38.1
EBITDA Margin	13.5%	11.2%

Values in R\$ millions

* Although it has not been reported in 1Q19 and accumulated 2019, it is worth mentioning that the values relating to layoffs in 1Q19 amounted to R\$ 2.1 million.

The effects previously reported, concerning 1Q20, can also be seen in the following chart:



FINANCIAL RESULT

	1Q20	1Q19	Δ %	1Q20	4Q19	Δ %
Exchange Variation	86.2	31.4	174.3%	86.2	23.3	270.5%
Interests on Capital Investment	2.6	1.8	47.2%	2.6	0.8	205.4%
Present Value Adjust	1.0	1.8	-40.8%	1.0	1.2	-14.8%
Other Financial Income	0.2	0.7	-67.5%	0.2	0.6	-58.8%
Monetary adjustment	-1.6	-3.0	-44.9%	-1.6	0.6	-367.2%
Financial Income	88.5	32.7	170.3%	88.5	26.5	233.2%
Exchange Variation	-91.0	-39.2	132.0%	-91.0	-35.3	157.8%
Financing Interests	-6.0	-4.5	34.0%	-6.0	1.7	-461.2%
Present Value Adjust	-2.3	-1.3	71.0%	-2.3	-2.8	-17.9%
Bank Expenses	-1.4	-2.5	-42.4%	-1.4	-1.9	-24.9%
Other Financial Expenses	-1.1	-3.0	-62.7%	-1.1	-2.5	-54.6%
Financial Expenses	-101.9	-50.6	101.3%	-101.9	-40.9	149.4%
Financial Result	-13.4	-17.9	-25.0%	-13.4	-14.3	-6.2%

Values in R\$ millions

Net financial result (R\$ 13.4 million negative) in 1Q20 is 25.0% lower when compared to 1Q19, considering that the current period was less impacted by currency variations on the balances payable and receivable in the subsidiaries located in South America.

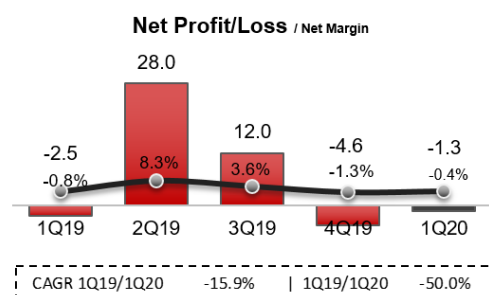
Despite the financial costs of Fras-le's subsidiaries in Argentina, impacting

consolidated financial result, the composition of these costs in this quarter showed more balanced figures.

With regard to resource cycles, at the same time that we needed to reinforce Cash and Cash Equivalents by taking out new financing, it was also possible to amortize a considerable portion in the quarter.

CONSOLIDATED NET RESULT

Net result in 1Q20 was impacted by some unusual factors in the period, namely a decrease of R\$ 5.2 million in deferred taxes, resulting from the calculation of tax losses in previous periods (since it was not possible to comply with legislation).



On the other hand, net result was favored by R\$ 1.9 corresponding to the constitution of deferred taxes on the impairment in *Jurid's* investment, previously reported in the comments under Operating Expenses.

These effects, combined with other factors listed in this report, corroborated for a consolidated net result of R\$ 1.3 million in 1Q20.

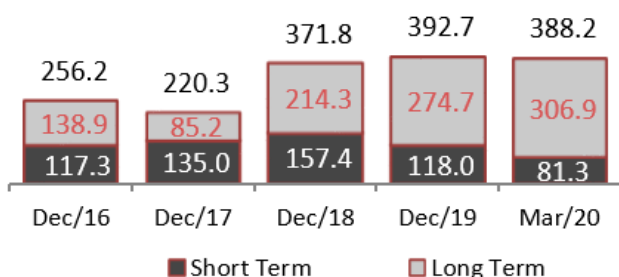
FINANCIAL MANAGEMENT

In 1Q20, the Company amortized R\$ 86.3 million, of which R\$ 69.5 million in financial debt by Fras-le Brazil, while the subsidiaries amortized R\$ 16.8. New financing was also taken on (R\$ 9.3 million) by the subsidiaries, basically for working capital.

