



Fras-le S.A.

Publicly-Held Company
CNPJ 88.610.126/0001-29

MATERIAL FACT

Fras-le S.A. [B3: FRAS3] ("Company"), pursuant to Article 157, §4, of Law No. 6.404/1976 and Article 3 of the Securities and Exchange Commission Instruction No. 358/2002, in addition to the Material Fact disclosed on October 29, 2020, concerning the exclusion of the amount of ICMS shown in the invoices of PIS and COFINS calculation base ("ICMS Exclusion"), informs its shareholders and the market in general that:

The Company has decided to recognize in 2020 fiscal year, as revenue, the credits related to the Exclusion of ICMS ("Credits"), as well as to allow the Credits before the Federal Revenue of Brazil. Such a decision followed an analysis made with the advice of lawyers and specialized consulting firms, with the agreement of the members of the Board of Directors and without any divergent note from the members of the Audit Committee.

The Company's Credits amount to R\$ 159.609.708,72 and will comprise the result to be calculated on December 31, 2020, the adjusted net income of which will be the basis for the calculation of dividends. Credit compensation is expected to be around five (5) years, depending on the Company's future results.

The amount above includes the claims resulting from recent decisions made by its controlled company *Freios Controil Ltda.* and the credits of its former subsidiary *Fremax Sistemas Automotivos Eireli*, merged on July 1, 2020, which make up, respectively, the estimated amounts of R\$ 21.04 million and R\$ 17.04 million, which will be calculated in the coming month. The Company informs that, in relation to its controlled company *Freios Controil Ltda.*, it had already recognized claims in the amount of R\$ 16.097.368,48 relating to the same matter in June 2020, resulting from another process, which has already become final and is no longer subject to appeal.

The above-mentioned recent judicial decisions that have become final, of the Company and its subsidiaries, are clear and specific as to the Exclusion of ICMS procedure by the method of showing taxes in the invoices. However, it should be noted that the decision to recognize the amounts in 2020 does not eliminate an eventual risk, that of pending judgment by the Supreme Court ("STF") of the declaration embargoes to case RE 574.706-PR, regarding indirect tax incidence, which may define a calculation methodology different from those contained in the judicial decisions of the Company and its subsidiaries, in order to materially affect the amounts calculated, reducing the amount of credits already recognized.

Caxias do Sul, December 29, 2020.

Hemerson Fernando de Souza
Investor Relations Officer