



MARCOPOLO S/A
CNPJ Nº 88.611.835/0001-29
CVM – 00845-1 / NIRE 43300007235

FINANCIAL STATEMENTS
2021

(A free translation of the original in Portuguese)

Marcopolo S.A. and subsidiaries

***Parent company and consolidated
financial statements
at December 31, 2021
and independent auditor's report***



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Marcopolo S.A.

Opinion

We have audited the accompanying parent company financial statements of Marcopolo S.A. (the "Company"), which comprise the balance sheet as at December 31, 2021 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Marcopolo S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marcopolo S.A. and of Marcopolo S.A. and its subsidiaries as at December 31, 2021, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

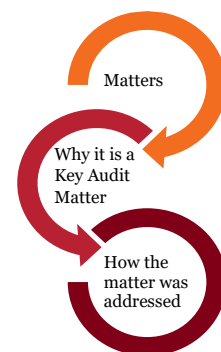
Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our audit for the year ended December 31, 2021 was planned and executed considering the context of the market in which the Company and its subsidiaries are inserted and the changes occurred in relation to the previous year, taking into consideration the events occurred during the year. In this context, the Key Audit Matters, as well as our audit approach, are described below.





Marcopolo S.A.

Why it is a Key Audit Matter**How the matter was addressed in the audit**

Impairment of goodwill (Notes 2.11 and 14)

At December 31, 2021, the Company presents in its consolidated financial statements goodwill based on the expectation of future profitability, in the amount of R\$ 309,760 thousand, referring to acquisitions made in prior years. Management annually prepares a test to assess whether or not an impairment of goodwill is necessary (impairment test). For this test, it considers each of the companies acquired, located in Brazil, Australia, Canada and Argentina, as a separate Cash Generating Unit ("CGU").

The goodwill impairment test was considered as one of the key audit matters due to the relevance of this balance and because it involves critical judgments from Company's Management in relation to the projections of future cash flows.

Changes in the main assumptions used, such as growth and discount rate and EBITDA projections, can significantly impact the cash flows of the CGUs and, consequently, the recoverable amounts of CGUs and the goodwill allocated to them.

Our audit procedures included, among others, understanding and testing the methodology used by Management to project discounted cash flows. We discussed with management the reasonableness of the significant assumptions used by the Company, in accordance with the budgets, including discount rates, growth in sales and margins in the projected period and in the perpetuity by comparing the calculations with the market information available, the actual performance and the historical data.

Also, through sensitivity analysis involving the main assumptions used, we assessed in which situations individual or cumulative changes would result in the need to record or complement the impairment recognized by the Company.

As a result of the procedures described above, we believe that the judgments and assumptions used by management to assess the recoverable value of goodwill are reasonable and that the disclosures are consistent with the data and information obtained.

Provisions and contingent liabilities (Note 18)

At December 31, 2021, the Company recorded provisions in the amount of R\$ 90,802 thousand in the parent company and R\$ 121,567 thousand in the consolidated, related to lawsuits for which the likelihood of loss was classified as probable. The Company also published lawsuits classified as of possible losses, which not been booked, in the amount of R\$ 368,852 thousand, in the parent company, and R\$ 418,512 thousand in the consolidated.

Provisions and contingent liabilities involve inherent uncertainty in relation to their term of realization and the amount involved. In addition, the determination of the likelihood of loss in the ongoing lawsuits involves critical judgments by management, periodically reassessed according to

As part of our audit, we engaged our team of tax specialists, as appropriate, to read and discuss the main lawsuits, including the classification of the loss forecast assigned by internal and external legal advisers, and obtained an understanding of the internal controls maintained in the area.

We also evaluated the technical competence of the Company's internal and external legal advisers, and performed the confirmation procedures with the lawyers that are responsible for the lawsuits in order to obtain data related to the assessment of the prognostic, integrity of the information and adequacy of the amounts recorded as provision or disclosed. For lawsuits classified as probable loss, we performed tests to recalculate the exposure value of the main judicial and administrative



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Why it is a Key Audit Matter

the progress of the lawsuits, in the various judicial instances, and applicable laws.

How the matter was addressed in the audit

proceedings and to test the monetary correction of these proceedings, in accordance with applicable legislation.

Additionally, we read the information disclosed in the explanatory notes.

We believe that the criteria and assumptions adopted by Management to determine the provision for lawsuits and contingencies, as well as the disclosures made on contingent liabilities, are consistent with the information of the internal and external legal advisors.

Allowance for doubtful accounts - Parent company and consolidated (Note 2.8 and 8)

The Company has trade receivables balance subject to credit risk with the counterparty. The Company recognizes the expected losses over the due date of the asset, from the initial recognition of the receivables. The increase in credit risk considers the existence of objective evidence of credit impairment and use of assumptions and factors, including, but not limited to, macroeconomic conditions, guarantees, default levels and renegotiation policies.

As this is an accounting estimate prepared by management and subject to the exercise of critical judgments, as described above, we consider the subject as an area of focus in our audit work.

Our audit procedures included, among others, understanding of significant internal controls related to the credit analysis, as well as tests of controls over the information technology environment that support the Company's control structure.

In addition, we obtained the understanding and reviewed the assumptions used to determine the allowance for doubtful accounts, considering the historical percentage for determination of expected losses, the levels of default, the existence of guarantees and possible renegotiations.

We performed a retrospective analysis of the estimate recorded in the previous year, comparing it with the actual results incurred in the current year, and tested the mathematical calculations and models that support the Management's provision, identifying and reporting adjustments deemed not relevant by management.

As a result of these procedures, we believe that the judgments and assumptions used by Management to determine the allowance for doubtful accounts are reasonable and the disclosures are consistent with data and information obtained throughout our work.



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Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2021, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.



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Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Marcopolo S.A.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Porto Alegre, February 24, 2022.

PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/O-5

Carlos Alexandre Peres
Contador CRC 1SP198156/O-7

MARCOPOLO S.A.
CNPJ no. 88.611.835/0001-29
Public Company
NIRE No. 43 3 0000723 5

DECLARATION

Messrs. James Eduardo Bellini and José Antonio Valiati, Directors of MARCOPOLO S.A., a company headquartered at Avenida Marcopolo, 280, Bairro Planalto, in this city of Caxias do Sul, RS, registered under CNPJ no. 88.611.835/0001-29, in compliance with the provisions of items V and VI of Article 25 of CVM Instruction no. 480 of December 7, 2009, as amended by CVM Instruction 586 of June 8, 2017, declare that they have:

- a) Reviewed, discussed and agree with the opinions expressed in the opinion of the independent auditors PRICEWATERHOUSECOOPERS - Independent Auditors, regarding the Financial Statements for the financial year ended December 31, 2021; and
- b) Reviewed, discussed and agreed with the Financial Statements of Marcopolo S.A. for the year ended December 31, 2021.

Caxias do Sul, February 25, 2022

James Eduardo Bellini
Board Member

Jose Antonio Valiati
Board Member and Director of Investor Relations

MARCOPOLO S.A.

CNPJ No. 88.611.835/0001-29 and NIRE No. 43 3 0000723 5 - Publicly-Held Company

REPORT BY THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (Committee) of Marcopolo S.A. states that, during 2021, it held its bimonthly meetings in accordance with the Company's annual calendar of meetings, for the analysis of matters within its competence according to the Committee's internal regulations. Due to the pandemic scenario, the meetings were held virtually, and the Committee's performance during the exercise focused on the following activities:

Governance, Risk, Compliance:

- Discussion of topics relevant to the organization's risks, such as: provisions for contingencies, insurance coverage against equity, financial position and default, position of credits and tax debts, regulatory changes that impact the company, inflation of costs related to the product, actions to face the Pandemic, *Cybersecurity*, compliance with the General Data Protection Law, among others.
- Acknowledgment of the *Compliance* program in the Company;
- Evaluation of the internal control system and risk management based on the meetings and information provided;

Internal Audit:

- Evaluation of the scope and planning of the internal audit work for the year;
- Monitoring the execution of the work and discussion of the final reports issued, containing the shortcomings and recommendations identified;
- Monitoring the progress and implementation of the action plans defined to remedy the shortcomings identified.

Independent Audit:

- Acknowledgment of the Quarterly Information (ITRs) and the Annual Financial Statements and monitoring of the work performed by the independent audit;
- Evaluation of the report of recommendations for the improvement of internal controls, as well as the respective action plans of the responsible areas for the remediation of the points.

CONCLUSION:

Considering the existing system of internal controls, the scope, depth and quality of the work performed by the auditors - independent and internal - as well as the unqualified content of the independent auditors' preliminary opinion, the Committee expresses its agreement with the financial statements for the year ended December 31, 2021, understanding that they can be assessed by the Board of Directors, as presented.

Caxias do Sul, February 24, 2022.

Henrique Bredda
Coordinator of the Audit and Risks Committee

"REPORT BY THE FISCAL COUNCIL"

"The Fiscal Council of Marcopolo S.A., in compliance with the legal and statutory provisions, in accordance with article 163 of Law 6404/76 and subsequent amendments, has examined the management report and financial statements for the year ended December 31, 2021. Based on the examinations carried out, considering also the unqualified report of the independent auditors, PwC - PricewaterhouseCoopers, dated 02.24.2022, as well as the information and clarifications received during the financial year, they unanimously believe that the said documents are in a position to be considered by the Ordinary General Meeting of Shareholders".

Caxias do Sul, February 24, 2022.

Francisco Sérgio Quintana da Rosa William Cordeiro Cristiano Machado Costa
Chairman of the Audit Committee

Caxias do Sul, February 25, 2022 - Marcopolo SA (B3: POMO3; POMO4) discloses the results for the fourth quarter of 2021 (4Q21). The financial statements are presented in accordance with accounting practices adopted in Brazil and with the IFRS - *International Financial Reporting Standards*, established by the IASB - *International Accounting Standards Board*.

HIGHLIGHTS OF THE 4TH QUARTER OF 2021

- ✿ Marcopolo's **Total Production** reached 3,031 units, 2.8% lower than in 4Q20.
- ✿ **Net Revenue** amounted to R\$1,084.2 million, an increase of 4.7% compared to 4Q20.
- ✿ **Gross Profit** reached R\$123.2 million, with a margin of 11.4%.
- ✿ **EBITDA** totaled R\$74.4 million, with a margin of 6.9%.
- ✿ **Net Income** was R\$65.2 million, with a margin of 6.0%.

(R\$ million and change in percent, unless otherwise indicated).

Selected Information	4Q21	4Q20	Var. %	2021	2020	Var. %
Net operational equity	1,084.2	1,035.3	4,7%	3,499.4	3,589.7	-2.5%
Revenues in Brazil	499.3	511.5	-2.4%	1,784.2	1,817.80	-1.8%
Brazil's export revenue	248.3	284.6	-12.8%	649.3	938.3	30/8
Revenue overseas	336.6	239.2	40.7%	1,065.9	833.5	27.9%
Gross Profit	123.2	178.4	.31%	356.2	595.6	-40.2%
EBITDA ⁽¹⁾	74.4	149.5	-50.2%	333.5	268.5	24.2%
Net Profit	65.2	136.1	-52.1%	358.4	90.7	295.1%
Earnings per share	0.069	0.144	-51.9%	0,381	0.096	297.2%
Return on Invested Capital (ROIC) (2)	5.3%	4,6%	0.7 pp	5.3%	4,6%	0.7 pp
Return on Equity (ROE) ⁽³⁾	14,0%	3.6%	10.4 pp	14,0%	3.6%	10.4 pp
Investments	21,8	25.6	-14.8%	104.0	134.3	-22.6%
Gross Margin	11.4%	17,2%	5.8 pp	10.2%	16.6%	-6.4 pp
EBITDA Margin	6.9%	14.4%	-7.5 pp	9.5%	7.5%	2.0 pp
Net Margin	6.0%	13.1 %	7.1 pp	10.2%	2.5%	7.7 pp
Balance Sheet Data	12/31/2021	09/30/2021	Var. %			
Net Assets	2,905.0	2,843.2	2.2%			
Cash, cash equivalents and financial investments	1,398.7	1,250.9	11.8%			
Short-term financial liabilities	-887.6	-636.6	-39.4%			
Long-term financial liabilities	-1,434.3	-1,710.2	16.1%			
Net financial liabilities - Industrial Segment	-459.1	-615.3	25.4%			

Notes: (1) EBITDA = Earnings before interest, taxes, depreciation and amortization; (2) ROIC (Return on Invested Capital) = (Last 12 months' Nopat) / (customers + inventory + other receivables + investments + fixed assets + intangibles - suppliers - other payables). Banco Moneo's effects on the assets and liabilities base were excluded from the calculation. (3) ROE (Return on Equity) = Net Income last 12 months / Initial Net Worth; pp = percentage points.

PERFORMANCE OF THE BRAZILIAN BUS SECTOR

In 4Q21, Brazilian bus production reached 3,256 units, a reduction of 23.9% compared to 4Q20.

a) Internal Market: Production destined for the domestic market totaled 2,455 units in 4Q21, 25.0% lower than the 3,276 units produced in 4Q20.

b) External Market: Exports totaled 801 units in 4Q21, 20.2% lower than the 1,004 units exported in 4Q20.

BRAZILIAN BUS BODY PRODUCTION (in units)

PRODUCTS ⁽¹⁾	4Q21			4Q20			Var.
	UM	ME ⁽²⁾	TOTAL	UM	ME ⁽²⁾	TOTAL	%
Intercity	830	405	1,235	829	336	1,165	6.0%
Trains	1,290	332	1,622	1,305	640	1,945	-16.6%
Micro	335	64	399	1,142	28	1,170	-65.9%
TOTAL	2,455	801	3,256	3,276	1,004	4,280	-23.9%

PRODUCTS ⁽¹⁾	2021			2020			Var.
	UM	ME ⁽²⁾	TOTAL	UM	ME ⁽²⁾	TOTAL	%
Intercity	3,178	–	4,570	3,227	1,106	4,333	5.5%
Trains	4,514	1,233	5,747	6,560	2,213	8,773	-34.5%
Micro	2,203	198	2,401	3,512	97	3,609	-33.5%
TOTAL	9,895	2,823	12,718	13,299	3,416	16,715	-23.9%

Sources: FABUS (National Association of Bus Manufacturers). The production of bus bodies does not compute the volumes of the Volare model.

Grades: ⁽¹⁾ MI = Internal Market; ME = Foreign Market, units produced for export; ⁽²⁾ Includes units exported in KD (unmounted).

OPERATIONAL AND FINANCIAL PERFORMANCE OF MARCOPOLO
Units recorded in Net Revenue

In 4T21, 3,080 units were recorded in net revenue, of which 1,782 were invoiced in Brazil (57.9% of the total), 463 exported from Brazil (15.0%) and 835 abroad (27.1%).

OPERATIONS (in units)	4T21	4T20	Var. %	2021	2020	Var. %
BRAZIL:						
- Domestic Market	1,782	2,317	-23.1%	7,310	8,941	-18.2%
- Foreign Market	508	647	-21.5%	1,882	2,327	-19.1%
SUBTOTAL	2,290	2,964	-22.7%	-9,192	11,268	-18.4%
Exported KD's Deletions ⁽¹⁾	45	94	-52.1%	388	447	-13.2%
TOTAL IN BRAZIL	2,245	2,870	-21.8%	8,804	10,821	-18.6%
OVERSEAS:						

- South Africa	46	44	4.5%	240	164	46.3%
Australia	79	158	-50.0%	275	375	-26,7%
- China	10	2	400%	30	38	-21.1%
- Mexico	367	0	-	1,063	636	67.1%
- Argentina	333	131	154.2%	843	232	263.4%
TOTAL OVERSEAS	835	335	149.3%	2,451	1,445	69,6%
GRAND TOTAL	(3,080)	3,205	-3,9%	11,255	12,266	-8.2%

note: ⁽¹⁾ KD (*knock down*) = Bodywork partially or completely dismantled .

PRODUCTION

Marcopolo's consolidated production was 3,111 units in 4Q20. In Brazil, production reached 2,196 units, 19.5% lower than in 4Q20, while production abroad was 835, 113.6% higher than the units produced in the same period of the previous year. The drop in production in 4Q21 compared to 4Q20 is explained by the influence of the pandemic on sales in 3Q21, by a lower production volume focused on the federal program Caminho da Escola in the quarterly comparison, as well as by the lack of certain components, especially semiconductors. and chassis. The highlight of the quarter was the increase in volumes produced in international operations, especially in Argentina and Mexico.

Marcopolo's production data and its respective comparison with the previous year are presented in the following table:

MARCOPOLO - CONSOLIDATED GLOBAL PRODUCTION

OPERATIONS (in units)	4Q21	4Q20	Var. %	2021	2020	Var. %
BRAZIL: ⁽¹⁾						
- Domestic Market	1.705	2,107	-19.1%	7,308	8,934	-18.2%
- Foreign Market	536	715	-25.0%	1,859	2,287	-18.7%
SUBTOTAL	2.241	2,822	-20.6%	9,167	11,221	-18.3%
Exported KD's Deletions ^(two)	45	94	-52.1%	388	447	-13.2%
TOTAL IN BRAZIL	2,196	2,728	-19,5%	8,779	10,774	-18.5%
OVERSEAS:						
- South Africa	46	37	24.3%	240	170	41.2%
Australia	79	158	-50.0%	275	375	-26,7%
- China	10	3	233.3%	30	34	-11.8%
- Mexico	367	47	680.9%	1,063	724	46.8%
- Argentina	333	146	128.1%	843	232	263.4%
TOTAL OVERSEAS	835	391	113.6%	2,451	1,535	59.7%
GRAND TOTAL	3,031	3,119	-2.8%	11,230	12,309	-8.8%

UNCONSOLIDATED OPERATIONS (in units)	4Q21	4Q20	Var. %	2021	2020	Var. %
- Colombia (50%)	214	107	100,0%	416	570	-27%
TOTAL AFFILIATES	214	107	100,0%	416	570	-27%

Grades: ⁽¹⁾ Includes the production of the Volare model; ^(two) KD (*knock down*) = Bodyworks partially or completely dismantled; ⁽³⁾ Volume proportional to Marcopolo's stake in the respective companies.