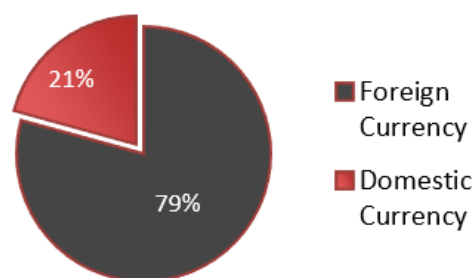
Consolidated gross financial debt ended 1Q20 with a balance of R\$ 388.2 million, of which R\$

81.3 million (20.9%) in the short term and R\$ 306.9 million (79.1%) in the long term. R\$ 307.6 million (79.2%) are denominated in dollar. However, part of the exchange rate impact is mitigated by Fras-le's export volumes, which helps build a natural hedge.

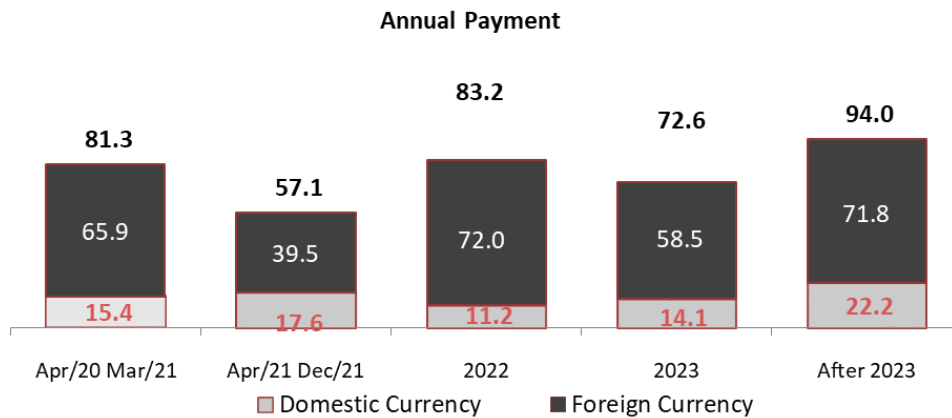
Loans, financing and derivatives



Debt Origin - Mar/20



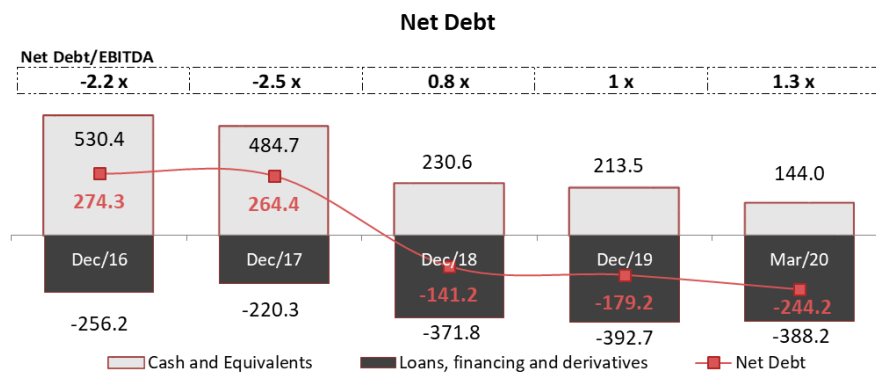
The amortization of consolidated loans and financing is as follows:



Net Debt Composition

The following graph shows the composition of consolidated net debt and its multiple with EBITDA. In the fiscal years ended in 2016 and 2017, Fras-le`s position was comfortable in its financial cash and cash equivalents, originated by the funds from a capital increase in 2016 through share offering and from the cash generation itself.

In 2018 and 2019, most of these funds were used to pay for the acquisitions of companies and remuneration to shareholders represented by dividends and interest on capital payable, gradually reducing the volume of funds invested. In this context, net debt ended 1Q20 with a multiple of 1.3 EBITDA, as shown in the following graph:



Note: in the periods ended Dec / 16, Dec / 17, check if there is a financial surplus without a net debt indicator, due to the raising of funds using the stock offering occurred in 2016.

Need for Working Capital

	2016	2017	2018	2019	1Q20
Resources Investment					
Customers	61.4	77.8	112.8	123.4	146.4
<i>In Days</i>	21 d	26 d	28 d	25 d	30 d
Inventory	172.2	256.2	368.3	333.3	364.0
<i>In Days</i>	59 d	84 d	91 d	69 d	74 d
Others Resources	22.0	40.8	61.9	42.9	55.6
Total of Resources Invested	255.6	374.8	542.9	499.6	566.0
Sources					
Suppliers	-56.4	-78.4	-95.7	-93.7	-100.3
<i>In Days</i>	19 d	26 d	24 d	19 d	20 d
Others Resources	-41.3	-57.5	-71.3	-82.6	-72.4
Total of Sources	-97.7	-135.8	-167.0	-176.3	-172.6
WC in R\$	157.8	238.9	375.9	323.3	393.4
<i>WC in Days</i>	54 d	78 d	93 d	67 d	80 d

Values in R\$ million

After the recent cycle of expansions, mainly in the years 2017 and 2018 (which added new structures and gave Fras-le a new size), the need for resources to operationalize the business has also increased, causing Fras-le to currently operate at higher stock levels.

However, especially in 2019, through various actions aimed at reducing working capital levels, volumes returned to regular levels, allowing Fras-le to build up its cash. Furthermore, there were quantitative and qualitative improvements in the indicators of invested resources, and an important

reduction level, in days, of the need for working capital.

It is worth mentioning that, as variations in exchange rates take place, working capital accounts of our operations outside Brazil are also subject to some impact when converting into national currency.

Despite the efforts we have made in these first months of 2020 to maintain the balance and the levels achieved in late 2019, increased exchange rates have caused a rise in the balances of resources invested in our foreign operations.

Another factor that helped raise the levels of working capital need was the outbreak of the pandemic and the need to increase the levels of provisioning (payment advances to

personnel and other resources). So the need for working capital ended 1Q20 at R\$ 393.4 million.

Free Cash Flow

	2016	2017	2018	2019	1Q20
EBITDA	123.7	106.4	183.9	175.2	38.1
Investments	-10.4	-45.0	-61.5	-83.2	-13.7
Financial Result	2.6	18.4	-37.5	-36.3	-13.4
Income and Social Taxes	-21.8	-19.4	-13.7	-37.5	-6.3
Working Capital Variation	40.3	-81.1	-137.0	52.7	-70.1
Operating Cash Flow	134.4	-20.7	-65.9	70.8	-65.3
Dividends/ROE	-19.1	-44.1	-50.9	-73.6	-15.5
Capital Integralization	295.5	-6.9	-301.8	0.0	0.0
Debt Exchange Variation	11.7	0.3	-0.4	0.0	0.0
Others	17.3	56.3	18.8	-35.3	15.8
Free Cash Flow	439.8	-15.1	-400.2	-38.0	-65.0
NET DEBT (NET CASH)	274.1	259.0	-141.2	-179.2	-244.2

Values in R\$ million

Likewise, when comparing to periods leading up to the expansion movements, the new structures also showed significant variations, mainly in the Need for Working Capital variation line, with the disruptions that took place in late 2017 and 2018, as the new operations became part of Fras-le's structure.

As for 1Q20, the increase reported in the comments under *Need for Working Capital* directly impacted the free cash flow, which went up by R\$ 27.0 million in relation to 2019 flow, thus helping increase net debt, which ended the period at a negative balance of R\$ 244.2 million.