MARCOPOLO - GLOBAL PRODUCTION CONSOLIDATED BY MODEL

PRODUCTS/MARKETS (in units)	4Q21			4Q20		
	DM	ME ⁽¹⁾	TOTAL	DM	ME ⁽¹⁾	TOTAL
Intercity	392	242	634	390	123	513
Trains	292	1,030	1,322	483	838	1,321
Micro	121	49	170	500	28	528
SUBTOTAL	805	1,321	2,126	1,373	989	2,362
volar ⁽³⁾	900	50	950	734	23	757
TOTAL PRODUCTION	1.705	1,371	3,076	2,107	1.012	3,119

PRODUCTS/MARKETS (in units)	2021			2020		
	UM	ME ⁽¹⁾	TOTAL	UM	ME ⁽¹⁾	TOTAL
Intercity	1,717	653	2,370	1,591	627	2,218
Trains	1,429	3,334	4,763	3,221	2,506	5,727
Micro	963	124	1,087	1,871	80	1,951
SUBTOTAL	4,109.	4.111	8,220	6,683	3,213	9,896
volar ⁽³⁾	3,199	199	3,398	2,251	162	2,413
TOTAL PRODUCTION	7,308	4,310	11,618	8,934	3,375	12,309

Grades: ⁽¹⁾ The total production of the ME includes the units exported in KD (partially or completely dismantled bodies); DM = Internal Market; ME = Foreign Market; ⁽³⁾ The production of Volares is not part of the FABUS data.

MARCOPOLO - PRODUCTION IN BRAZIL

PRODUCTS/MARKETS (in units)	4Q21			4Q20		
	DM	ME ⁽¹⁾	TOTAL	DM	ME ⁽¹⁾	TOTAL
Intercity	392	176	568	390	137	527
Trains	292	261	553	483	527	1,010
Micro	121	49	170	500	28	528
SUBTOTAL	805	486	1,291	1,373	692	2,065
volar ⁽³⁾	900	50	950	734	23	757
TOTAL PRODUCTION	1.705	536	2.241	2,107	715	2,822

PRODUCTS/MARKETS (in units)	2021			2020		
	UM	ME ⁽¹⁾	TOTAL	UM	ME ⁽¹⁾	TOTAL
Intercity	1,717	550	2,267	1,591	498	2,089
Trains	1,429	988	2,417	3,221	1,550	4,771
Micro	963	122	1,085	1,871	80	1,951
SUBTOTAL	4,109.	1,660	5,769	6,683	2,128	8,811
volar ⁽³⁾	3,199	199	3,398	2,251	159	2,410
TOTAL PRODUCTION	7,308	1,859	9,167	8,934	2,287	11,221

Note: See notes in the table Consolidated Global Production by Model.

PARTICIPATE ACTION IN BRAZILIAN MARKET

Marcopolo's market share in the Brazilian production of bodies was 53.3% in 4Q21 against 56.0% in 4Q20.

The drop in share in the quarterly comparison is explained by the still low volume of heavy road vehicles at the expense of bodies for charter buses, where the Company has less *market share* and by the postponement of production associated with the lack of certain components, especially semiconductors and chassis. The production of heavy intercity buses, with higher on-board technology, and vehicles for the Caminho da Escola program will continue to be affected by the lack of inputs in 1Q22.

PARTICIPATION IN BRAZILIAN PRODUCTION (%)

PRODUCTS	4Q21	4Q20	2021	2020
Intercity	46.0	45.2	49.6	48.2
Trains	34.1	51.9	42.1	54.4
Micros and Volars	83	66.7	77,3	72.4
TOTAL ⁽¹⁾	53.3	56.0	56.9	58,7

Source: FABUS and Marcopolo

note: ⁽¹⁾ Volare models were counted as micro buses for the purpose of market share.

NET REVENUE

Consolidated net revenue reached BRL 1,084.2 million in 4Q21, of which BRL 499.3 million, or 46.1% of the total, came from the domestic market, and BRL 584.8 million, representing the remaining 53.9%, from the foreign market.

In 4T21, the increase in revenue in foreign markets directly reflects the better performance of international operations. Practically all operations increased in the quarter, benefiting from the economic reopening and a weak basis for comparison with 4Q20. The Volare segment also increased its representativeness, fueled by the good performance of the PC market throughout the pandemic and the beginning of deliveries to the Caminho da Escola program.

The table and charts below present the net revenue opening by products and markets:

TOTAL CONSOLIDATED NET REVENUE
By Products and Markets (R\$ Million)

PRODUCTS/MARKETS ⁽¹⁾	4Q21			4Q20		
	DM	ME	TOTAL	UM	ME	TOTAL
Intercity	109.9	178,0	287.9	124.3	85.9	210.2
Trains	53.1	342.4	395.5	68.6	380.2	448.8
Micro	21.6	10,3	32.0	59.0	7.8	66.8
Body subtotal	184.7	530.6	715.3	252.0	473.9	725.9
volar ^(two)	275.3	20,5	295.8	180.9	0.5	181.4
Frames	0.7	10.2	10.9	2,8	8.9	11.7
Bco. Moneo	23.0	0.0	23.0	62.8	-	62.8
Parts and Others	15.7	23.5	39.2	13,1	40.4	53.5
GRAND TOTAL	499.3	584.8	1,084.2	511.5	523.8	1,035.3

PRODUCTS/MARKETS ⁽¹⁾	2021			2020		
	UM	ME	TOTAL	UM	ME	TOTAL
Intercity	429.5	419.1	848.6	495.4	503.6	999.0
Trains	246.1	1,087.6	1,333.7	422.8	978.9	1,401.7
Micro	123,5	29,9	153.4	198.6	24	222.6
Body subtotal	799.1	1,536.5	2,335.7	1,116.8	1,506.5	2,623.3
volar ^(two)	843.5	75.8	919.4	557.0	62.2	619.2
Frames	1.3	22.6	24.0	7.4	107.6	115.0
Bco. Moneo	86,1	0.0	86,1	97.7	0	97.7
Parts and Others	54.2	80.2	134.4	38,9	95.5	134.5
GRAND TOTAL	1,784.2	1,715.3	3,499.4	1,817.8	1,771.9	3,589.7

Grades: ⁽¹⁾ MI = Internal Market; ME = Foreign Market, units exported and produced in international operations by controlled companies; ^(two) The Volares revenue includes the chassis.

GROSS PROFIT AND MARGINS

Consolidated gross profit in 4Q21 reached R\$123.2 million, with a margin of 11.4%, against R\$178.4 million with a margin of 17.2% in 4Q20.

The gross margin was affected by the lower volume of exports, the greater representation of revenue from the Volare segment and the *mix* lighter product, especially in the intercity segment with sales still concentrated in charter. The lack of chassis in sufficient volume also affected the efficiency of Brazilian plants, sized in terms of people for a *ramp-up* faster in production and deliveries directed to Caminho da Escola.

SELLING EXPENSES

Selling expenses totaled R\$60.5 million in 4Q21, or 5.6% of net revenue, against R\$51.8 million in 4Q20, 5.0% on net revenue. The increase, both in absolute and relative amounts, is mainly explained by the constitution of a provision for doubtful accounts, in the amount of R\$ 17.0 million, associated with an export to a traditional customer in Central America, which is still experiencing difficulties in its activity arising from of the pandemic in your country. The Company has been using all legal means to recover the outstanding amount.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses totaled R\$49.4 million in 4Q21, or 4.6% of net revenue, while in 4Q20 these expenses totaled R\$47.6 million, also 4.6% of net revenue .

OTHER NET OPERATING REVENUE/EXPENSES

In 4Q21, R\$ 29.5 million were accounted for as “Other Operating Income” against R\$21.4 million recognized as “Other Operating Income” in 4Q20.

The main positive impact is represented by R\$ 29.7 million related to the sale of the property of its subsidiary Ciferal Indústria de Ônibus Ltda. (“Marcopolo Rio”), located in Duque de Caxias, RJ, which was inactive and available for sale since October 30, 2020.

The sale of the property helped offset expenses classified as Other Operating Expenses, in particular labor provisions related to terminations carried out during the pandemic. The Company has been adopting all necessary measures to defend itself, reduce losses and mitigate future labor risks.

EQUITY EQUIVALENCE RESULT

Equity income in 4Q21 was R\$4.4 million against R\$25.6 million in 4T20.

The main contributions came from the Colombian affiliate Superpolo with R\$ 4.6 million, by the Argentinian Loma Hermosa with R\$ 3.2 million and by the Egyptian GB Polo with R\$ 2.7 million. On the other hand, the Canadian NFI Group Inc. brought negative equity of R\$ 7.9 million.

The result of the equity method is presented in detail in Note 11 to the Financial Statements.

NET FINANCIAL RESULT

The net financial result for 4Q21 was negative by R\$9.8 million, against a result of R\$ 20.7 million positive recorded in 4Q20. The financial result was strongly impacted by the devaluation of the Brazilian Real against the US dollar on the portfolio of orders in dollars. The Company hedges the exchange rate on exports at the time of confirmation of sales orders, ensuring business margins. As the products are delivered and invoiced, the Company captures the benefits of devaluation of the Real in its operating margins.

The financial result is presented in detail in Note 27.

EBITDA

O *EBITDA* was R\$74.4 million in 4Q21, with a margin of 6.9%, versus a *EBITDA* of 149.5 million and margin of 14.4% in 4Q20.

O *EBITDA* was negatively affected by the constitution of a provision for doubtful accounts in the amount of R\$ 17.0 million, by the lower revenue from exports, by the *mix* lighter geared towards lower value-added buses and by the impact of labor provisions. In general, the result was impacted by the lack of certain components, with the postponement of production and deliveries, resulting in a lower dilution of fixed costs and the use of existing labor. Finally, the *EBITDA* was positively affected by R\$29.7 million as a result of the sale of the Marcopolo Rio property.

The table below highlights the accounts that make up the *EBITDA*:

BRL million	4Q21	4Q20	2021	2020
Result before IR and CS	37.3	146.7	382.9	48.7
Financial Income	-96.5	-21.1	-499.8	-489.6
Financial Expenses	106.3	0,4	344.9	613.4
Depreciation / Amortization	27.3	23.6	105.5	96.0
EBITDA	74.4	149.5	333.5	268.5

NET PROFIT

Consolidated net income for 4Q21 was R\$65.2 million, with a margin of 6.0%, against net income of R\$136.1 million and margin of 13.1% in 4Q20. The result benefited from the same effects described in *EBITDA* and in the financial result.

FINANCIAL DEBT

Net financial indebtedness totaled BRL 923.2 million on 12/31/2021 (BRL 1,095.9 million on 9/30/2021). BRL 523.9 million of this total came from the financial segment (Banco Moneo) and BRL 395.2 million from the industrial segment.

It should be noted that the debt from the financial segment comes from the consolidation of Banco Moneo's activities and should be analyzed separately, since it has characteristics that are different from those of the Company's industrial activities. Banco Moneo's financial liabilities have as counterpart the "Customer" account in the Bank's Assets. The credit risk is properly provisioned. Since these are FINAME onlendings, each disbursement from BNDES has an exact counterpart in Banco Moneo's receivables account, both in term and fixed rate.

On December 31, the net financial indebtedness of the industrial segment represented 1.4 times the *EBITDA* of the last 12 months.

CASH GENERATION

In 4Q21, operating activities generated cash of R\$ 179.3 million, while investment activities, net of dividends and exchange variation, and benefited from the sale of the Marcopolo Rio property, generated R\$ 43.5 million, while financing activities consumed R\$ 77.4 million.

The initial cash balance of R\$1,250.9 million at the end of September 2021, considering unavailable financial investments and adding BRL 10.9 million of the difference between the exchange variation and the variation of accounts related to unavailable financial investments, increased to R\$ 1,398.7 million at the end of December 2021.

INVESTMENTS IN FIXED ASSETS

In 4Q21, Marcopolo invested R\$21.8 million in its fixed assets, of which R\$11.1 million was spent by the parent company and applied as follows: R\$8.9 million in machinery and equipment, R\$0.7 million in *hardware* and *software*, R\$ 1.4 million in improvements, and R\$ 0.1 million in other fixed assets. R\$10.6 million was invested in subsidiaries, R\$4.4 million in Volare Veículos (São Mateus), R\$3.9 million in Marcopolo Argentina and R\$2.3 million in the other units.

CAPITAL MARKET

In 4Q20, transactions with Marcopolo shares moved BRL 837.1 million. The participation of foreign investors in Marcopolo's capital stock amounted to 37.9% of the preferred shares and 25.0% of the total capital on December 31. At the end of the period, the Company had 80,308 shareholders.

The following table shows the evolution of the main indicators related to the capitals market:

INDICATORS	4Q21	4Q20	2021	2020
Traded value (BRL million)	837.1	1,409.9	4,853.6	8,067.8
Market value (R\$ million) ⁽¹⁾⁽²⁾	2,888	2,717.6	2,888	2,717.6
Existing Shares	946,892,882	946,892,882	946,892,882	946,892,882
Equity value per share (BRL)	3.07	2.70	3.07	2.70
POMO4 quotation at the end of the period	3,05	2.87	3,05	2.87

Grades: ⁽¹⁾ Price of the last transaction of the Preferential Book-entry (PE) period, multiplied by the total number of shares (OE+PE) existing in the same period; ^(two) Of this total, 7,057,813 preferred shares were held in treasury on 12.31.2021.

ANALYSIS & PERSPECTIVE TIVAS

After 2021 has frustrated expectations of volume recovery, with the impact of new waves of the pandemic, the consolidation of vaccination in Brazil and the lower lethality of the new variant of Covid-19, allow the Company to project sales growth and improve the scenario of market for 2022. The return to normality with coexistence with new strains has allowed the gradual resumption of tourism, long-distance travel and urban and school public transport, sectors especially affected by the fall in passengers.

Even with the increase in the number of cases, Ômicron was not able to paralyze the bus market with the strength seen in the previous variants, and customers continue to express interest in buying, indicating increasing volumes. The Company did not take the usual collective vacations that normally suspend activities between the end of December and the beginning of January of the following year. At the beginning of 2022, the biggest challenge is the low availability of components for completion of the buses, with chassis, headunits and monitors shortages impacting deliveries.

The intercity market, after two years of restrictions, is rehearsing a gradual recovery from the change in the sales mix. Heavy highways, used for long-distance travel and tourism, reappear more frequently in the order book. The successful launch of the Generation 8 (G8) continues to drive sales and new models in the family will be launched throughout 2022. The charter sector continues to represent the largest volumes in the segment for the time being, but the expectation is for a reversal, giving way to heavy trucks in the face of the retreat of Covid-19.

In urban areas, the creation or expansion of public transport subsidies by municipalities has been encouraging customer interest in renovations. The updating of costs associated with transport through applications in the face of more competitive bus fares has been generating a greater flow of users and the need to complement lines. The segment will also benefit from the deliveries of the Caminho da Escola program.

The micro and Volares segment will continue to show good performance, with increased volumes with the return of tourism and with the reopening of schools and universities, a sector paralyzed by the pandemic. Sales to the government and deliveries to the federal program Caminho da Escola will help the segment.

In 2021, the Company delivered 1,558 units to the Caminho da Escola program, of these 517 micros, 259 urban and 782 Volare models (versus a total of 3,472 units in 2020). In 4T21, 399 (201 urban and 198 Volares) of the 3,900 units (2,500 urban and 1,400 Volares) related to the 2021 bid won by the Company were delivered, leaving a further 3,501 units for delivery in 2022. A new public notice was published on January 25th for the auction to be held on 02.09.2022 for the purchase of 3,850 additional vehicles. The trading session is suspended and its resumption is expected at any time.

Exports were especially affected in 2021 compared to the excellent performance in 2020. The prospects project recovery in 2022, as a reflection of the weakening of the pandemic in the most diverse markets and the maturation of packages with relevant volumes - including electric buses. The sale of heavy trucks should be reinforced with higher volumes of G8. Deliveries for fleet renewal to the city of Santiago and new purchases from African countries will be positive highlights in 2022.

International operations are also expected to show improved performance in 2022, with the slowdown of the pandemic in the most diverse markets. Marcopolo Mexico (Polomex) projects the resumption of highway buses, with recovery of market share in the segment after the launch of the G8 in that market. The short-term outlook, however, remains challenging with the mix focused on light vehicles. Marcopolo Australia (Volgren) should benefit from the recent results of urban bids and the resumption of the paralyzed market during the pandemic, taking advantage of synergies for the gain of scale in costs and manufacturing efficiency, after the restructuring of the operation. The unit continues to excel in alternative energy modes. Marcopolo Argentina (Metalsur) will seek to translate the excellent urban volumes that have been delivered since mid-2021 into consistent results. Signs of recovery in the road segment also support sales in 2022. Marcopolo South Africa (MASA), after a 2021 marked by the recovery of results, projects a positive year based on the growth of volumes in the post-pandemic period. Marcopolo China (MAC) experienced a restructuring of its operations in 2021 and prospects relevant sales in 2022, with volumes recovering at the beginning of the year. The challenge is to overcome the mobility restrictions that still affect nearby markets. The unit continues to explore export opportunities from the country.

Among the affiliates, the Colombian Superpolo should maintain good results from the recovery of the bus market in the country, also greatly affected by the pandemic. The Canadian NFI is also expected to report increasing results, after the 2021 recovery, with the growth of North American markets based on the acceptance of the endemism of Covid-19 and its variants throughout 2022.

In 2021, Marcopolo made new relevant adjustments to its structure, with even deeper cuts in expenses, additional caution in carrying out investments and beginning to take advantage of the adjustments made in 2020. The most relevant external event is represented by the sale of the Marcopolo Rio property, whose costs were recognized in 2020, but which benefited the result not only by the amount obtained in the sale, but also by the efficiency gains and related cost reduction. With the growth in volumes expected for 2022, the maturation of these benefits will be even more evident, with greater dilution of fixed costs and better use of manufacturing capacity – including the reactivation of shifts.

Efforts to contain expenses and rationalize the structure will be preserved in 2022. Keeping inflation at high levels calls for caution and imposes a permanent challenge in terms of passing on costs, in a market that is still reluctant. Looking ahead, the Company continues to pursue its strategic goals of returning to the desired margins and profitability.