Investments

	1Q20	1Q19	2019	2018	2017	2016
Holding Company	4.2	2.3	32.2	25.5	15.8	5.6
Subsidiaries and Other Investments	9.4	10.7	51.0	54.7	29.2	4.5
Total Capex	13.7	13.0	83.2	80.2	45.0	10.1

Values in R\$ millions

In 1Q20, investments amounted to R\$ 13.7 million, the main ones being: R\$ 4.2 million at Fras-le unit in Caxias do Sul (machinery, equipment, tools and molds, and safety adjustments added at the NR-12 Standard. At Fremax, investments totaled R\$ 5.4 million, most of which used to buy new machinery and equipment to expand the foundry's capacity.

In relation to investments by other subsidiaries, in the amount of R\$ 4.1 million, the main disbursements are related to the operations in the United States, India and Uruguay, and refer to machinery and equipment.

EXPANSION IN THE DOMESTIC MARKET

Acquisition of Nakata

Regarding the agreement signed for the acquisition of *Nakata Automotiva S/A*, disclosed through the Material Fact dated December 17, 2019, Fras-le informs that it remains fulfilling the precedent conditions for the acquisition, including the approval by the Administrative Council for Economic Defense (“CADE”) and by other competition defense bodies in other jurisdictions, as applicable. Following these steps, the acquisition will be submitted to the approval of the Company's shareholders at the Extraordinary General Meeting (“AGE”).

COVID-19

The Covid-19 subject has taken an important length of time of Fras-le's administrators and employees over the last weeks and months, for several reasons: Firstly, the concern about the health of our employees and of all stakeholders who have some interaction or activity with the Company and society in general. Not least, we are also concerned and working on several fronts to identify and assess the impacts of the pandemic and its implications for the Company's business, and for this we have implemented a Crisis Committee.

The Company is following the determinations of the municipal and state decrees, and therefore has been adopting measures of stoppages and / or reductions in activities, for the periods or percentages of reduction determined in said decrees, in the locations where its operations are

based. At the same time, we are strictly following the guidelines of WHO (World Health Organization) and the Ministry of Health.

Considering the evolution of the disease not only in Brazil but as well in the countries where Fras-le has operations, and concerned about its effects society, we will continue making efforts to prevent and contain the disease, and launching campaigns aimed at the care of people, in initiatives aimed at raising awareness, information and collaboration, without, however, neglecting the Company's economic purpose.

Regarding compliance with government decrees (stoppages and reductions in activities), the Company has adopted vacation periods, working time flexibilities and reductions, and home office system. Fras-le's Operations have already shown variations in the percentage of employees in the industrial workforce, as well as in its operations spread around the world, which have evolved from total stoppage (as is the case of the operations in China, India, Uruguay and Argentina) to partial and gradual stoppages in the other Operations of Fras-le, at levels of 25%, 50% and 75%. These movements (although some started at the end of March) have intensified during the preparation of this report, in April and May 2020. In Notes 2.1 to 2.1.6 of these Financial Statements, more details are given on the impacts of Covid-19.

The Company remains attentive to the facts and evolution of the pandemic, and has already implemented several measures to combat and minimize the spread of Covid-19, among which we highlight:

- Reductions in teams working in person;
- Employees working in remote work, in the home office system;
- Suspension of national and international travel;
- Suspension of participation in events;
- Restriction of access by visitors and suppliers to the company's offices;
- Availability of hand sanitizer in common areas and strategic points;
- Intensification and more-frequent cleaning in all environments;

- Prioritization of online meetings;
- Determination of minimum distance of 2 meters between employees;
- Temperature measurement by means of digital thermometers at employee accesses;
- Isolation of employees from the risk group, or with flu symptoms, or who have had contact with suspected corona virus contaminated people;
- Supply of hygiene and cleaning materials such as soap and hand sanitizer;
- Guidelines for constant cleaning of materials and equipment used at the workplace, such as tools, machines, desks/tables, notebooks, desktops; keyboards, phones, etc;
- Guidelines for keeping workplaces well ventilated, such as keeping windows open;
- Increase in hygiene points and distribution of hand sanitizers to employees;
- Intensification of guidelines for the prevention and awareness about the Covid-19 through communication channels;
- Adoption of measures to minimize the movement and agglomeration of people.

Understanding the importance of contributing to society through actions aimed at preventing and combating the dissemination of Covid-19, Fras-le participated, together with Randon Companies, in several initiatives over the past few months, among which we stand out:

- Collaboration for the production of facial shields/protectors;
- Purchase of sensors for respirators (in partnership with the University of Caxias do Sul and Randon Companies);
- Production of aluminum parts for the manufacture of respirators (in partnership with Embraer and Randon Companies);
- Distribution of hand sanitizers to truck drivers (in partnership with Randon Companies);
- Donation of cleaning materials and PPE to hospitals in Caxias do Sul (in partnership with Randon Companies).

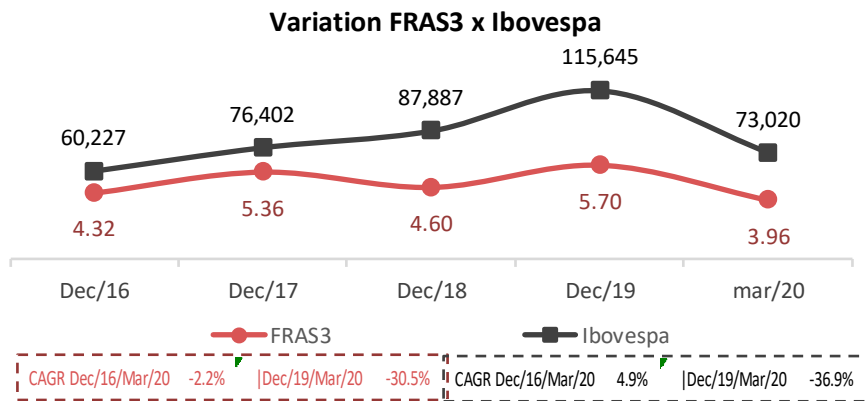
In all, donations for the prevention and combat of Covid-19 amount to R\$ 2.5 million, made jointly with Randon Companies.

CORPORATE GOVERNANCE AND STOCK MARKET

Performance of Shares

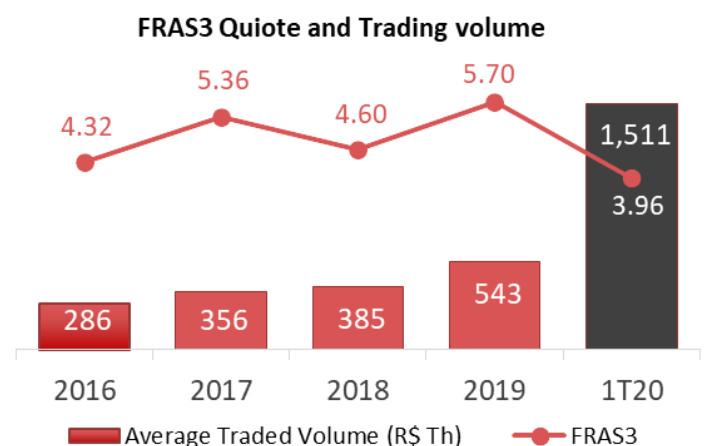
Fras-le's common shares, traded on B3 S.A.-Brazil, Bolsa, Balcão, under the ticker "FRAS3", went down by 30.5% in 1Q20, being quoted at R\$ 3.96 per share in late March. The IBOVESPA index went down as well by 36.9%,

ending the same period with 73 thousand points. This performance shows the first impacts in global economy of the Covid-19, with immediate effect in trades negotiated across all Stock Exchanges around the world.