Even during the difficult year of 2021, Marcopolo made relevant investments, with great emphasis on the launch of the new generation of G8 road products. Electric bus prototypes fully assembled by Marcopolo are already running around Brazil, showing the strength and capacity of Brazilian engineering. In 2022, the Company will continue to present new products, not only as a reference in the world bus body market, but also exploring new horizons.

After two years of depressed market, Marcopolo is adjusted, ready to grow. Reduction of the pandemic, good prospects for public purchases, investments stimulated by the exchange of motorization for the transition of the new phase of

Proconve, the beginning of a new cycle with alternative propulsion allow us to project a year of recovery. We remain protagonists, leading the evolution of mobility through innovations such as bodies adapted to less polluting propulsion standards, new electric buses, vehicles for transport on rails, a new family of intercity buses with greater comfort and on-board technology. Marcopolo renews itself to do what it does best: bring people together.

The Management.

Marcopolo S.A.
Financial Statements as of
December 31, 2021 and 2020

Marcopolo S.A.

Balance sheets on December 31 In thousands of Brazilian Reals

Assets	Note	Parent company		Consolidated		Liabilities and net equity	Note	Parent company		Consolidated	
		2021	2020	2021	2020			2021	2020		
Current						Current					
Cash and cash equivalents	7	817,438	626,682	1,322,975	1,040,931	Suppliers		181,980	153,788	459,049	358,825
Derivative financial instruments	5 and 7	131	1,187	683	2,641	Loans and Financing	16	449,103	242,607	886,657	722,097
Trade accounts receivable	8	267,520	387,514	657,575	970,452	Derivative financial instruments	5	920	3,708	921	5,723
Inventories	9	356,599	215,087	987,614	748,411	Salaries and annual leave payable		69,097	53,703	122,656	102,505
Taxes and contributions recoverable	10	55,829	71,826	234,156	228,711	Taxes and contributions payable		49,205	41,595	128,191	82,399
Other accounts receivable		146,769	124,502	164,184	179,906	Customer advances		16,665	50,712	112,597	202,149
						Commissioned representatives		16,014	33,801	22,575	45,737
		<u>1,644,286</u>	<u>1,426,798</u>	<u>3,367,187</u>	<u>3,171,052</u>	Interest on equity and dividends		71,401	92	71,401	92
						Profit sharing for managers		3,981	3,608	3,981	3,608
						Lease obligations	17	1,819	1,169	19,661	18,371
						Provision for guarantees		34,381	37,839	64,388	63,827
						Other accounts payable		47,796	31,851	133,963	112,975
								<u>942,362</u>	<u>654,473</u>	<u>2,026,040</u>	<u>1,718,308</u>
Noncurrent						Noncurrent					
Financial assets measured at amortized cost	7	106,539	69,295	75,061	67,961	Loans and Financing	16	1,014,352	821,202	1,434,302	1,302,965
Trade accounts receivable	8	-	-	435,455	449,933	Provision for losses on investments	11	81,077	59,916	51,835	43,274
Taxes and contributions recoverable	10	387,018	4,288	508,092	4,913	Provision for contingencies	18	90,802	74,663	121,567	97,478
Deferred income tax and social contribution	20	152,826	103,240	220,910	164,725	Other accounts payable		-	-	253	13,887
Judicial deposits	18	41,163	44,468	67,131	66,670	Lease obligations	17	4,902	5,018	39,965	52,597
Other accounts receivable		620	-	2,414	4,734	Obligation on account of equity interest		24,331	24,406	24,331	24,406
		<u>688,166</u>	<u>221,291</u>	<u>1,309,063</u>	<u>758,936</u>			<u>1,215,464</u>	<u>985,205</u>	<u>1,672,253</u>	<u>1,534,607</u>
						Total liabilities		<u>2,157,826</u>	<u>1,639,678</u>	<u>3,698,293</u>	<u>3,252,915</u>
Investments	11	2,281,651	2,130,406	560,123	489,312	Shareholders' equity	21				
Investment property	12	6,240	6,477	48,004	89,361	Paid in capital		1,334,052	1,334,052	1,334,052	1,334,052
Property, plant and equipment	13	433,462	399,190	1,017,759	1,006,320	Capital reserves		2,644	3,268	2,644	3,268
Intangible assets	14	9,026	7,733	352,388	345,930	Profit reserves		1,088,258	827,844	1,088,258	827,844
		<u>2,730,379</u>	<u>2,543,806</u>	<u>1,978,274</u>	<u>1,930,923</u>	Equity valuation adjustments		507,585	416,829	507,585	416,829
		<u>3,418,545</u>	<u>2,765,097</u>	<u>3,287,337</u>	<u>2,689,859</u>	Treasury shares		(27,534)	(29,776)	(27,534)	(29,776)
								<u>2,905,005</u>	<u>2,552,217</u>	<u>2,905,005</u>	<u>2,552,217</u>
						Participation of non-controlling shareholders		-	-	51,226	55,779
								<u>2,905,005</u>	<u>2,552,217</u>	<u>2,956,231</u>	<u>2,607,996</u>
Total assets		<u>5,062,831</u>	<u>4,191,895</u>	<u>6,654,524</u>	<u>5,860,911</u>	Total liabilities and net equity		<u>5,062,831</u>	<u>4,191,895</u>	<u>6,654,524</u>	<u>5,860,911</u>

The management's explanatory notes are an integral part of these financial statements.

Marcopolo S.A.

Income statements

Years ended December 31

In thousands of Brazilian Reals, unless otherwise indicated

		<u>Parent company</u>		<u>Consolidated</u>	
	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Operations					
Net sales and services revenue	26	1,303,125	1,642,963	3,499,439	3,589,662
Cost of goods sold and services rendered	27	(1,203,100)	(1,266,379)	(3,133,084)	(2,937,590)
Cost of idleness	27	(6,952)	(19,339)	(10,131)	(56,483)
Gross profit		<u>93,073</u>	<u>357,245</u>	<u>356,224</u>	<u>595,589</u>
Selling expenses	27	(70,746)	(120,482)	(191,570)	(211,818)
Administrative costs	27	(97,783)	(87,136)	(206,291)	(183,406)
Other operating income (expenses), net	29	185,375	(21,801)	253,995	5,507
Equity income (loss)	11	112,877	29,015	15,667	(33,410)
Operating profit		<u>222,796</u>	<u>156,841</u>	<u>228,025</u>	<u>172,462</u>
Financial revenues	28	384,137	341,179	499,805	489,602
Financial expenses	28	(256,450)	(458,507)	(344,933)	(613,372)
Financial profit/loss	28	<u>127,687</u>	<u>(117,328)</u>	<u>154,872</u>	<u>(123,770)</u>
Profit before income tax and social contribution		<u>350,483</u>	<u>39,513</u>	<u>382,897</u>	<u>48,692</u>
Income tax and social contribution	20				
Current		(33,446)	36,008	(80,090)	(869)
Deferred		49,586	28,342	55,565	42,884
Net income for the year		<u>366,623</u>	<u>103,863</u>	<u>358,372</u>	<u>90,707</u>
Attributable to:					
Controlling shareholders		366,623	103,863	366,623	103,863
Participation of non-controlling shareholders		-	-	(8,251)	(13,156)
		<u>366,623</u>	<u>103,863</u>	<u>358,372</u>	<u>90,707</u>
Net income per share attributable to controlling shareholders during the year (expressed in BRL per share)					
Basic	30	<u>0.39009</u>	<u>0.11057</u>	<u>0.39009</u>	<u>0.11057</u>
Diluted	30	<u>0.38719</u>	<u>0.10969</u>	<u>0.38719</u>	<u>0.10969</u>

The management's explanatory notes are an integral part of these financial statements.

Marcopolo S.A.

Comprehensive income statements

Years ended December 31

In thousands of Brazilian Reals

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net income for the year	<u>366,623</u>	<u>103,863</u>	<u>358,372</u>	<u>90,707</u>
Monetary correction for hyperinflation	(13,547)	(4,287)	(13,547)	(4,287)
Currency conversion differences from transactions abroad	<u>104,303</u>	<u>213,470</u>	<u>108,001</u>	<u>234,072</u>
Total comprehensive result	<u>457,379</u>	<u>313,046</u>	<u>452,826</u>	<u>320,492</u>
Comprehensive result attributable to:				
Controlling shareholders	457,379	313,046	457,379	313,046
Participation of non-controlling shareholders	-	-	(4,553)	7,446
Total comprehensive result	<u>457,379</u>	<u>313,046</u>	<u>452,826</u>	<u>320,492</u>

The management's explanatory notes are an integral part of these financial statements.

Marcopolo S.A.

Statements of changes in shareholder equity

Years ended December 31

In thousands of Brazilian Reals

	Attributable to controlling shareholders														
	Capital reserves					Profit reserves					Treasury shares	Retained earnings	Total net equity	Participation of non-controlling shareholders	Total net equity
	Paid in capital	Gain (loss) on disposal of own shares	Reserves of transactions of capital	Legal reserve	Tax incentives	For future capital increase	For payment of interim dividends	To purchase own shares	Proposed additional dividend	Equity valuation adjustments					
As of December 31, 2019	1,334,052	(8,329)	12,019	72,345	-	448,209	133,406	133,406	8,779	207,646	(31,454)	-	2,310,079	48,333	2,358,412
Comprehensive result for the year															
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	103,863	103,863	(13,156)	90,707
Monetary correction for hyperinflation	-	-	-	-	-	-	-	-	-	(4,287)	-	-	(4,287)	-	(4,287)
Exchange variation of investments abroad	-	-	-	-	-	-	-	-	-	213,470	-	-	213,470	20,602	234,072
Total comprehensive result	-	-	-	-	-	-	-	-	-	209,183	-	103,863	313,046	7,446	320,492
Contributions from shareholders and distributions to shareholders															
Disposal of treasury shares	-	(422)	-	-	-	-	-	-	-	-	1,678	-	1,256	-	1,256
Payment of additional dividend	-	-	-	-	-	(45,069)	-	-	(8,779)	-	-	-	(53,848)	-	(53,848)
Tax incentives	-	-	-	-	151,174	(151,174)	-	-	-	-	-	-	-	-	-
Destinations															
Legal reserve	-	-	-	3,856	-	-	-	-	-	-	-	(3,856)	-	-	-
Tax incentive reserve	-	-	-	-	26,744	-	-	-	-	-	-	(26,744)	-	-	-
Proposed additional dividend	-	-	-	-	-	-	-	-	23,945	-	-	(23,945)	-	-	-
Mandatory minimum dividend	-	-	-	-	-	-	-	-	-	-	-	(18,316)	(18,316)	-	(18,316)
Transfer between reserves	-	-	-	-	-	31,002	-	-	-	-	-	(31,002)	-	-	-
Total shareholder contributions and distributions to shareholders	-	(422)	-	3,856	177,918	(165,241)	-	-	15,166	-	1,678	(103,863)	(70,908)	-	(70,908)
As of December 31, 2020	1,334,052	(8,751)	12,019	76,201	177,918	282,968	133,406	133,406	23,945	416,829	(29,776)	-	2,552,217	55,779	2,607,996

The management's explanatory notes are an integral part of these financial statements.

Marcopolo S.A.

Statements of changes in shareholder equity

Years ended December 31

In thousands of Brazilian Reals

	Attributable to controlling shareholders														
	Capital reserves					Profit reserves					Treasury shares	Retained earnings	Total net equity	Participation of non-controlling shareholders	Total net equity
	Share capital	Gain (loss) on disposal of own shares	Reserves of transactions of capital	Legal reserve	Tax incentives	For future capital increase	For payment of interim dividends	To purchase own shares	Proposed additional dividend	Equity valuation adjustments					
As of December 31, 2020	1,334,052	(8,751)	12,019	76,201	177,918	282,968	133,406	133,406	23,945	416,829	(29,776)	-	2,552,217	55,779	2,607,996
Comprehensive result for the year															
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	366,623	366,623	(8,251)	358,372
Monetary correction for hyperinflation	-	-	-	-	-	-	-	-	-	(13,547)	-	-	(13,547)	-	(13,547)
Exchange variation of investments abroad	-	-	-	-	-	-	-	-	-	104,303	-	-	104,303	3,698	108,001
Total comprehensive result	-	-	-	-	-	-	-	-	-	90,756	-	366,623	457,379	(4,553)	452,826
Contributions from shareholders and distributions to shareholders															
Disposal of treasury shares	-	(624)	-	-	-	-	-	-	-	-	2,242	-	1,618	-	1,618
Payment of additional dividend	-	-	-	-	-	-	-	-	(23,945)	-	-	-	(23,945)	-	(23,945)
Tax incentives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Destinations															
Legal reserve	-	-	-	17,319	-	-	-	-	-	-	-	(17,319)	-	-	-
Tax incentive reserve	-	-	-	-	20,247	-	-	-	-	-	-	(20,247)	-	-	-
Proposed additional dividend	-	-	-	-	-	-	-	-	18,288	-	-	(18,288)	-	-	-
Mandatory minimum dividend	-	-	-	-	-	-	-	-	-	-	-	(82,264)	(82,264)	-	(82,264)
Transfer between reserves	-	-	-	-	-	228,505	-	-	-	-	-	(228,505)	-	-	-
Total shareholder contributions and distributions to shareholders	-	(624)	-	17,319	20,247	228,505	-	-	(5,657)	-	2,242	(366,623)	(104,591)	-	(104,591)
As of December 31, 2021	1,334,052	(9,375)	12,019	93,520	198,165	511,473	133,406	133,406	18,288	507,585	(27,534)	-	2,905,005	51,226	2,956,231

The management's explanatory notes are an integral part of these financial statements.

Marcopolo S.A.

Cash flow statements - indirect method

Years ended December 31

In thousands of Brazilian Reals

	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Cash flows from operating activities					
Net income for the year		<u>366,623</u>	<u>103,863</u>	<u>358,372</u>	<u>90,707</u>
Adjustments to reconcile the results to the availabilities generated by operating activities:					
Depreciation and amortization	13 and 14	35,464	31,662	105,470	96,038
Gain (loss) on sale of investment, fixed and intangible assets		6,431	22,743	(53,562)	3,191
Equity	11	(112,877)	(29,015)	(15,667)	33,410
Allowance for doubtful accounts	8	7,259	4,798	39,112	16,904
Current and deferred income tax and social contribution	20	(16,140)	(64,350)	24,525	(42,015)
Appropriate interest and variations		80,098	190,082	126,509	255,767
Non-controlling interests		-	-	(8,251)	(13,156)
Changes in assets and liabilities					
(Increase) decrease in Trade accounts receivable		112,735	(27,070)	285,892	(188,371)
(Increase) decrease in securities		(36,188)	80,463	(5,142)	81,207
(Increase) decrease in inventories		(141,512)	(28,651)	(237,516)	(143,371)
(Increase) reduction in other accounts receivable		(435,901)	(143,265)	(546,570)	(195,876)
Increase (decrease) in suppliers		28,192	(35,168)	100,759	(50,768)
Increase (decrease) in other accounts payable		31,319	51,062	94,412	232,914
Cash generated by operating activities		<u>(74,497)</u>	<u>157,154</u>	<u>268,343</u>	<u>176,581</u>
Profit taxes paid		(33,446)	-	(80,090)	(869)
Net cash from operating activities		<u>(107,943)</u>	<u>157,154</u>	<u>188,253</u>	<u>175,712</u>
Cash flows from investment activities					
Investments		(90,683)	6,793	-	-
Dividends from subsidiaries, jointly controlled entities and associates		162,769	7,997	4,749	2,511
Fixed asset additions	13	(71,523)	(95,165)	(100,081)	(130,378)
Intangible additions	14	(3,625)	(2,732)	(3,923)	(3,962)
Receipt on sale of investments, plant and equipment, fixed and intangible assets		1,426	926	66,494	658
Net cash used in investment activities		<u>(1,636)</u>	<u>(82,181)</u>	<u>(32,761)</u>	<u>(131,171)</u>
Cash flows from financing activities					
Treasury shares		1,618	1,256	1,618	1,256
Loans from third parties		599,805	218,012	895,909	607,413
Payment of loans - principal		(259,611)	(226,833)	(678,463)	(610,323)
Payment of loans - interest		(24,938)	(15,248)	(76,127)	(49,191)
Payment of interest on net equity and dividends		(16,539)	(69,971)	(16,539)	(69,971)
Net cash used in financing activities		<u>300,335</u>	<u>(92,784)</u>	<u>126,398</u>	<u>(120,816)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>-</u>	<u>-</u>	<u>154</u>	<u>42,584</u>
Net increase (decrease) in cash and cash equivalents		<u>190,756</u>	<u>(17,811)</u>	<u>282,044</u>	<u>(33,691)</u>
Cash and cash equivalents at the beginning of the year		<u>626,682</u>	<u>644,493</u>	<u>1,040,931</u>	<u>1,074,622</u>
Cash and cash equivalents at the end of the year		<u>817,438</u>	<u>626,682</u>	<u>1,322,975</u>	<u>1,040,931</u>

The management's explanatory notes are an integral part of these financial statements.

Marcopolo S.A.