Volume of Shares Trades

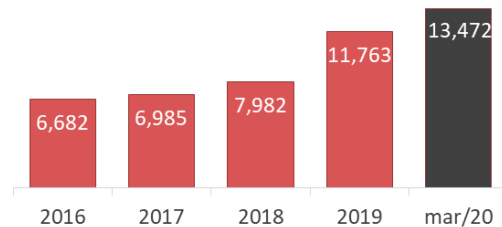
In 1Q20, 15.5 million shares "FRAS3" were traded through 58,333 trades on the spot Market of B3. In this period, the average daily trading volume was R\$ 1.5 million, which is an increase of 178.0% when compared to the average daily trading volume of 2019. The Company's value in the market, at the end of March, reached R\$ 862 million.



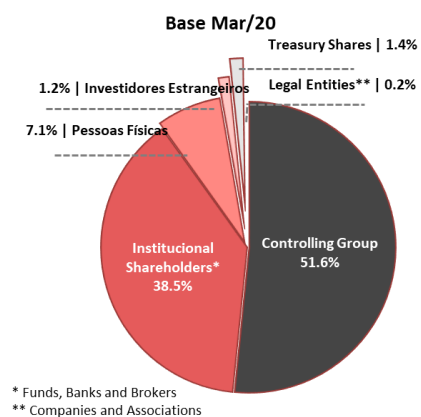
Shareholders` Profile

The Free Float of the Company corresponds to 46.9% 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.

Shareholders Base | Number of Shareholders



Fras-le`s shareholding base comprised 13,472 shareholders on March 31, 2020, an increase of 14.5% in this first quarter of 2020. The composition of the Company's shares was represented by different shareholder profiles, as shown in the graph on the side:



Investor Relations

In order to improve and increase its relationship with the various audiences that comprise the capital market, Fras-le had been maintaining an intense agenda of meetings and events, as it happened throughout 2019. However, with the restrictions of social distancing imposed by the pandemic, it was necessary to momentarily interrupt the

participation of the Company's executives in events and meetings that had been previously scheduled. As soon as favorable conditions are reestablished, we will gradually resume these events, with the aim of guiding capital market professionals on the progress of the Company's business.

In 1Q20, it was still possible for Fras-le to participate in the following event:

- 21º CEO Conference Banco BTG | February | São Paulo.

EXPECTATIONS

We are facing a totally unpredictable and unprecedented scenario since Fras-le has started its activities in the 50s. The exponential advance of the pandemic, unexpectedly, has forced governments to implement rigid and unprecedented measures in an attempt to contain the spread of contagions, causing an abrupt disruption to economic activity.

Currently, the interruptions in activities, the scarcity of production materials and inputs, and the allocation and flexibility of the workforce, among others adversities, make difficult for us to foresee what the coming quarters hold in store for us.

Some signs show that drops will reduce in the coming quarters. For example, our operations in China, the first to be impacted by Covid-19, are already working on a regular basis. On the opposite side, our Indian operation resumed part of its production in May, after being closed for more than 40 days.

At Fremax, new export orders are favoring the gradual resumption of production at pre-Covid-19 levels.

In the Caxias do Sul operation, despite sales indicating retraction, new purchase orders are beginning to come, signaling that resumption may be faster.

Despite the impacts having concentrated in April and May, and now continuing in June, it is still not possible to measure the extent of the effects of the pandemic on the Company's business for the coming quarters.

Management is making its best efforts, along with all the teams involved, to reestablish, as soon as possible, the levels of activity and performance that had been planned in late 2019 and in this 1Q20.

Our expectations for the coming months lie on the approval of Nakata acquisition, currently under evaluation at Cade. From that point on, we will be focused on capturing the mapped synergies and business growth.