Value added statements Years ended December 31 In thousands of Brazilian Reals

	Parent company		Consolidated (*)	
	2021	2020	2021	2020
Value added statements				
Revenues	1,738,401	1,837,743	4,227,702	4,066,450
Sales of goods, products and services	1,468,378	1,821,834	3,849,433	3,992,385
Other revenue	277,282	20,707	417,381	90,969
Allowances for doubtful accounts	(7,259)	(4,798)	(39,112)	(16,904)
Inputs purchased from third parties (includes ICMS and IPI)	(1,266,293)	(1,367,255)	(3,467,851)	(2,957,963)
Costs of products and services provided	(1,020,800)	(1,112,773)	(3,044,180)	(2,525,044)
Materials, energy, third-party services and others	(153,586)	(211,974)	(271,146)	(316,850)
Loss of active values	(91,907)	(42,508)	(152,525)	(116,069)
Gross value added	472,108	470,488	759,851	1,108,487
Depreciation and amortization	(35,464)	(31,662)	(105,470)	(96,038)
Net value added produced by the entity	436,644	438,826	654,381	1,012,449
Value added received in transfer	497,014	370,194	515,472	456,192
Equity income (loss)	112,877	29,015	15,667	(33,410)
Financial income	384,137	341,179	499,805	489,602
Total value added to be distributed	933,658	809,020	1,169,853	1,468,641
Distribution of value added	933,658	809,020	1,169,853	1,468,641
Personnel	337,874	311,002	530,842	707,167
Direct remuneration	249,859	199,581	400,864	524,874
Benefits	54,878	65,105	87,377	120,584
FGTS	33,137	46,316	42,601	61,709
Taxes, fees and contributions	(32,956)	(70,550)	(73,211)	44,348
Federal	1,227	(71,525)	28,001	11,450
State	(35,547)	(501)	(103,114)	30,907
Municipal	1,364	1,476	1,902	1,991
Remuneration of third-party capital	262,117	464,705	353,850	626,419
Financial expenses	256,450	458,507	344,933	613,372
Rent	5,667	6,198	8,917	13,047
Profit for the year, interest on equity and dividends	366,623	103,863	358,372	90,707
Interest on equity and dividends	82,264	42,261	82,264	42,261
Retained earnings for the year	284,359	61,602	276,108	48,446

(*) The consolidated statement of value added is not part of the IFRS consolidated financial statements.

The management's explanatory notes are an integral part of these financial statements.

1 Operating context

Marcopolo S.A. Marcopolo S.A. ("Marcopolo") is a publicly held company, having its head office situated in Caxias do Sul, State of Rio Grande do Sul. The individual and consolidated financial statements of the Company for the year ended December 31, 2021 comprise Marcopolo and its subsidiaries, jointly-owned subsidiaries and investments in associates (the "Company").

Marcopolo's core activity is the manufacturing and sale of buses, automotive vehicles, bodies, parts, agricultural and industrial machinery, and imports and exports, and may also acquire equity interests in other companies.

Marcopolo has its shares traded on B3 (Brasil, Bolsa, Balcão) under the acronyms "POMO3" and "POMO4" and is listed in the segment of corporate governance level 2.

2 Summary of the main accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied consistently throughout the years presented in these individual and consolidated financial statements.

2.1 Preparation basis

(a) Declaration of compliance

The Company's individual and consolidated financial statements were prepared and presented in accordance with the International Financial Reporting Standards (IFRS) issued by the *International Accounting Standards Board* (IASB) and also in accordance with the accounting practices adopted in Brazil (BR GAAP), considering pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC), approved by the Brazilian Securities Commission (CVM) and the provisions contained in the Brazilian Corporation Law.

The Company's management states that all the relevant information in the financial statements, and only them, are being evidenced, and that they correspond to that used by it in its management.

The issuance of the individual and consolidated financial statements was authorized by the Board of Directors on February 24, 2022.

(b) Measurement basis

The individual and consolidated financial statements have been prepared on a historical cost basis as the value basis which, in the case of financial assets and liabilities (including derivative instruments) is adjusted to reflect the measurement at fair value as per Note 2.6.

(c) Use of estimates and judgments

In the preparation of these individual and consolidated financial statements, management used judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgments in applying accounting policies and uncertainties in the assumptions and estimates that pose a significant risk of an adjustment in the next financial year have been included in the following notes: Note 2.2 (a, ii) - Subsidiaries;

- Note 2.2 (a, ii) - Subsidiaries;
- Note 2.2 (a, iv) - Investment in companies with joint businesses (*Joint venture - Joint operation*);
- Note 2.18 (a) - Uncertainty about the treatment of taxes on profit
- Note 8 - Allowance for doubtful accounts;
- Note 14(b) Goodwill test for *impairment*;
- Note 18 - Allowance for civil, labor-related and tax risks;
- Note 20 – Deferred taxes.

(d) Value added statement

The Company has prepared individual and consolidated statements of value added (DVA) in accordance with technical pronouncement CPC - 09 - Value Added Statement, which are presented as an integral part of the financial statements under BR GAAP applicable to publicly traded companies, while for IFRS they represent additional financial information.

2.2 Consolidation basis

(a) Consolidated financial statements

The following accounting policies are applied in the preparation of the consolidated financial statements.

(i) Non-controlling shareholder equity interest

The Company elected to measure any non-controlling interest in the acquired entity according to the proportional interest in the liquid assets identifiable at the acquisition date.

Any changes in the Company's interest in a subsidiary which does not entail loss of control are recorded as shareholders' equity transactions.

(ii) Subsidiaries

Subsidiaries are all entities (including specific purpose entities) in which the Company has the power to determine the financial and operating policies, generally accompanied by an interest of more than half of the voting rights (voting share). The existence and the effect of possible voting rights currently exercisable or convertible are taken into account when evaluating whether the Company controls another entity. The subsidiaries are totally consolidated from the date on which the control is transferred to the Company. The consolidation is interrupted on the date when the control ends.

The Company uses the acquisition method of accounting to record the combination of businesses. The consideration transferred for the acquisition of a subsidiary is the fair value of transferred assets, liability incurred and equity instruments issued by the Company.

The transferred consideration includes the fair value of any assets or liabilities resulting from a contingent consideration agreement, when applicable. Costs related to acquisition are recorded in the statement of income for the fiscal year as incurred. Acquired assets identifiable, liabilities and the contingent liabilities assumed in a business combination are initially measured at fair values at the acquisition date.

Any excess consideration transferred and fair amount on the acquisition date of any prior equity interest in the acquired entity in relation to the fair value of the Company's interest in liquid identifiable liquid assets purchased is recorded as *goodwill*. In acquisitions where the Company assigns a fair value to non-controlling shareholders, the determination of goodwill also includes the amount of any non-controlling interest in the acquired entity, and goodwill is determined considering the interest of the Company and non-controlling shareholders. When the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income for the fiscal year (Note 2.11).

(iii) Transactions eliminated in the consolidation

Intra-company balances and transactions, and any unrealized income or expenses arising from intra-company transactions, are eliminated. Unrealized gains arising from transactions with investees recorded by equity method are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

(iv) Investment in companies with joint businesses (joint venture - joint operation)

Joint businesses may be categorized as either a *joint operation* or a *joint venture*.

A *joint operation* is a joint business according to which the integral parts that have joint control of the business have rights over the assets, have obligations for the liabilities related to the business; and recognizes the assets, obligations, revenues and expenses that belong to it as a result of the joint operations.

A *joint venture* is a joint business that happens when an operator has rights over the liquid assets of the agreements and records the investment through the equity method.

(v) Loss of control

Upon loss of control, the Company ceases to recognize assets and liabilities of the subsidiary, any non-controlling interest and other components recorded in the shareholders' equity concerning this subsidiary. Any gain or loss originated from loss of control is recognized in profit or loss. If the Company retains any interest in the former subsidiary, this interest is measured by its fair value on the date when control is lost. Subsequently, this interest is recorded by using the equity method in associated companies or fair value through profit or loss, depending on the retained influence level.

(vi) Associates

Associates are all entities over which the Company has a significant influence, but not control, usually with an ownership interest of 20% to 50% of the voting rights.

Investments in associates are recorded through the equity method and are initially recognized at their cost value. The Company's investment in associates includes the goodwill identified in the acquisition, net of any accumulated *impairment* loss. See Note 2.11 regarding *impairment* of non-financial assets, including goodwill.

The Company's interest in the profits or losses of its associates post-acquisition is recognized in the income statement and its interest in the activity in post-acquisition reserves is recognized in the reserves. The post-acquisition cumulative transactions are adjusted against the investment's carrying amount. When the Company's interest in the losses of an associate is equal to or greater than its interest in that

company, the Company does not recognize additional losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associates are eliminated in proportion to the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an *impairment* of the transferred asset. The accounting policies of the associates have been changed when required to ensure consistency with the policies adopted by the Company.

If the ownership interest in the associate is reduced but significant influence is retained, only a proportional part of the amounts previously recognized in other comprehensive income shall be reclassified in income or loss, where appropriate.

Gains and losses resulting from dilution occurring in interests in associates are recognized in the income statement.

(vii) Adjustment for inflation for hyperinflation – IAS 29 (CPC 42)

With cumulative inflation of more than 100% in the last three years in Argentina, the application of IAS 29 (CPC 42) – Accounting in a hyperinflationary economy – became required in 2018. According to the standard, non-monetary assets and liabilities, shareholders' equity and income statement of investees operating in highly inflationary economies are adjusted by the change in the general purchasing power of the currency, applying a general price index.

The Company carried out the adjustment for inflation in its subsidiary Metalsur, its jointly owned Loma and its related Metalpar, headquartered in Argentina. Non-monetary assets and liabilities recorded at historical cost and shareholders' equity were adjusted for inflation. The impacts of the adjustment for inflation were recorded as equity valuation adjustment, in shareholders' equity, in the negative amount of BRL 13,547 (negative of BRL 4,287 in 2020) and in the consolidated income statement in the positive amount of BRL 15,051 (BRL 2,664 in 2020) in equity income.

2.3 Presentation of information per segments

Information by operating segment is reported consistently with the internal report provided to the main operating decision makers. The main operating decision maker, responsible for the allocation of funds and performance evaluation of the operating segment, is the Board of Directors, also responsible for the Company's strategic decision-making.

2.4 Functional currency and presentation currency

The consolidated quarterly information is being presented in Reais (BRL), which is Marcopolo's functional currency and the Company's reporting currency. All balances have been rounded to the nearest thousand, except when otherwise indicated.

Items included in each of the Company's businesses financial statements are measured using the currency of the main economy in which the company operates ("functional currency").

Marcopolo S.A.
*Management's explanatory notes to the
financial statements as of December 31, 2021 and 2020*

In thousands of Brazilian Reais, unless otherwise indicated

Each entity's functional currency is listed below:

Subsidiaries	Denomination	Functional Currency	Country
Apolo Soluções em Plásticos Ltda.	Apolo	Brazilian Reais	Brazil
Arcanjos Investimentos e Participações Ltda.	Arcanjos	Brazilian Reais	Brazil
Banco Moneo S.A.	Banco Moneo	Brazilian Reais	Brazil
Ciferal Indústria de Ônibus Ltda.	Ciferal	Brazilian Reais	Brazil
Ilmot International Corporation.	Ilmot	US Dollar	Uruguay
Marcopolo (Changzhou) Bus Manufacturing Co; Ltd.	MBC	Renminbi	China
Marcopolo Australia Holdings Pty Ltd.	MP Australia	Australian Dollar	Australia
Marcopolo Auto Components Co.	MAC	Renminbi	China
Marcopolo Canada Holdings Corp.	MP Canada	Canadian Dollar	Canada
Marcopolo International Corp.	MIC	US Dollar	Virgin Islands
Marcopolo Middle East and Africa FZE.	MP Middle East	Dirham	United Arab Emirates
Marcopolo Next Serviços em Mobilidade Ltda.	MP Next	Brazilian Reais	Brazil
Marcopolo South Africa Pty Ltd.	Masa	Rand	South Africa
Marcopolo Trading S.A.	Trading	Brazilian Reais	Brazil
Marcopolo Argentina S.A.	MP Argentina	Argentine Peso	Argentina
Moneo Investimentos S.A.	Moneo	Brazilian Reais	Brazil
Neobus Chile SPA.	Neobus Chile	Chilean Peso	Chile
NewRoad México S.A. de C.V.	NewRoad	Mexican Peso	Mexico
Polo Venture Participações Ltda.	Polo Venture	Brazilian Reais	Brazil
Pologren Austrália Pty Ltd.	Pologren	Australian Dollar	Australia
Polomex S.A. de C.V.	MP México	Mexican Peso	Mexico
Rotas do Sul Logística Ltda.	Rotas do Sul	Brazilian Reais	Brazil
San Marino Bus de México S.A. de C.V.	San Marino Mexico	Mexican Peso	Mexico
San Marino Ônibus Ltda.	San Marino	Brazilian Reais	Brazil
Syncroparts Comércio e Distribuição de Peças Ltda.	Syncroparts	Brazilian Reais	Brazil
Volare Comércio e Distribuição de Veículos e Peças Ltda.	Volare Comércio	Brazilian Reais	Brazil
Volare Veículos Ltda.	Volare Veículos	Brazilian Reais	Brazil
Volgren Austrália Pty Ltd.	Volgren	Australian Dollar	Australia
Jointly controlled entities	Denomination	Functional Currency	Country
Loma Hermosa S.A.	Loma	Argentine Peso	Argentina
Metalpar S.A.	Metalpar	Argentine Peso	Argentina
Superpolo S.A.	Superpolo	Colombian Peso	Colombia
Associates	Denomination	Functional Currency	Country
GB Polo Bus Manufacturing S.A.E.	GB Polo	Egyptian Pound	Egypt
Mercobus S.A.C.	Mercobus	Novo Sol	Peru
New Flyer Industries Inc.	New Flyer	US Dollar	Canada
Spheros Thermosystems Colombia Ltda.	Spheros Colombia	Colombian Peso	Colombia
Valeo Climatização do Brasil – Veículos Comerciais S.A.	Valeo	Brazilian Reais	Brazil
Valeo Thermal Commercial Vehicles México, SA CV	Valeo México	Mexican Peso	Mexico
WSul Espumas Indústria e Comércio Ltda.	WSul	Brazilian Reais	Brazil

2.5 Foreign currency

(a) Transactions in foreign currency

Transactions in foreign currency are converted into the respective functional currencies of the Company entities by the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated and calculated in foreign currencies on the balance sheet date are reconverted to the functional currency at the exchange rate on that date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are reconverted to the functional currency at the exchange rate on the date in which the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are converted at the exchange rate on the transaction date. The differences in foreign currency resulting from this conversion are generally acknowledged in the income or loss.

However, exchange differences resulting from the re-conversion of the items listed below are recognized in other comprehensive income:

- financial instruments (except in the case of impairment in which foreign exchange differences recognized in other comprehensive income are transferred to profit or loss);
- financial liability designated as a *hedge* of the net investment in a foreign operation, to the extent that the *hedge* is effective; and
- a qualified and effective cash flow *hedge*.

(b) Overseas operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from the acquisition, are translated into the Brazilian Real at the exchange rates determined on the balance sheet date. Income and expenses from foreign operations are translated into the Brazilian real at the exchange rates determined on the dates of the transactions.

Foreign currency differences generated on translation into the reporting currency are recognized in other comprehensive income and accumulated in equity valuation adjustments in equity. If the subsidiary is not a wholly-owned subsidiary, the corresponding portion of the conversion difference is attributed to non-controlling shareholders.

When a foreign operation (a subsidiary, jointly controlled entity or associate) is transferred, the cumulative amount in the equity valuation adjustment account is reclassified to the income statement as part of profit or loss in the transfer. When only part of the investment of a subsidiary including a foreign operation is transferred, so that the control is maintained, the relevant part of such accumulated value is reassigned to the non-controlling interest. In any other partial transfer of a foreign transaction, the portion corresponding to the transfer is reclassified to profit or loss.

2.6 Financial instruments

The Company classifies financial assets and liabilities in the following categories: at fair value through profit or loss (FVTPL), at fair value through other comprehensive income (FVOCI) and at amortized cost.

2.6.1 Non-derivative financial assets and financial liabilities - recognition and derecognition

The Company initially recognizes loans and receivables and debt instruments on the date they were originated. All other financial assets and liabilities are recognized on the trade date, when the entity becomes a party to the instrument's contractual provisions.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows from a financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged, canceled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2.6.2 Non-derivative financial assets - measurement

(a) Financial assets measured at the fair value through other comprehensive income

A debt instrument is measured at FVOCI only if it meets both conditions below:

- the asset is kept within a business model the purpose of which is achieve both through the collection of contractual cash flows and the sale of financial assets; and
- the contractual terms of the financial asset, on specific dates, originate cash flows representing payment of principal and interest on the outstanding principal amount.

(b) Financial assets measured at the amortized cost

A financial asset is measured at amortized cost if it meets both conditions below:

- the asset is kept within a business model for the purpose of collecting contractual cash flows; and
- the contractual terms of the financial asset, on specific dates, originate cash flows that are only payments of principal and interest on the outstanding principal amount.

All the other financial assets are classified as measured at the fair value through profit or loss.

Furthermore, upon initial recognition, the Company may irrevocably designate a financial assets meeting the requirements to be measured at amortized cost, FVOCI or even FVTPL. This designation has the purpose of eliminating or significantly reducing a possible accounting mismatch arising from the result produced by the respective asset.

2.6.3 Non-derivative financial assets - measurement

(a) Financial liabilities measured at the fair value through profit or loss

A financial liability is classified as measured at the fair value through profit or loss in case it is classified as kept for trade or designated as such upon initial recognition. The transaction costs are recognized in profit or loss as they are incurred. Financial liabilities measured at the fair value through profit or loss are measured at fair value and any changes in the fair value of these liabilities, including interest and dividend gains, are recognized in the profit or loss for the period.

(b) Financial liabilities measured at the amortized cost

Non-derivative financial liabilities are initially measured at fair value and, provided it is not an item measured at the fair value through profit or loss, increased by transaction costs directly attributable to its acquisition or issuance. Financial liabilities are measured subsequent to the amortized cost.

2.6.4 Repurchase and reissue of shares - Treasury Share

When shares recognized as shareholders' equity are repurchased, the amount of the consideration paid, which includes any directly attributable costs, is recognized as deduction from the shareholders' equity. The repurchased shares are classified as treasury share and stated as deduction from the shareholders' equity. When treasury share is subsequently sold or reissued, the amount received is recognized as an increase in shareholders' equity and the gain or loss resulting from the transaction is stated as capital reserve.

2.6.5 Reduction to the recoverable value - Impairment

(a) Non-derivative financial assets

The Company evaluates, on a prospective basis, the expected credit losses associated with debt securities recorded at amortized cost and at fair value through other comprehensive income. The applied *impairment* methodology depends on whether or not there has been a significant increase in credit risk.

For the trade accounts receivable, the Company applies the simplified approach as permitted by IFRS 9/CPC 48 and, therefore, recognizes the expected losses over the useful life from the initial recognition of the receivables.