Caxias do Sul, June 03, 2020

The Management

BOARD AND FUNCTIONS

Board of Directors

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

Advisory Board

Gaspar Carreira Júnior
Geraldo Santa Catharina
Rogério Luiz Ragazzon

Executive Board (Statutory)

Sérgio Lisbão Moreira de Carvalho - CEO
Anderson Pontalti - Director
Hemerson Fernando de Souza - Director

Investor Relations

Hemerson Fernando de Souza
Investor Relations Director

IR Team

Jessica Cristina Cantele
Jorge Roberto Gomes
Victor Gabrielli Gomes

Accountant

Dionéia Canal
CRC-RS 61981/0-3



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E-mail: 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
Fras-le`s and Randon Companies`s Bank of Images

ATTACHMENT I

CONSOLIDATED STATEMENTS OF INCOME

Values in thousand of Reais

	1Q20	%	1Q19	%	Variations 1Q20/1Q19
Net Revenue	341,810	100.0%	322,731	100.0%	5.9%
COGS – Cost of Goods Sold	-253,081	-74.0%	-247,703	-76.8%	2.2%
Gross Profit	88,729	26.0%	75,027	23.2%	18.3%
Selling Expenses	-34,109	-10.0%	-33,999	-10.5%	0.3%
Administrative Expenses	-28,033	-8.2%	-25,577	-7.9%	9.6%
Other Operation Expens./Incom.	-8,163	-2.4%	-366	-0.1%	2128.1%
Financial Result	-13,417	-3.9%	-17,883	-5.5%	-25.0%
Financial Income	88,467	25.9%	32,730	10.1%	170.3%
Financial Expenses	-101,884	-29.8%	-50,613	-15.7%	101.3%
Income Before Tax	5,007	1.5%	-2,798	-0.9%	-278.9%
Income and Social Tax	-6,266	-1.8%	281	0.1%	-2328.6%
Net Result	-1,260	-0.4%	-2,517	-0.8%	-50.0%
Attributable to non-controlling shareholders	-5,128	-1.5%	-336	-0.1%	1428.2%

Values in R\$ thousands

	1Q20	%	4Q19	%	Variations 1Q20/4Q19
Net Revenue	341,810	100.0%	370,820	100.0%	-7.8%
COGS – Cost of Goods Sold	-253,081	-74.0%	-267,729	-72.2%	-5.5%
Gross Profit	88,729	26.0%	103,091	27.8%	-13.9%
Selling Expenses	-34,109	-10.0%	-35,868	-9.7%	-4.9%
Administrative Expenses	-28,033	-8.2%	-30,737	-8.3%	-8.8%
Other Operation Expens./Incom.	-8,163	-2.4%	563	0.2%	-1549.9%
Financial Result	-13,417	-3.9%	-14,302	-3.9%	-6.2%
Financial Income	88,467	25.9%	26,550	7.2%	233.2%
Financial Expenses	-101,884	-29.8%	-40,852	-11.0%	149.4%
Income Before Tax	5,007	1.5%	22,747	6.1%	-78.0%
Income and Social Tax	-6,266	-1.8%	-27,392	-7.4%	-77.1%
Net Result	-1,260	-0.4%	-4,645	-1.3%	-72.9%
Attributable to non-controlling shareholders	-5,128	-1.5%	-1,422	-0.4%	260.5%