(b) Financial assets measured by the amortized cost

The Company considers evidence of loss of value of assets measured at amortized cost at both on an individual and on a collective level. All the individually significant assets are evaluated for impairment loss. Those that have not suffered loss of value individually are then evaluated collectively for any loss of value that may have happened but not yet been identified. Assets that are not individually significant are evaluated collectively for loss of value based on a group of assets with similar risk characteristics.

When evaluating impairment loss collectively, the Company uses historical trends for recovery periods and lost amounts incurred, adjusted to reflect the Management's judgment on whether the current economic and credit conditions are such that the actual losses will likely be greater or smaller than those suggested by the historical trends.

Impairment loss is computed as the difference between the carrying amount and the present value of future estimated cash flows, discounted at the asset's original effective interest rate. The losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no reasonable prospects of recovery, the amounts are reversed. When a subsequent event indicates a reduction in the loss of value, the reduction through loss of value is reversed by means of profit or loss.

(c) Investees accounted for under the equity method

An impairment loss concerning an investee appraised by the equity method is measured by comparing the investment's recoverable value against its carrying amount. An impairment loss is recognized in profit or loss and it is reversed if there has been any favorable change in the estimates used to determine the recoverable value.

(d) Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventory, income tax and active deferred social contribution, are reviewed at each reporting date to check whether there is any indication of impairment loss. If such indication is found, then the asset's recoverable amount is estimated. In case of goodwill and intangible assets with undefined useful lives, the recoverable amount is tested annually.

Impairment losses are recognized in profit or loss. Recognized impairments relating to the Cash Generating Units (CGUs) are initially allocated to reduce any goodwill allocated to this CGU (or CGU group), and then to reduce the carrying amount of other CGU assets (or CGU group) on a *pro rata* basis.

An impairment related to goodwill is not reversed. As for other assets, impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, in case the loss of value had not been recognized.

2.7 Derivatives measured at fair value through profit or loss

Derivative instruments procured do not qualify for *hedge* accounting. The changes in the fair value of any of these derivative instruments are immediately recognized in the income statement under "financial revenue (expenses)".

2.8 Trade Accounts Receivable

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of the Company's business. If the deadline for receipt is equivalent to a year or less (or another that meets the normal cycle of the Company's operations), accounts receivable are classified in the current assets. Otherwise, they are presented as noncurrent assets.

Trade receivables are initially recognized at the transaction value and subsequently measured at amortized cost using the effective interest rate method, less the allowance for *impairment*.

2.9 Inventory

Inventories are measured at the lower between cost and net realizable value. The cost of inventories is based on the average cost principle and includes expenses incurred in the purchase of inventories, production, transformation and other costs incurred to bring them to their places and existing conditions. In the case of manufactured inventories and products in progress, the cost includes a portion of the manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, minus estimated costs of completion and selling expenses.

2.10 Property, Plant and Equipment

Recognition and measurement

Property, plant and equipment are measured at the historical cost of purchase of construction minus accumulated depreciation and accumulated (*impairment*) losses.

The cost includes expenses that are directly attributable to the purchase of an asset. Cost of assets built by the Company itself includes:

- Cost of materials and direct labor;
- Any other costs to place the asset in the necessary site and condition for it to operate as intended by the Management;
- Costs for disassembly and restoration of the site where such assets are located; and
- Loan costs on qualifiable assets.

When parts of an item of property, plant and equipment have different useful lives, they are recorded as separate items (major components) of property, plant and equipment.

Any gains and losses on the disposal of an item of property, plant and equipment are recognized in profit or loss.

Reclassification for investment property

When the property use changes from occupied by the owner to investment property, it is reclassified as investment property. The Company measures its investment properties using the cost method, recognizing depreciation over its useful life.

Subsequent losses

Subsequent expenses are capitalized to the extent that it is likely that future benefits associated to the expenses will be derived by the Company. Recurring maintenance and repair expenses are recorded in profit or loss.

Depreciation

Items of property, plant and equipment are depreciated by the straight-line method in the statement of income for the year based on the estimated economic useful life of each component. Leased assets are depreciated for the shorter period between the estimated useful life of the asset and the term of the agreement, unless it is reasonably certain that the Company will obtain ownership of the asset at the end of the lease term. Land is not depreciated.

Property, plant and equipment items are depreciated from the date they are installed and available for use or, in respect of assets built internally, from the date when the construction is completed and the asset is available for use.

The estimated useful lives for the current year are as follows:

	<u>Years</u>
Buildings	40-60
Machines	10-15
Vehicles	7-8
Furniture, fixtures and equipment	5-12

The depreciation methods, the useful lives and the residual values are reviewed at each balance sheet date and adjusted if appropriate.

2.11 Intangible assets and goodwill

(a) Goodwill

Goodwill consists of the positive difference between the amount paid or payable and the net amount of the acquired entity's assets and liabilities at fair value. Goodwill on acquisitions of subsidiaries is recorded as an "intangible asset." If the acquirer determines negative goodwill, it should record the amount as gain in profit or loss at period, on the date of acquisition. Goodwill is tested annually to check for likely *impairment* and recorded at cost minus accumulated *impairment* losses, which are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(b) Trademarks and licenses

Trademarks and licenses purchased separately are stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the date of acquisition, since they have a defined useful life and are accounted for at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses during their estimated useful life from 10 to 20 years.

(c) Software

The *software* licenses purchased are capitalized based on costs incurred to purchase the *software* and get it ready for use. These costs are amortized over their useful life of up to 5 years.

The costs associated with maintaining *software* are recognized as an expense, as incurred. Development costs directly attributable to the design and tests of identifiable and exclusive *software* products, controlled by the Company are recognized as intangible assets when the following criteria are met:

- . it is technically feasible to complete the *software* so it is available for use;
- . management intends to complete the *software* and use it or sell it;
- . the *software* can be sold or used;
- . the *software* will likely generate future and demonstrable economic benefits;
- . technical, financial and other suitable resources are available to complete the development for the use or sale of the *software*; and
- . the expense attributable to the *software* during the development thereof can be measured safely.

Other development expenses that do not meet these criteria are recognized as expenses as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) Research and Development

Expenses on research activities are recognized in the income statement as incurred.

Development costs are capitalized only if development costs can be measured reliably, if the product or process is technically and commercially viable, if the future economic benefits are probable, and if the Company has the intention and resources sufficient to complete the development and use or sell the asset. Capitalized expenditures include the cost of materials, direct labor, manufacturing costs that are directly attributable to the preparation of the asset for its proposed use, and borrowing costs. Other development expenses are recognized in the income statement as incurred.

After initial recognition, capitalized development expenses are measured at cost, less accumulated amortization and impairments.

(e) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost, less accumulated amortization and any accumulated impairment losses.

(f) Subsequent expenses

Subsequent expenses are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenses, including expenses on goodwill generated internally and brands, are recognized in profit or loss as they are incurred.

(g) Amortization

Except for goodwill, amortization is recognized in profit or loss by the straight-line method considering the estimated useful lives of intangible assets, as of the date they are available for use.

2.12 Investment Property

Investment property is measured at the historical cost of purchase of construction minus accumulated depreciation and accumulated (*impairment*) losses.

Gains and losses in the transfer of investment property (calculated by the difference between the net amount received from the sale and the item's carrying amount) are recognized in profit or loss.

When investment property previously recognized as property, plant and equipment is sold, any amount recognized in equity valuation adjustment is transferred to accumulated profit.

2.13 Accounts payable to suppliers

Accounts payable to suppliers are obligations to pay for goods or services that were purchased from suppliers in the ordinary course of business, being classified as current liabilities if the payment is due within one year or less (or within the normal business operating cycle, even if it is longer). Otherwise, the accounts payable are presented as non-current liabilities.

They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the corresponding invoice.

2.14 Loans and Financing

Loans are initially recognized at fair value, net of transaction costs incurred and are subsequently stated at the amortized cost. Any difference between the amounts raised (net of transaction costs) and the redemption value is recognized in the income statement while the loans are in progress, using the effective interest rate method.

Loans are classified as current liabilities, unless the Company has some unconditional right to defer the liability liquidation for at least 12 months after the balance sheet date.

2.15 Determining the adjustment to present value

Items subject to discount to present value are:

- Trade accounts receivable comprised of the forward sale to customers of the Company with low credit risk. The discount rate used by Management for the discount to present value for these items

is 100% of the monthly CDI for domestic market customers and the market rate of the advance of foreign exchange contract for foreign market customers. The interest rate charged in a sales transaction is determined at the time of the initial registration of the transaction and is not adjusted subsequently; and

- Accounts payable to suppliers comprised of forward purchases from suppliers of the Company. The Company performed a calculation of the present value using the same assumptions used for accounts receivable.

2.16 Allowances

An allowance is recognized on the basis of a past event if the Company has a legal or constructive obligation that may be estimated reliably and it is likely that economic funds are required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks for the liability. Any financial costs incurred are recorded in profit or loss.

2.17 Provision for warranties

An allowance for warranties is recognized when the products or services are sold. The allowance is based on historical warranty data and by weighting all the possible results in respect of the associated probabilities.

2.18 Income tax and social contribution

The income and social contribution taxes for the period, both current and deferred, are computed based on the rates of 15% plus a surcharge of 10% on taxable income in excess of BRL 240 for income taxes and 9% on taxable income for social contribution on Net income within the period, considering the offsetting of tax losses and negative basis of social contribution limited to 30% of the taxable income.

The income tax and social contribution expense encompasses both current and deferred income tax. Current tax and deferred tax are recognized in profit or loss unless they refer to a combination of businesses or items directly recognized in shareholders' equity or other comprehensive income.

The Company applies technical interpretation IFRIC 23/ICPC 22, which deals with the accounting of taxes on profit when there is uncertainty about the acceptability of certain tax treatment. If the organization concludes that the tax authority is not likely to accept uncertain tax treatment, the entity reflects the effect of uncertainty in determining taxable income.

(a) Income tax and social contribution expenses - current

Current tax expense is the estimated tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is recognized in the balance sheet as tax assets or liabilities by the best estimate of the expected value of taxes to be paid or received, reflecting the uncertainties inherent to the determination thereof, if any. It is measured based on the tax rates that have been decreed on the balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are met.

(b) Income tax and social contribution expenses - deferred

Deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amount of assets and liabilities for financial statement purposes and those used for taxation

purposes. The changes in deferred tax assets and liabilities in the year are recognized as a deferred income and social contribution tax expense. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and does not affect neither taxable profit or loss or Net income;
- temporary differences related to investments in subsidiaries, associates and joint ventures, to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future; and
- temporary taxable differences arising from the initial recognition of goodwill.

A deferred tax asset is recognized in respect of tax losses and deductible temporary differences not used, to the extent that it is probable that future taxable profits will be available against which they will be used. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that their realization is no longer likely.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the tax rates that have been enacted up to the balance sheet date.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the Company expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.19 Pension and post-employment benefits

The Company recognizes its obligations related to employee benefit plans and related costs, net of plan assets, in accordance with the following practices:

- (i) The cost of pension and other post-employment benefits provided to employees is actuarially determined using the projected unit credit method and the Management's best estimate of expected investment performance for fund plans, salary increases, retirement age of employees and expected health care costs. The discount rate used to determine the obligation for future benefits is an estimate of the current interest rate at the balance sheet date;
- (ii) Pension plan assets are evaluated at the market value;
- (iii) Past service costs arising from plan adjustments are amortized on a straight-line basis over the remaining service period of active employees at the adjustment date;
- (iv) Actuarial gains and losses are immediately recognized in the comprehensive income for the year; and
- (v) Plan reductions result from significant changes in the expected length of service of active employees. A net loss is recognized with reduction when the event is probable and can be estimated, while the net gain with reduction is deferred until its realization.

In accounting for pension and post-employment benefits, various statistics and other factors are used in an attempt to anticipate future events in the calculation of the expense and the obligation related to the plans.

These factors include assumptions about discount rate, expected return on plan assets, future increases in cost with health care, and rate of future compensation increases.

In addition, actuarial consultants also use subjective factors such as termination, turnover and mortality rates to estimate these factors. The actuarial assumptions used by the Company maybe materially different from actual results due to changes in economic and market conditions, regulatory events, court decisions, higher or lower termination rates or shorter or longer periods of life of participants.

2.20 Share Capital

Common shares

They are classified as shareholders' equity. Additional costs directly attributable to the issuance of shares and options are recognized as a deduction from shareholders' equity, net of any tax effects.

Preferred Shares

They are classified in shareholders' equity if they are not redeemable, or redeemable only at the option of the Company, and any dividends are discretionary. Discretionary dividends are recognized as distributions in shareholders' equity on the date of their approval by the Company's shareholders. According to the Company's bylaws, the preferred shares differ from the common ones by the priority of repayment in the capital.

The distribution of minimum dividends and interest on shareholders' equity to Marcopolo's shareholders is recognized as a liability in the Company's financial statements at the end of the year, based on Marcopolo's articles of incorporation. Any amount in excess of the mandatory minimum is only provisioned for on the date it is approved by the shareholders at the annual general meeting.

2.21 Revenue recognition

The operating revenue is recognized when the performance obligation is fulfilled, considering the following control transfer indicators: (i) the entity has a present right to pay for the asset; (ii) the client has legal ownership of the asset; (iii) the entity transferred the physical ownership of the asset; (iv) the costumer has the significant risks and benefits of ownership of the asset; and (v) the costumer accepted the asset. Revenue is measured net of returns, trade discounts and bonuses, as well as after elimination of intercompany sales.

(a) Bus sales

Revenue is not recognized until: (i) the cars have been delivered to the customer; (ii) the risks of obsolescence and loss have been transferred to the customer; (iii) the client has accepted the cars in accordance with the sales contract; and (iv) the acceptance provisions have been agreed, or the Company has objective evidence that all criteria for acceptance have been met.

Sales are recorded based on the price specified in the sales contracts, and are discounted to the present value.

(b) Financial services

We carry out financial intermediation operations through the subsidiary Banco Moneo, having as main objective the realization of financing for the acquisition of goods and services, aiming at serving the Company's customers. This income is recognized on an accrual basis and accounted for in revenue accounts, based on the effective interest rate and *pro rata* interest method for operations due up to the

59th day. After 60 days of delay, they are kept in revenues to be appropriated and recognized upon receipt of the amounts.

2.22 **Financial income and financial expenses**

The Company's financial income and expenses comprise:

- revenue and interest expense;
- net gains/losses on disposal of available-for-sale financial assets;
- net gains/losses on financial assets measured at the fair value through profit or loss;
- net gains/losses from exchange rate change on financial assets and liabilities;
- impairment of fair value in contingent consideration classified as financial liabilities;
- impairment on financial assets (other than accounts receivable);
- net gains/losses in *hedge* instruments recognized in profit or loss; and
- reclassifications of net gains previously recognized in other comprehensive income.

Interest income and expense are recognized in the result using the effective interest method.

The Company classifies both the dividends and the interest on shareholders' equity received as cash flows from investing activities.

3 **Critical accounting estimates and judgments**

The estimates and accounting premises are continuously evaluated and based on historic experience and other factors, including expectations for future events that are considered reasonable for the circumstances.

Based on assumptions, the Company makes estimates concerning the future. By definition, the resulting accounting estimates will rarely be the same as their actual results. The estimates and assumptions that pose a significant risk, with the likelihood of causing a material adjustment to the carrying amount of assets and liabilities for the next year, are addressed below.

(a) **Estimated loss (*impairment*) of goodwill**

The Company is testing goodwill for *impairment* annually, in accordance with the accounting policy presented in Note 2.11. The recoverable amounts of CGUs were determined based on calculations of the value in use, based on estimates.

(b) **Income tax, social contributions and other taxes**

The Company is subject to income tax in all countries in which it operates. A significant judgment is required to determine the allowance for income taxes in these various countries.

(c) **Allowance for doubtful accounts**

The credit analysis area of the Company evaluates and judges the credit quality of the customer, taking into account consideration of their financial position, the guarantees offered and past experiences, revisiting periodically the balances.

(d) **Contingencies**

The Company has labor, civil and tax lawsuits and has been discussing these issues both at the administrative and judicial levels. The allowances for possible losses arising from these lawsuits are estimated and updated by Management, based on the opinion of its external and internal legal advisors.

(ii) Interest rate risk

The Company's results are susceptible to losses due to fluctuations in interest rates that increase financial expenses related to loans and financing raised in the market, or decrease financial income related to financial investments. The Company continuously monitors the market interest rates in order to assess any requirement to contract new transactions to protect itself against the volatility risk of these rates.

(iii) Sale and purchase price risk

Considering that exports are equivalent to 44.6% of the projected revenues for 2022, a possible volatility of foreign exchange rates represents, in fact, a price risk that may alter the results planned by the Management.

On the other hand, the purchases of raw materials considered as *commodities* amount to approximately 22% of total purchases, and accordingly, the Company is subject to the effects of market price oscillations of these items.

To mitigate these risks, the Company continuously monitors price developments.

(b) Credit risk

Credit risk is managed corporately. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits at banks and financial institutions, as well as credit exposures to customers, including outstanding accounts receivable and committed transactions. If there is no independent rating, the credit analysis area evaluates the credit quality of the customer, taking into account their financial position, past experience and other factors. The individual risk limits are determined based on internal or external ratings or according to the limits established by the Board of Directors. The utilization of credit limits is monitored on a regular basis.

The Company also has an allowance for doubtful accounts in the amount of BRL 38,210 (parent company) and BRL 160,521 (consolidated) as of December 31, 2021 (BRL 37,354 and BRL 147,220 as of December 31, 2020) 12.5% and 12.8%, respectively, of the balance of trade accounts receivable of the parent company and the outstanding consolidated (8.8% and 9.4% as of December 31, 2020), which was set up against credit risk.

(c) Liquidity risk

It is the risk that the Company may not have sufficient net funds to honor its financial commitments, as a result of the mismatch of term or volume between expected receipts and payments.

Future receipt and payment premises are established to manage cash liquidity in domestic and foreign currency, which are monitored on a daily basis by the Treasury Department.

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In thousands of Brazilian Reais, unless otherwise indicated

	Consolidated				
	2021				
	Contractual cash flow				
	Carrying Amount	Total	Between one and two years	Between two and five years	Over five years
Non-derivative financial liabilities					
Loans and Financing	2,320,959	2,636,522	922,892	1,564,321	149,309
Lease obligations	59,626	59,626	30,998	18,925	9,703
Suppliers	459,049	459,049	459,049	-	-
Derivative financial liabilities					
Derivative financial instruments	921	921	921	-	-
	Consolidated				
	2020				
	Contractual cash flow				
	Carrying Amount	Total	Between one and two years	Between two and five years	Over five years
Non-derivative financial liabilities					
Loans and Financing	2,025,062	2,244,671	753,561	1,300,813	190,297
Lease obligations	70,968	70,968	36,696	21,415	12,857
Suppliers	358,825	358,825	358,825	-	-
Derivative financial liabilities					
Derivative financial instruments	5,723	5,723	5,723	-	-

(d) Sensitivity analysis

The following table shows the sensitivity analysis of the financial instruments, which describes the risks that may cause material variations for the Company, with a more probable scenario (scenario I), according to an evaluation carried out by Management, considering a 12-month horizon when the next financial statements should be disclosed. Two more scenarios are presented which, if occurring, may generate adverse results for the Company, scenario II considering a possible deterioration of 25%; and scenario III, a deterioration of 50%.

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<u>Premises</u>	<u>Effects of accounts on Net income</u>	Probable scenario (Scenario I)	(Scenario II)	(Scenario III)
CDI - %		11.25	14.06	16.88
TJLP - %		6.08	7.60	9.12
Exchange Rate - USD		5.60	7.00	8.40
Exchange rate - Euro		6.30	7.88	9.45
LIBOR - %		0.33	0.42	0.51
ACC cost discount - %		2.40	3.00	3.60
	Financial investments	115,311	144,123	172,928
	Inter-financial relations	104,515	114,762	125,010
	Loans and Financing	(128,117)	(232,715)	(333,783)
	<i>Forwards</i>	(140)	17,008	34,642
	Accounts receivable subtracted from accounts payable	690	48,729	96,769
	Gain/(Loss)	<u>92,259</u>	<u>91,907</u>	<u>95,566</u>

4.2 Capital management

The Company's objective in managing capital is to safeguard the ability of its operational continuity, to guarantee return to shareholders, maintaining an optimized capital structure to reduce capital costs.

Seeking the sustainability and perpetuation of its business, in addition to social and environmental aspects, the Company places emphasis on the economic and financial results, which result in added value to the business and return to shareholders. In order to monitor the performance, the methodology known as Value-added Management was adopted in 2001, which focuses on operational actions which result in superior financial performance. The staff received training under this program on the development and use of measurement and control tools to accomplish targets, thus enabling the simulation and analysis of efficiency in the management of working capital and the effects of new investments on the Company's profitability. Simultaneously, Marcopolo adopted the concepts of BSC (*Balanced Score Card*) which translates each unit's strategy into objectives, drivers, targets and action plans, which are frequently monitored and managed. The tools related to the objectives are: WACC (*Weighted Average Cost of Capital*), Net Debt/EBITDA (*Earnings Before Interest, Taxes, Depreciation and Amortization*) and Debt/Shareholders' Equity Ratio. In recent years, these key indicators have been:

WACC - between 8% and 12% p.a.

Net Debt/EBITDA - between 0.90x and 2.50x

Debt/net equity ratio - between 15% and 80%

The financial leverage indexes at December 31, 2021 and 2020 can be summarized as follows (Note 31):

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In thousands of Brazilian Reais, unless otherwise indicated

	<u>Consolidated</u>		<u>Industrial Segment</u>		<u>Financial Segment (*)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Total loans	2,320,959	2,025,062	1,813,557	1,449,439	507,402	575,623
Derivative financial instruments	921	5,723	921	5,723	-	-
Less: cash and cash equivalents	(1,322,975)	(1,040,931)	(1,279,679)	(989,248)	(43,296)	(51,683)
Less: derivative financial instruments	(683)	(2,641)	(683)	(2,641)	-	-
Net debt (A)	<u>998,222</u>	<u>987,213</u>	<u>534,116</u>	<u>463,273</u>	<u>464,106</u>	<u>523,940</u>
Total net equity (B)	<u>2,956,231</u>	<u>2,607,996</u>	<u>2,722,650</u>	<u>2,380,060</u>	<u>233,581</u>	<u>227,936</u>
Financial leverage ratio - % (A/B)	34	38	20	19	199	230

(*) Banco Moneo maintains equity compatible with the degree of risk of the structure of its assets, according to Resolution 2.099/94 of the National Monetary Council and complementary legislation.

4.3 Estimated fair value

It is assumed that the balances of Trade accounts receivable and accounts payable to suppliers at their carrying amount, less *impairment*, are close to their fair values. The fair value of financial liabilities for reporting purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The Company applies CPC 40/IFRS 7 to financial instruments measured in the balance sheet at fair value, which requires disclosure of fair value measurements by the level of the following measurement hierarchy at fair value:

- . Quoted prices (unadjusted) on active markets for identical assets and liabilities (level 1);
- . Information other than quoted prices included within level 1 that is adopted by the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- . Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The table below presents the Company's assets and liabilities measured at fair value as of December 31, 2021 and 2020, which were fully classified at level 2:

	<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>
Assets		
Financial assets at fair value through profit or loss		
Derivatives for trading	<u>683</u>	<u>2,641</u>
	<u>683</u>	<u>2,641</u>
Liabilities		
Financial liabilities at fair value through profit or loss		
Derivatives for trading	<u>921</u>	<u>5,723</u>
	<u>921</u>	<u>5,723</u>

4.4 Other risk factors

The Company, upon the initiative of the Board of Directors, may perform internal evaluation procedures whenever external or internal factors indicate the possibility that distortions in the financial statements have occurred. Such procedures are performed independently, with or without the support of external experts, and their results are reported to the Board of Directors.

5 Financial instruments by category

(a) Financial assets measured at fair value through profit or loss

(i) Derivatives - The derivative instruments obtained by the Company are intended to protect its portfolio ordering operations and exposure to fluctuations risks in exchange rates and interest rates, and are not used for speculative purposes.

(b) Financial assets measured at the amortized cost

(i) Cash and cash equivalents - Checking account balances held at banks have their market values similar to the accounting balances, considering their characteristics and maturities;

(ii) Financial investments - Financial investments are measured at the amortized cost;

(iii) Trade accounts receivable - Trade accounts receivable for the sale of goods and services rendered; and

(iv) Related parties - Represented by loans.

(c) Financial liabilities measured at the fair value through profit or loss

(i) Derivatives - The derivative instruments obtained by the Company are intended to protect its portfolio ordering operations and exposure to fluctuations risks in exchange rates and interest rates, and are not used for speculative purposes.

(d) Financial liabilities measured at the fair value through profit or loss

(i) Loans and financing - Loans and financing are recorded based on the contractual interest of each operation. The difference between the book value and the market value, determined by the discounted cash flow method, can be summarized as follows:

Nature of the asset	Consolidated			
	2021		2020	
	Equity value	Market value	Equity value	Market value
Loans and Financing	2,320,959	2,340,679	2,025,062	2,031,995

(ii) Suppliers - Represented by amounts payable for the purchase of merchandise and services.

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(e) Derivative financial instruments

The table below presents an estimate of the market value of our position of Non-deliverable Forward (NDF) and *Forward* contracts. Unrealized gains and losses on derivative transactions are recorded (if loss) under the heading of derivative financial instruments or (if gain) under derivative financial instruments and the corresponding entry in the result in the heading financial income or expenses - exchange rate change, respectively.

Assets

<u>Company</u>	<u>Counterpart</u>	<u>Position</u>	<u>Start</u>	<u>End</u>	<u>Notional</u>	<u>Fair value</u>		<u>Values</u>	
					<u>value</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Marcopolo</u>					USD thousand				
	VOTORANTIM	Purchase	11/12/21	02/17/22	2,000	131	718	131	718
	BRADESCO	Sale	-	-	-	-	285	-	285
	SANTANDER	Sale	-	-	-	-	184	-	184
						131	1,187	131	1,187
<u>Masa</u>					USD thousand				
	STD	Purchase	10/29/21	02/28/22	874	171	20	171	20
						171	20	171	20
<u>Ciferal</u>					USD thousand				
	BRADESCO	Sale	12/28/20	01/31/22	3,627	290	221	290	221
						290	221	290	221
<u>San Marino</u>					USD thousand				
	BRADESCO	Sale	-	-	-	-	1,213	-	1,213
						-	1,213	-	1,213
<u>MP Australia</u>					USD thousand				
	WESTERN UNION	Purchase	05/17/21	02/10/22	1,000	76	-	76	-
					CHF thousand				
	WESTERN UNION	Purchase	05/17/21	02/10/22	34	6	-	6	-
					SGD thousand				
	WESTERN UNION	Purchase	05/17/21	02/10/22	56	9	-	9	-
						91	-	91	-
						683	2,641	683	2,641

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Liabilities

Company	Counterpart	Position	Start	End	Notional	Fair value		Values payable	
					value	2021	2020	2021	2020
					<u>USD</u>				
					thousand				
Marcopolo									
	PACTUAL	Purchase	10/28/21	03/15/22	2,729	(444)	-	(444)	-
	SANTANDER	Purchase	10/08/21	01/18/22	916	(19)	-	(19)	-
	BBA	Purchase	-	-	-	-	(3,255)	-	(3,255)
	BRADESCO	Purchase	10/20/21	02/15/22	3,550	(252)	(136)	(252)	(136)
	BRAZIL	Purchase	10/08/21	01/11/22	916	(15)	(101)	(15)	(101)
	FIBRA	Purchase	10/08/21	02/10/22	2,257	(101)	(207)	(101)	(207)
	VOTORANTIM	Purchase	11/17/21	03/22/22	2,237	(89)	(9)	(89)	(9)
						(920)	(3,708)	(920)	(3,708)
					<u>USD</u>				
					thousand				
San Marino									
	BRADESCO	-	-	-	-	-	(243)	-	(243)
						-	(243)	-	(243)
					<u>USD</u>				
					thousand				
MP Australia									
	WESTERN UNION	Purchase	-	-	-	-	(825)	-	(825)
					<u>CHF</u>				
					thousand				
	WESTERN UNION	Purchase	-	-	-	-	(96)	-	(96)
					<u>SGD</u>				
					thousand				
	WESTERN UNION	Purchase	-	-	-	-	(371)	-	(371)
					<u>EUR</u>				
					thousand				
	WESTERN UNION	Purchase	05/17/21	02/10/22	15	(1)	(127)	(1)	(127)
						(1)	(1,419)	(1)	(1,419)
					<u>USD</u>				
					thousand				
Masa									
	STD	Purchase	-	-	-	-	(353)	-	(353)
						-	(353)	-	(353)
						(921)	(5,723)	(921)	(5,723)

Marcopolo earned gains and losses on derivatives in the years ended December 31, 2021 and 2020 as follows:

	<u>Realized gains/losses</u>			
	<u>Interest on derivatives</u>		<u>Exchange variation on derivatives</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Marcopolo	(3,456)	(483)	6,606	2,606
Ciferal	627	213	(852)	(6,798)
San Marino	211	244	(1,625)	(5,531)
Masa	-	-	(227)	-
MP Australia	-	-	1,353	(1,164)

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6 Consolidated financial statements

The consolidated financial statements include the statements of Marcopolo S.A. and its subsidiaries, as listed below:

(a) Subsidiaries

	Percentage participation					
	2021			2020		
	Direct	Indirect	Non-controlling	Direct	Indirect	Non-controlling
Apolo	65.00	-	35.00	65.00	-	35.00
Arcanjos	-	100.00	-	-	100.00	-
Banco Moneo	-	100.00	-	-	100.00	-
Ciferal	99.99	0.01	-	99.99	0.01	-
Ilmot	100.00	-	-	100.00	-	-
MAC	100.00	-	-	100.00	-	-
Masa	100.00	-	-	100.00	-	-
MBC	100.00	-	-	100.00	-	-
Metalsur	43.99	26.01	30.00	43.99	26.01	30.00
MIC	100.00	-	-	100.00	-	-
Moneo	100.00	-	-	100.00	-	-
MP Australia	100.00	-	-	100.00	-	-
MP Canada	100.00	-	-	100.00	-	-
MP Middle East	100.00	-	-	100.00	-	-
MP Next	99.99	0.01	-	99.99	0.01	-
Neobus Chile (2)	-	100.00	-	-	100.00	-
NewRoad (2)	-	100.00	-	-	100.00	-
Polo Venture	99.99	0.01	-	99.99	0.01	-
Pologren (1)	-	100.00	-	-	100.00	-
Polomex	3.61	70.39	26.00	3.61	70.39	26.00
Rotas do Sul (2)	-	100.00	-	-	100.00	-
San Marino	100.00	-	-	99.90	0.10	-
San Marino Mexico (2)	-	100.00	-	-	100.00	-
Syncroparts	100.00	-	-	99.99	0.01	-
Trading	99.99	0.01	-	99.99	0.01	-
Volare Comércio	100.00	-	-	99.90	0.10	-
Volare Veículos	100.00	-	-	99.90	0.10	-
Volgren (1)	-	100.00	-	-	100.00	-

(1) Consolidation in MP Australia.

(2) Consolidation in San Marino.

In the preparation of the consolidated financial statements, the following practices should be highlighted:

- (a) Elimination of asset and liability account balances between consolidated companies;
- (b) Elimination of equity, reserves and retained earnings of subsidiaries;
- (c) Elimination of the balances of revenues and expenses, as well as unrealized profits, arising from intercompany transactions. Unrealized losses are eliminated in the same manner, but only when there is no evidence of impairment of the related assets;
- (d) Elimination of tax charges on the portion of unrealized profit presented as deferred taxes in the

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consolidated balance sheet; and

(e) Highlighting of the value of the non-controlling interest in the consolidated financial statements.

(b) Joint ventures (non-consolidated)

	Percentage participation			
	2021		2020	
	Direct	Indirect	Direct	Indirect
Loma	51.00	-	51.00	-
Metalpar	1.00	49.00	1.00	49.00
Kamaz (*)	-	-	50.00	-
Superpolo	20.61	29.39	20.61	29.39

(*) Investment sold on September 10, 2021.

The amount of the main balances of the financial statements of these companies is shown as follows:

	Assets		Liabilities		Net revenue		Profit (loss)	
	2021	2020	2021	2020	2021	2020	2021	2020
Kamaz	-	565	-	743	-	-	312	(510)
Superpolo	413,947	412,468	216,232	199,198	261,019	520,951	19,539	44,374

(c) Associates (non-consolidated)

	Percentage participation			
	2021		2020	
	Direct	Indirect	Direct	Indirect
GB Polo	20.00	-	20.00	-
Mercobus	40.00	-	40.00	-
New Flyer	-	9.28	-	10.54
Valeo	40.00	-	40.00	-
Setbus (1)	-	40.00	-	40.00
Spheros Colômbia (1)	-	40.00	-	40.00
Valeo México (1)	-	40.00	-	40.00
WSul	30.00	-	30.00	-

(1) Consolidated in the associates (non-consolidated) Valeo.

The amount of the main balances of the financial statements of these companies is shown as follows:

	Assets		Liabilities		Net revenue		Profit (loss)	
	2021	2020	2021	2020	2021	2020	2021	2020
GBPolo	119,969	115,837	149,124	136,717	31,032	58,398	(5,805)	3,945
Mercobus	5,550	9,354	1,975	2,824	4,732	5,499	445	828
Valeo	165,249	155,686	63,201	56,408	174,477	136,880	1,810	19,685
WSul	16,387	12,348	9,324	4,165	31,801	27,489	880	307

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The nature of the participation is presented below:

Apolo Soluções em Plásticos Ltda. - with 65% participation in the capital is located in Caxias do Sul, State of Rio Grande do Sul, Brazil and its object is the injection of plastic parts, development, manufacture and trade of plastic products and materials.

Marcopolo Middle East and Africa FZE. - Full subsidiary, located in Dubai, United Arab Emirates. The objective of Marcopolo Middle East is the development of commercial relations with the Middle East.

Moneo Investimentos S.A. - Full subsidiary, located in Caxias do Sul, State of Rio Grande do Sul, Brazil. Moneo's objective is to hold stakes in other companies, exclusively in those that are financial institutions or other institutions authorized to operate by the Central Bank of Brazil and has the following wholly-owned subsidiary:

Banco Moneo S.A. - located in Caxias do Sul, State of Rio Grande do Sul, Brazil, has as its object the banking activity in general, in all modalities for which it is authorized by the Central Bank and operates in the Brazilian market.

Marcopolo Next Serviços em Mobilidade Ltda. - Full subsidiary, located in Caxias do Sul, State of Rio Grande do Sul, Brazil. Its purpose is to provide services and solutions in mobility.

Polo Venture Participações Ltda. - Full subsidiary, located in Caxias do Sul, State of Rio Grande do Sul, Brazil. Its main purpose is the participation in the capital of other companies in the country and abroad.

- Arcanjos Investimento e Participações Ltda. – Indirect subsidiary, located in the city and state of São Paulo, Brazil. Its main purpose is the participation in the share capital of other companies.

Ciferal Indústria de Ônibus Ltda. - Full subsidiary, located in Duque de Caxias, State of Rio de Janeiro, Brazil, its purpose is to manufacture bus and minibus bodies, parts, components and accessories of its own manufacture.

San Marino Ônibus Ltda. - Full subsidiary, located in Caxias do Sul, State of Rio Grande do Sul, Brazil. The purpose of San Marino is to manufacture bodies for buses and minibuses, their parts, parts, components and accessories, of their own manufacture and participation in other companies, having the following subsidiaries:

- San Marino Bus de México S.A. de C.V. - Full subsidiary, located in Toluca, State of Mexico, Mexico, to manufacture bus bodies.
- Rotas do Sul Logística Ltda. - Full subsidiary located in Caxias do Sul, State of Rio Grande do Sul, Brazil, providing transportation services.
- NewRoad México S.A. de C.V. - Full subsidiary, located in Mexico, with the objective of coupling bodies and selling parts.
- Neobus Chile SPA. - Full subsidiary, located in Chile, engaged in the sale of products and parts.