Values in R\$ thousands

ATTACHMENT II

CONSOLIDATED BALANCE SHEET

Values in thousands of Reais

	03.31.20	12.31.19
Assets	1,662,551	1,620,024
Current Assets	723,852	730,261
Cash and Cash Equivalents	169,290	178,391
Financial Applications	22,566	35,072
Receivables	146,353	123,422
Inventory	364,029	333,272
Taxes Recoverable	879	41,128
Others Current Assets	20,735	18,976
Non-current Assets	938,699	889,763
Taxes Recoverable	21,064	17,102
Judicial Deposits	17,415	17,651
Deferred Taxes	31,775	36,701
Others Non-current Assets	7,490	7,598
Investments	1,332	1,302
Fixed Assets	570,178	539,548
Right of Use of Leases	108,844	101,629
Intangible	180,601	168,231
Liabilities	1,662,551	1,620,024
Current Liabilities	294,693	341,791
Accounts Payable	100,260	93,715
Loans and Financing	81,300	117,839
Derivative Financial Instruments	0	156
Taxes and Contributions	28,454	33,830
Salaries and Charges	32,484	33,361
Lease	11,080	9,154
Others Obligations	41,114	53,736
Non-current Liabilities	538,751	498,904
Loans and Financing	306,925	274,687
Deferred Taxes	69,683	73,557
Provisions	20,798	21,621
Tax Incentive	2,550	2,550
Accounts payable per business combination	0	28,647
Lease	96,188	91,879
Others Obligations	42,607	5,963
Equity	829,107	779,328
Social Capital	600,000	600,000
Tax Incentive Reserve	4,256	4,027
Costs with Issue of Shares	-4,622	-4,622
Profit Reserves	187,936	183,957
Stocks in Treasury	-13,352	-13,352
Other Comprehensive Results	42,592	-5,851
Non-controlling Participation	12,297	15,169

Values in R\$ thousands

ATTACHMENT III

STATEMENTS OF CASH FLOW – INDIRECT METHOD

Values in thousands of Reais

	03.31.20	03.31.19
Operational Cash Flow		
Net operational cash	57,516	19,165
Cash generated from operations	129,064	7,485
Income statement	-1,259	-2,518
Provision of income and social tax and deferred	6,266	-281
Depreciation and amortization	19,717	13,897
Provision for disputes	-823	-63
Allowance for doubtful accounts	1,925	-681
Obsolete inventory provision	4,355	-566
Other provisions	-671	-5,671
Cost of the fixed assets sold	9,399	210
Monetary adjustment	1,638	2,971
Loans and leases variation	88,517	187
Assets and liabilities fluctuations	-71,548	11,680
Financial applications	12,506	5,337
Judicial Deposits	236	-1,230
Receivables	-25,103	-17,628
Inventory	-37,253	23,483
Others assets	-112	7,788
Accounts payable	6,545	-4,914
Others liabilities	-22,963	-1,156
Paid income and social tax	-5,404	0
Investment Cash Flow		
Net investment cash	-13,650	-12,986
Fixed assets aquisitions and intangible	-13,650	-12,744
Additions to intangible assets	0	-242
Business combination	0	0
Fluxos de Caixa das Atividades de Financiamentos		
Net funding cash	-100,794	-60,461
Payment of the return over equity	-14,055	-22,607
Loans Taken	9,367	5,856
Loan payments	-89,547	-38,082
Paid interests	-6,559	-5,628
Funding Cash Flow	-56,928	-54,282
Values in R\$ thousands		

ATTACHMENT IV

COMPONENTS DETAILING BY PRODUCT LINE

Detailed Description of Sold Products	
	Products
Friction Material	
Brake linings for Heavy Vehicles (Blocks)	Brake linings for commercial vehicles.
Brake Pads	Brake pads for commercial vehicles, automobiles, motorcycles and small-sized aircraft.
Other Friction Materials	Brake linings for automobiles, railway shoes, Brake Shoes for commercial vehicles and automobiles clutch facings, molded linings, universal sheets and industrial products.
Various Products	
Components for the Brake System	Discs, drums, wheel Hubs, hydraulic cylinders, servo brake, repair kits, actuators, and retaining valves.
Components for the Suspension System	Shock absorbers, shock absorbers kits, suspension bushing kits, pivots, trays, ball joints
Components for the Engine	Pistons, valves, water pumps, oil pumps, fuel pumps, hoses, air filters, gaskets.
Packed liquids	Brake fluids, coolants, Antifreeze, anticorrosive, additives, Lubricants.
Other Various Products	Polymer materials that do not fall into the previous categories, Cardan shaft and accessories, bearings, cross pieces, axles, repair kits, pinion, crown, homokinetic joint gaskets, flange, linkage bar, reaction bar, side steering rod, rod ends, joints, backing plates, riveting machines, rivets, dies and iron and steel scrap.