Ilmot International Corporation. - Full subsidiary, located in Uruguay. Ilmot is engaged in holding interests in other companies and has the following subsidiaries/associates:

- Polomex S.A. de C.V. – located in Monterrey, Nuevo León, Mexico. Polomex is a bus body manufacturer.
- Superpolo S.A.S. – located in Colombia. Superpolo's objective is to manufacture bus bodies.

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Marcopolo Auto Components Co. - full subsidiary, located in ChangZhou City, China, aims to pursue the development and sales promotion of bus components.

Marcopolo Austrália Holdings Pty Ltd. – Full subsidiary, located in Melbourne, Australia. The objective of MP Australia is to hold shares in other companies and has the following subsidiary:

- Pologren Austrália Holdings Pty Ltd. – Subsidiary, located in Melbourne, Australia. The objective of Pologren is to hold stakes in other companies and it has the following subsidiary:
 - Volgren Austrália Pty Limited. - located in Melbourne, Australia, with a 100% interest in the capital. Volgren's objective is to manufacture bus bodies.

Marcopolo (Changzhou) Bus Manufacturing Co; Ltd. - Full subsidiary, located in ChangZhou City, China, engaged in the development and manufacture of bus bodies and components.

Marcopolo Canada Holdings Corp. Full subsidiary, located in Canada. MP Canada is engaged in participation in other companies and has the following associate:

- New Flyer Industries Inc. - located in Canada, with a 9.28% stake in the capital. The objective of New Flyer is to manufacture buses.

Marcopolo International Corp. - Full subsidiary, located in the British Virgin Islands. The activities of this subsidiary are currently suspended.

Marcopolo South África Pty Ltd. – Full subsidiary, located in Johannesburg, South Africa, to manufacture bus bodies.

Marcopolo Trading S.A. - Full subsidiary, located in Caxias do Sul, State of Rio Grande do Sul, Brazil. Its purpose is to provide technical services related to foreign trade.

Syncroparts Com. e Distr. de Peças Ltda. - Full subsidiary, located in Caxias do Sul, State of Rio Grande do Sul, Brazil. Its purpose is the trade and distribution of parts for motor vehicles, and interests in other companies.

Volare Veículos Ltda. – Full subsidiary, located in São Mateus, State of Espírito Santo, Brazil, its purpose is to manufacture bus and minibus bodies, parts, components and accessories.

Volare Comércio e Distribuição de Veículos e Peças Ltda. – Full subsidiary, located in São Paulo, State of São Paulo, Brazil, engaged in the wholesale of parts and accessories for motor vehicles.

GB Polo Bus Manufacturing S.A.E. - Associate, with a 20% stake in the capital, located in Suez, Egypt, engaged in manufacturing bus bodies.

Loma Hermosa S.A. - Associate, with a 51% interest in the capital, located in the Province of Buenos Aires, Argentina. Loma is engaged in holding interests in other companies and has the following subsidiaries/associates::

- Metalpar S.A. – Subsidiary, with a 98% stake in the capital, located in the Province of Buenos Aires, Argentina. Metalpar's objective is to manufacture bus bodies.
- Metalsur Carrocerias S.R.L. – Subsidiary, with a 51% stake in the capital, located in the Province of Santa Fe, Argentina. Metalsur's objective is to manufacture bus bodies.

Valeo Climatização do Brasil – Veículos Comerciais S.A. – Associate, with 40% stake in the capital, located in Caxias do Sul, State of Rio Grande do Sul, Brazil. Valeo's objective is the assembly, commercialization, import

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and export of refrigeration and air conditioning equipment and participation in other companies, with the following subsidiaries:

- Valeo Thermal Commercial Vehicles México S.A. de C.V. – Full subsidiary, located in Mexico and engaged in the assembly, sale, import and export of refrigeration and air conditioning equipment.
- Spheros Thermosystems Colombia Ltda. – Full subsidiary, located in Colombia and engaged in the assembly, sale, import and export of refrigeration and air conditioning equipment.

WSul Espumas Indústria e Comércio Ltda. – Associate, with 30% stake in the capital, located in Caxias do Sul, State of Rio Grande do Sul, Brazil. WSul's objective is the manufacture and commercialization of polyurethane foam, moldings and their derivatives.

7 Cash and cash equivalents, financial assets and derivatives

7.1 Cash and cash equivalents

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Cash and bank deposits				
In Brazil	82,194	109,131	93,599	116,340
Overseas	314	481	88,142	72,552
Securities of immediate liquidity				
In Brazil (*)	734,930	517,070	1,114,697	825,633
Overseas	-	-	26,537	26,406
Total cash and cash equivalent	<u>817,438</u>	<u>626,682</u>	<u>1,322,975</u>	<u>1,040,931</u>

(*) Corresponds substantially to investments in Bank Deposit Certificates (CDB), remunerated at rates that vary between 94.0% and 105.0% CDI, resulting in a weighted average of 101.89% of the CDI on December 31, 2021.

7.2 Financial assets measured at amortized cost loss and derivative financial instruments

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current				
Derivative financial instruments				
Derivatives - <i>Non Deliverable Forwards</i>	131	1,187	683	2,641
	<u>131</u>	<u>1,187</u>	<u>683</u>	<u>2,641</u>
Noncurrent				
At amortized cost				
Related parties	106,539	69,295	75,061	67,961
	<u>106,539</u>	<u>69,295</u>	<u>75,061</u>	<u>67,961</u>

Derivative financial instruments are presented as current assets or liabilities. The Company does not have financial instruments that have been recorded under the *hedge accounting* method in accordance with IAS 39.

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8 Trade accounts receivable

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current				
In the domestic market	84,850	136,928	180,039	327,049
In the foreign market	142,352	218,278	324,855	463,042
Related parties	81,479	71,603	-	-
Inter-financial relations	-	-	267,536	284,981
Adjustment to present value	(2,951)	(1,941)	(7,087)	(7,915)
Allowance for doubtful accounts	(38,210)	(37,354)	(107,768)	(96,705)
	<u>267,520</u>	<u>387,514</u>	<u>657,575</u>	<u>970,452</u>
Noncurrent				
In the foreign market	-	-	28,788	-
Inter-financial relations	-	-	459,420	500,448
Allowance for doubtful accounts	-	-	(52,753)	(50,515)
	<u>-</u>	<u>-</u>	<u>435,455</u>	<u>449,933</u>
	<u>267,520</u>	<u>387,514</u>	<u>1,093,030</u>	<u>1,420,385</u>

Interbank relations refer to loans for bus financing by Banco Moneo, through onlending of the FINAME program of BNDES.

The composition of trade accounts receivable by maturity is as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Amounts due	231,300	315,067	1,077,418	1,337,103
Overdue:				
Up to 30 days	6,955	18,324	54,172	53,907
Between 31 and 60 days	5,296	1,314	8,142	20,947
Between 61 and 90 days	2,916	1,189	3,946	7,822
Between 91 and 180 days	2,808	2,323	9,239	30,728
Over 181 days	59,406	88,592	107,721	125,013
Adjustment to present value	(2,951)	(1,941)	(7,087)	(7,915)
Allowance for doubtful accounts	(38,210)	(37,354)	(160,521)	(147,220)
	<u>267,520</u>	<u>387,514</u>	<u>1,093,030</u>	<u>1,420,385</u>

The allowance for doubtful accounts is shown below:

	<u>Parent company</u>	<u>Consolidated</u>
Balance on January 1, 2020	(42,528)	(140,740)
Allowance recorded in the year	(4,798)	(30,310)
Reversal of allowance for accounts receivable (<i>write-off</i>)	9,972	14,934
Loss allowance write-downs	-	13,406
Exchange variation	-	(4,510)
Balance on December 31, 2020	<u>(37,354)</u>	<u>(147,220)</u>

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	<u>Parent company</u>	<u>Consolidated</u>
Allowance recorded in the year	(7,259)	(40,564)
Reversal of allowance for accounts receivable (<i>write-off</i>)	6,403	26,345
Recovery of provisioned credits	-	1,451
Exchange variation	-	(533)
Balance on December 31, 2021	<u>(38,210)</u>	<u>(160,521)</u>

Accounts receivable are denominated in the following currencies:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Brazilian Reais	125,168	169,236	783,074	1,003,343
Dirham	-	-	313	431
US Dollar	142,352	218,278	170,354	243,565
Australian Dollar	-	-	28,439	71,172
Argentine Peso	-	-	21,555	54,449
Rand	-	-	21,222	14,690
Renminbi	-	-	9,871	6,526
Mexican Peso	-	-	58,202	26,209
	<u>267,520</u>	<u>387,514</u>	<u>1,093,030</u>	<u>1,420,385</u>

9 Inventories

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Finished products	55,758	38,263	207,922	224,238
Products in preparation	44,559	34,983	145,232	110,781
Raw and auxiliary materials	220,509	135,164	569,584	372,143
Advances to suppliers and others	41,134	13,146	81,362	54,915
Allowance for losses in inventories	(5,361)	(6,469)	(16,486)	(13,666)
	<u>356,599</u>	<u>215,087</u>	<u>987,614</u>	<u>748,411</u>

The change in the allowance for inventory losses is shown below:

	<u>Parent company</u>	<u>Consolidated</u>
Balance on January 1, 2020	(5,110)	(10,574)
Reversal of allowance	128	4,319
Allowance recorded in the year	(1,487)	(6,448)
Exchange variation	-	(963)
Balance on December 31, 2020	(6,469)	(13,666)
Reversal of allowance	3,141	6,634
Allowance recorded in the year	(2,033)	(8,899)
Exchange variation	-	(555)
Balance on December 31, 2021	<u>(5,361)</u>	<u>(16,486)</u>

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10 Taxes and contributions recoverable

	Parent company		Consolidated	
	2021	2020	2021	2020
Current				
Corporate Income Tax (IRPJ)	9,727	25,408	15,462	35,704
Social Contribution on Net income (CSLL)	7,542	17,266	9,443	21,873
Tax on Industrialized Products (IPI)	2,470	2,632	3,925	3,940
Tax on Circulation of Goods and Services (ICMS)	11,771	5,553	27,912	17,246
Social Integration Program (PIS)	2,232	2,768	13,668	20,746
Contribution to Social Security Financing (COFINS)	9,964	12,536	57,581	92,539
National Institute of Social Security (INSS)	-	-	584	584
Reintegra	820	3,241	1,677	4,191
Value Added Tax (IVA)	-	-	77,561	29,002
Pis/Cofins to recover - ICMS exclusion base calculation (ii)	-	-	16,272	-
Other	11,303	2,422	10,071	2,886
	55,829	71,826	234,156	228,711
Noncurrent				
Tax on Circulation of Goods and Services (ICMS)	3,368	4,288	3,644	4,327
Pis/Cofins to recover - ICMS exclusion base calculation (ii)	298,929	-	402,031	-
IRPJ/CSLL recoverable on Selic rate (i)	84,721	-	90,834	-
Value Added Tax (IVA)	-	-	11,583	586
	387,018	4,288	508,092	4,913
	442,847	76,114	742,248	233,624

(i) Its details are contained in note 29 (i).

(ii) Its details are contained in note 29 (iii).

11 Investments

	Parent company		Consolidated	
	2021	2020	2021	2020
Subsidiaries	2,118,118	1,960,849	-	-
Jointly controlled entities	119,165	124,779	102,915	111,462
Associates	44,368	44,778	451,901	374,458
Other investments	-	-	5,307	3,392
	2,281,651	2,130,406	560,123	489,312

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(a) Investment in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are as follows:

Subsidiaries:

																					Subsidiaries			
	Apolo	Ciferal	Ilmot	Loma Metalsur	MAC	MBC	MP Australia	Masa	Metalsur	MIC	Moneo	MP Canada	MP Middle East	MP Next	Polomex	San Marino	Polo Venture	Syncro	Trading	Volare Vehicles	Volare Commerce	2021	2020	
Investment Data			(1)	(1)	(1)	(1)	(1)	(1)(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)								
Share capital	3,850	20,000	85,930	18,998	35,174	20,908	90,972	10,867	18,998	7,812	150,000	195,446	1,519	5,000	53,796	288,055	20,000	4,000	5,000	313,810	11,000			
Net worth	8,151	110,394	183,582	10,026	(22,396)	(2,547)	87,896	68,916	5,749	8,347	235,196	515,032	(2,567)	(1,732)	179,446	564,058	7,676	6,264	8,889	275,711	5,496			
Shares or quotas held	3,250,000	124,994	50,000	4,897,938	1	1	100	100,000	4,897,938	1,400,000	150,000	4,925,530	1	4,999,500	3,011,659	288,054,976	19,998,000	4,000,000	4,999,850	263,260,000	11,000,000			
% participation	65.00	99.99	100.00	26.01	100.00	100.00	100.00	100.00	43.99	100.00	100.00	100.00	100.00	99.99	3.61	100.00	99.99	100.00	99.99	100.00	100.00			
Net income (loss) for the year	1,245	49,696	(9,151)	(13,114)	(23,741)	(9,160)	(10,332)	1,217	(13,112)	5,159	8,267	1,465	(2,605)	(5,047)	(18,255)	106,153	(5,400)	162	487	5,252	97			
Changes in Investments																								
Opening balances:																								
By the equity value	4,489	180,705	196,619	3,596	-	-	98,056	68,506	30,952	2,449	231,147	406,955	81	-	6,833	487,509	3,250	6,101	8,517	219,690	5,394	1,960,849	1,713,714	
Reclassification of allowance for investment loss	-	-	-	-	(6,932)	(9,284)	-	-	-	-	-	-	-	(426)	-	-	-	-	-	-	-	(16,642)	(3,917)	
Acquisition of participation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	442	-	1	-	219	5	667	-	
Advance for capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	3,740	-	-	9,824	-	-	50,550	-	64,114	47,712	
Payment of capital	-	-	-	-	10,323	15,876	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,199	8,060	
Dividends received/reversed	-	(119,994)	(3,692)	-	-	-	-	-	-	-	(4,218)	-	-	-	-	(30,000)	-	-	(116)	-	-	(158,020)	(5,486)	
Equity income (loss)	809	49,694	(9,151)	(3,411)	(23,741)	(9,160)	(10,332)	1,217	(5,768)	5,159	8,267	1,465	(2,605)	(5,046)	(659)	106,153	(5,399)	162	487	5,252	97	103,490	(4,618)	
Cumulative conversion adjustments	-	(16)	(194)	(371)	(2,046)	21	172	(807)	(627)	739	-	106,612	(43)	-	304	103	-	-	-	-	-	103,847	211,797	
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(56,932)	
Exchange variation on capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,302	
Monetary correction for hyperinflation	-	-	-	1,680	-	-	-	-	2,841	-	-	-	-	-	-	-	-	-	-	-	-	4,521	5,724	
Capital gains amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(149)	-	-	-	-	-	(149)	(149)	
Closing balances:	5,298	110,389	183,582	1,494	(22,396)	(2,547)	87,896	68,916	27,398	8,347	235,196	515,032	(2,567)	(1,732)	6,478	564,058	7,675	6,264	8,888	275,711	5,496	2,088,876	1,944,207	
Allowance for loss of investment	-	-	-	-	22,396	2,547	-	-	-	-	-	-	-	2,567	1,732	-	-	-	-	-	-	-	29,242	16,642
By the equity value	5,298	110,389	183,582	1,494	-	-	87,896	68,916	27,398	8,347	235,196	515,032	-	-	6,478	564,058	7,675	6,264	8,888	275,711	5,496	2,118,118	1,960,849	

- (1) Enterprises overseas.
(2) These balances include investments and goodwill.

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Joint ventures:

					Joint ventures	
					Total	
	Kamaz	Loma	Metalpar	Superpolo	2021	2020
	(1)	(1),(2)	(1)	(1)		
Investment Data						
Share capital	10,524	111,878	18,240	17,731		
Net worth	-	(77,150)	(75,900)	197,715		
Shares or quotas held	1	15,949,948	473,995	265,763		
% participation	50.00	51.00	1.00	20.61		
Net income (loss) for the period	312	10,698	25,300	19,539		
Changes in Investments						
Opening balances:						
By the equity value	-	42,567	-	43,955	86,522	124,264
Reclassification of allowance for investment loss	(89)	-	(752)	-	(841)	(1,126)
Payment of capital	-	-	-	-	-	865
Dividends received	-	-	-	(2,909)	(2,909)	-
Equity income (loss)	156	5,456	253	4,027	9,892	(22,623)
Cumulative conversion adjustments	503	4,415	92	(4,324)	686	2,064
Monetary correction for hyperinflation	-	(17,718)	(350)	-	(18,068)	(10,011)
Exchange variation on disposal of investment	(510)	-	-	-	(510)	18,868
Disposal of investment	-	-	-	-	-	(25,069)
Capital gains amortization	-	(1,551)	-	-	(1,551)	(1,551)
Investment write-off	(60)	-	-	-	(60)	-
Closing balances:	-	33,169	(757)	40,749	73,161	85,681
Allowance for loss of investment	-	45,247	757	-	46,004	39,098
By the equity value	-	78,416	-	40,479	119,165	124,779
Goodwill on investment	-	(52,172)	-	-	(52,172)	(52,172)
Allocation of the purchase price	-	(22,184)	-	-	(22,184)	(23,824)
Indirect participation - Superpolo	-	-	-	58,106	58,106	62,679
By the consolidated equity value	-	4,060	-	98,855	102,915	111,462

(1) Enterprises overseas.

(2) These balances include investments and goodwill.

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Associates:

						Associates	
						Total	
	<u>GBPolo</u>	<u>Mercobus</u>	<u>Valeo</u>	<u>WSul</u>	<u>New Flyer</u>	<u>2021</u>	<u>2020</u>
	(1)	(1)			(1)		
Investment Data							
Share capital	34,933	813	30,000	6,100	4,864,975		
Net worth	(29,155)	3,575	102,048	7,063	4,391,519		
Shares or quotas held	4,803,922	232	244,898	1,830,000	6,587,834		
% participation	20.00	40.00	40.00	30.00	9.28		
Net income (loss) for the year	(5,805)	445	1,810	880	18,382		
Changes in Investments							
Opening balances:							
By the equity value	-	2,612	39,711	2,455	-	44,778	38,355
Reclassification of allowance for investment loss	(4,176)	-	-	-	-	(4,176)	(3,937)
Dividends received	-	(1,240)	-	(600)	-	(1,840)	(2,511)
Equity income (loss)	(1,161)	178	724	264	-	5	9,086
Cumulative conversion adjustments	(494)	(120)	384	-	-	(230)	(391)
Closing balances:	(5,831)	1,430	40,819	2,119	-	38,537	40,602
Allowance for loss of investment	5,831	-	-	-	-	5,831	4,176
By the equity value	-	1,430	40,819	2,119	-	44,368	44,778
Indirect participation - New Flyer	-	-	-	-	407,533	407,533	329,680
By the equity value	-	1,430	40,819	2,119	407,533	451,901	374,458
(1) Enterprise abroad.							

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12 Investment property

The investment properties consist of two properties: one located in Três Rios and the other in Caxias do Sul. The land located in Três Rios, in Rio de Janeiro has 140.000m², its constructed area is 20.378,87m². The property is measured at its book value of BRL 41,764 and was valued at its fair value by a specialized valuer, at BRL 41,971. The land located in Caxias do Sul, in Rio Grande do Sul has 46,530.05m², its built area is 35,860.75m². The property is measured at its book value of BRL 6,240 and was valued at its fair value by a specialized valuer, at BRL 49,930. The fair values are net of marketing expenses and were calculated by specialized valuers. There are no operating activities being carried out at the sites, which are maintained to earn rental income or for the appreciation of the property. During the financial year of 2021 there were only irrelevant expenditures on surveillance, insurance and energy.

On December 15, 2021, the Company sold the property located in Duque de Caxias, RJ. The movements are shown below:

	Parent company			
	Land	Buildings and Constructions	Machinery and Equipment	Total
Balances as of December 31, 2020	2,609	3,542	326	6,477
Depreciation	-	(191)	(46)	(237)
Balances as of December 31, 2021	<u>2,609</u>	<u>3,351</u>	<u>280</u>	<u>6,240</u>
Cost of the investment property	2,609	3,558	330	6,497
Accumulated depreciation	-	(207)	(50)	(257)
Residual value	<u>2,609</u>	<u>3,351</u>	<u>280</u>	<u>6,240</u>
Annual depreciation rates - %		5.4	14.1	
	Consolidated			
	Land	Buildings and Constructions	Machinery and Equipment	Total
Balances as of December 31, 2020	29,076	57,264	3,021	89,361
Impairment	(2,679)	(2,905)	-	(5,584)
Write-offs	(3,575)	(29,715)	(2,028)	(35,318)
Fixed asset reclassification	-	-	1,995	1,995
Depreciation	-	(2,032)	(418)	(2,450)
Balances as of December 31, 2021	<u>22,822</u>	<u>22,612</u>	<u>2,570</u>	<u>48,004</u>
Cost of the investment property	22,822	24,998	3,799	51,619
Accumulated depreciation	-	(2,386)	(1,229)	(3,615)
Residual value	<u>22,822</u>	<u>22,612</u>	<u>2,570</u>	<u>48,004</u>
Annual depreciation rates - %		2.5	11.2	

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13 Property, Plant and Equipment

(a) Overview of the parent company's asset movements

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Machinery and equipment</u>	<u>Furniture and fixtures</u>	<u>IT equipment</u>	<u>Vehicles</u>	<u>Other property, plant and equipment</u>	<u>Total</u>	<u>Building usage rights</u>	<u>Total</u>
Balances on January 1, 2020	18,123	124,729	176,735	3,423	11,775	1,839	175	336,799	6,497	343,296
Additions	145	13,081	79,330	953	1,283	373	-	95,165	214	95,379
Write-offs	-	(460)	(2,726)	(43)	(65)	(83)	-	(3,377)	-	(3,377)
Reclassification for investment property	(2,609)	(3,558)	(330)	-	-	-	-	(6,497)	-	(6,497)
Transfers	-	366	93	(459)	-	-	-	-	-	-
Depreciation	-	(3,790)	(20,747)	(596)	(3,055)	(257)	-	(28,445)	(1,166)	(29,611)
Balances as of December 31, 2020	15,659	130,368	232,355	3,278	9,938	1,872	175	393,645	5,545	399,190
Cost of property, plant and equipment	15,659	198,309	397,190	9,430	28,961	5,946	175	655,670	7,509	663,179
Accumulated depreciation	-	(67,941)	(164,835)	(6,152)	(19,023)	(4,074)	-	(262,025)	(1,964)	(263,989)
Residual value	15,659	130,368	232,355	3,278	9,938	1,872	175	393,645	5,545	399,190
Balances as of December 31, 2020	15,659	130,368	232,355	3,278	9,938	1,872	175	393,645	5,545	399,190
Additions	-	11,131	56,710	229	3,374	79	-	71,523	2,038	73,561
Write-offs	-	(171)	(5,552)	(13)	(175)	(246)	-	(6,157)	-	(6,157)
Transfers	-	(395)	395	-	-	-	-	-	-	-
Depreciation	-	(3,732)	(23,642)	(673)	(3,190)	(209)	-	(31,446)	(1,686)	(33,132)
Balances as of December 31, 2021	15,659	137,201	260,266	2,821	9,947	1,496	175	427,565	5,897	433,462
Cost of property, plant and equipment	15,659	206,903	444,203	9,499	31,602	5,516	175	713,557	9,369	722,926
Accumulated depreciation	-	(69,702)	(183,937)	(6,678)	(21,655)	(4,020)	-	(285,992)	(3,472)	(289,464)
Residual value	15,659	137,201	260,266	2,821	9,947	1,496	175	427,565	5,897	433,462
Annual depreciation rates - %		2.8	11.8	9.0	15.0	12.3	9.4			

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(b) Summary of movement of consolidated property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Furniture and fixtures	IT equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Total	Building usage rights	Machines Use Rights	Total
Balances on January 1, 2020	61,247	431,323	333,993	8,762	13,543	5,306	7,491	29,570	891,235	48,907	1,061	941,203
Exchange rate effect	217	6,855	9,767	581	-	753	469	610	19,252	15,404	590	35,246
Monetary correction for hyperinflation	-	5,491	260	13	-	92	391	-	6,247	-	-	6,247
Additions	344	18,494	91,603	1,680	2,033	765	8,378	7,081	130,378	19,393	3,403	153,174
Write-offs	-	(804)	(1,253)	(374)	(176)	(714)	(126)	(259)	(3,706)	(563)	-	(4,269)
Reclassification for investment property	(6,184)	(34,888)	(431)	-	-	-	-	-	(41,503)	-	-	(41,503)
Transfers	-	11,328	924	(459)	860	-	-	(5,441)	7,212	-	-	7,212
Depreciation	-	(13,144)	(48,578)	(1,870)	(4,141)	(1,216)	(3,519)	-	(72,468)	(17,800)	(722)	(90,990)
Balances as of December 31, 2020	55,624	424,655	386,285	8,333	12,119	4,986	13,084	31,561	936,647	65,341	4,332	1,006,320
Cost of property, plant and equipment	55,624	535,817	827,903	25,859	37,170	16,882	37,907	31,561	1,568,723	104,825	5,340	1,678,888
Accumulated depreciation	-	(111,162)	(441,618)	(17,526)	(25,051)	(11,896)	(24,823)	-	(632,076)	(39,484)	(1,008)	(672,568)
Residual value	55,624	424,655	386,285	8,333	12,119	4,986	13,084	31,561	936,647	65,341	4,332	1,006,320
Balances as of December 31, 2020	55,624	424,655	386,285	8,333	12,119	4,986	13,084	31,561	936,647	65,341	4,332	1,006,320
Exchange rate effect	(9)	(1,148)	(340)	184	-	61	(186)	105	(1,333)	1,350	-	17
Monetary correction for hyperinflation	728	6,591	4,103	195	-	428	2,695	2,170	16,910	-	-	16,910
Additions	-	12,892	63,183	612	4,918	3,730	2,121	12,625	100,081	7,824	-	107,905
Write-offs	-	(3,037)	(7,642)	(407)	(459)	(781)	(151)	(24)	(12,501)	-	-	(12,501)
Transfers	6	19,757	966	1	-	89	(6)	(20,813)	-	-	-	-
Depreciation	-	(14,400)	(53,214)	(1,815)	(4,010)	(1,952)	(3,852)	(28)	(79,271)	(20,967)	(654)	(100,892)
Balances as of December 31, 2021	56,349	445,310	393,341	7,103	12,568	6,561	13,705	25,596	960,533	53,548	3,678	1,017,759
Cost of property, plant and equipment	56,349	564,742	872,636	25,544	40,556	19,288	44,115	25,596	1,648,826	113,246	6,258	1,768,330
Accumulated depreciation	-	(119,432)	(479,295)	(18,441)	(27,988)	(12,727)	(30,410)	-	(688,293)	(59,698)	(2,580)	(750,571)
Residual value	56,349	445,310	393,341	7,103	12,568	6,561	13,705	25,596	960,533	53,548	3,678	1,017,759
Annual depreciation rates - %		1.7	8.2	9.1	15.3	12.9						

Land and buildings comprise mainly factories and offices.

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(c) **Guarantee**

As of December 31, 2021, properties with a residual book value of BRL 20,225 (BRL 21,893 as of December 31, 2020) are subject to a registered guarantee to guarantee bank loans and contingencies.

14 Goodwill and intangible assets

(a) **Summary of the movement of the parent company's intangible assets**

	<u>Software</u>	<u>Trade marks and licenses</u>	<u>Total</u>
Balances on January 1, 2020	6,648	404	7,052
Additions	2,619	113	2,732
Amortizations	(2,024)	(27)	(2,051)
Balances as of December 31, 2020	<u>7,243</u>	<u>490</u>	<u>7,733</u>
Cost of intangible assets	60,219	863	61,082
Accumulated amortization	(52,976)	(373)	(53,349)
Residual value	<u>7,243</u>	<u>490</u>	<u>7,733</u>
Balances as of December 31, 2020	7,243	490	7,733
Additions	3,418	207	3,625
Amortizations	(2,295)	(37)	(2,332)
Balances as of December 31, 2021	<u>8,366</u>	<u>660</u>	<u>9,026</u>
Cost of intangible assets	63,637	1,070	64,707
Accumulated amortization	(55,271)	(410)	(55,681)
Residual value	<u>8,366</u>	<u>660</u>	<u>9,026</u>
Annual amortization rates - %	20.0	7.0	

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(b) Summary of the movement of consolidated goodwill and intangible assets

	<u>Software</u>	<u>Trade marks and licenses</u>	<u>Portfolio of customers</u>	<u>Other Intangible Assets</u>	<u>Goodwill</u>	<u>Total</u>
Balances on January 1, 2020	9,043	9,529	22,739	1,070	245,796	288,177
Exchange rate effect	(400)	-	3,818	168	60,415	64,001
Monetary correction for hyperinflation	248	-	-	-	-	248
Additions	3,847	115	-	-	-	3,962
Write-offs	(1)	-	-	-	-	(1)
Acquisition of investment	-	-	(1,924)	-	(3,485)	(5,409)
Amortizations	(3,885)	(33)	(681)	(449)	-	(5,048)
Balances as of December 31, 2020	<u>8,852</u>	<u>9,611</u>	<u>23,952</u>	<u>789</u>	<u>302,726</u>	<u>345,930</u>
Cost of intangible assets	81,475	10,021	57,163	10,762	302,726	462,147
Accumulated amortization	(72,623)	(410)	(33,211)	(9,973)	-	(116,217)
Residual value	<u>8,852</u>	<u>9,611</u>	<u>23,952</u>	<u>789</u>	<u>302,726</u>	<u>345,930</u>
Balances as of December 31, 2020	8,852	9,611	23,952	789	302,726	345,930
Exchange rate effect	(37)	-	-	-	7,034	6,997
Monetary correction for hyperinflation	546	-	-	-	-	546
Additions	3,700	223	-	-	-	3,923
Write-offs	(6)	-	-	(424)	-	(430)
Transfers	282	1	(283)	-	-	-
Amortizations	(3,855)	(41)	(682)	-	-	(4,578)
Balances as of December 31, 2021	<u>9,482</u>	<u>9,794</u>	<u>22,987</u>	<u>365</u>	<u>309,760</u>	<u>352,388</u>
Cost of intangible assets	86,272	10,245	56,452	10,245	309,760	472,974
Accumulated amortization	(76,790)	(451)	(33,465)	(9,880)	-	(120,586)
Residual value	<u>9,482</u>	<u>9,794</u>	<u>22,987</u>	<u>365</u>	<u>309,760</u>	<u>352,388</u>
Annual amortization rates - %	20.0	0.4	2.8	10.0		

Composition of goodwill:

	Goodwill				
	<u>Loma/ Metalsur</u>	<u>San Marino</u>	<u>New Flyer</u>	<u>Pologren</u>	<u>Total</u>
Balances as of December 31, 2020	52,172	30,739	76,484	143,331	302,726
Exchange rate effect	-	-	5,837	1,197	7,034
Balances as of December 31, 2021	<u>52,172</u>	<u>30,739</u>	<u>82,321</u>	<u>144,528</u>	<u>309,760</u>

(c) Goodwill test for impairment verification

(i) Goodwill of the direct subsidiary - San Marino

Composed of goodwill generated in the acquisition of the investment in San Marino in the amount of BRL 30,739. The projections to establish the recoverable value were prepared according to the value in use, and were made for a period of five years and in perpetuity. The main assumptions used as of December 31, 2021 were as follows: (i) gross margin of 18.47%, (ii) growth rate of 9.64% p.a., and (iii) discount rate calculated after taxes of 12.27% p.a., and considered the past experience of management, as well as the growth expectations of the Company's operating segment. The recoverable amount was compared with the book balance of the assets that make up the CGU and, as a result of this analysis and application of the assumptions described on discounted cash flows to determine the need to reduce the recoverable value of goodwill, the Management did not identify the need for recognition of impairment for this cash-generating unit. According to CPC 01, the Company designed the following sensitivity scenarios: (i) net revenue 25% lower and higher, (ii) EBITDA margin 25% lower and higher; and (iii) discount rate 1% lower and higher. Alternative scenarios would not result in the need for impairment.

(ii) Goodwill of the indirect subsidiary - Pologren

Composed of goodwill generated in the acquisition of the investment in Volgren in the amount of BRL 144,528. The projections to establish the recoverable value were prepared according to the value in use, considering the projection in the five-year period and in perpetuity. The main assumptions used as of December 31, 2021 were as follows: (i) gross margin of 17.53%, (ii) growth rate of 17.59% p.a., and (iii) discount rate of 8.7% p.a., and considered the past experience of management, as well as the growth expectations of the Company's operating segment. The recoverable amount was compared with the book balance of the assets that make up the CGU and, as a result of this analysis and application of the assumptions described on discounted cash flows to determine the need to reduce the recoverable value of goodwill, the Management did not identify the need for recognition of impairment for this cash-generating unit. According to CPC 01, the Company designed the following sensitivity scenarios: (i) Net revenue 25% lower and higher, (ii) EBITDA margin 25% lower and higher, and (iii) discount rate 1% lower and higher. Alternative scenarios would not result in the need for impairment.

(iii) Indirect associate goodwill – New Flyer

Composed of goodwill generated in the acquisition of the investment in New Flyer in the amount of BRL 82,321. New Flyer is a publicly held company, and its shares (under the acronym NFI) are traded on the Canadian stock exchange. The recoverable amount was calculated at fair value (level 1), considering the share price of the indirect associate as of December 31, 2021 (20.26 Canadian dollars), compared to the book value (at the time of acquisition 10.50 Canadian dollars). The recoverable amount was compared with the book value of the assets that make up the CGU and, as a result of this analysis, the Management did not identify the need for recognition of *impairment* for this cash-generating unit.

(iv) Goodwill of the subsidiary - Metalsur

Composed of goodwill generated from the corporate reorganization in Argentina in the amount of BRL 52,172. The projections to establish the recoverable value were prepared according to the value in use, and were made for a period of five years and in perpetuity. The main assumptions used as of December 31, 2021 were as follows: (i) gross margin of 23.25%, (ii) growth rate of 26.46% p.a., and (iii) discount rate calculated after taxes of 17.00% p.a., and considered the past experience of management, as well as the growth expectations of the Company's operating segment. The recoverable amount was compared with the book balance of the assets that make up the CGU and, as a result of this analysis and application of the assumptions described on discounted cash flows to determine the need to reduce the recoverable value of goodwill; Management did not identify the need for recognition of *impairment* for this cash-generating unit. According to CPC 01, the Company designed the following sensitivity scenarios: (i)

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25% lower and higher net revenue, (ii) 25% lower and higher EBITDA margin and (iii) 1% lower and higher discount rate. Alternative scenarios would not result in the need for *impairment*.

15 Related Parties - Parent Company

(a) Related party balances and transactions

The main balances of assets and liabilities with related parties as of December 31, 2021, as well as the transactions that influenced the results for the year are detailed in the table below:

Related Parties	Asset balances by loan and current account	Accounts receivable from sales	Accounts payable for purchases	Sales of products/services	Purchase of products/services
Apolo	-	-	1,149	-	11,121
Ciferal	-	45	-	652	7
GB Polo	4,232	-	-	-	-
Ilmot	1,061	-	-	-	-
Loma	70,830	-	-	-	-
Mac	28,330	2,854	175	982	5,966
Masa	-	4,518	447	11,014	-
Metalsur	-	23,080	-	35,558	-
MP Australia	-	84	-	20	-
MP Next	1,908	-	-	-	-
Polomex	-	5,439	-	17,975	-
San Marino	-	22,201	380	180,363	3,354
Trading	-	2,721	-	3,492	-
Valeo	-	-	7,521	-	64,862
Volare Comércio	50	215	-	446	27
Volare Veículos	128	20,322	93	41,214	1,170
WSul	-	-	8,379	-	38,037
Balance as of 2021	<u>106,539</u>	<u>81,479</u>	<u>18,144</u>	<u>291,716</u>	<u>124,544</u>
Balance as of 2020	<u>69,295</u>	<u>100,825</u>	<u>9,933</u>	<u>243,959</u>	<u>136,282</u>

The balances of loans and current accounts of companies headquartered in Brazil are subject to financial charges equivalent to the variation of the CDI, and with companies abroad are subject to interest calculated at the semi-annual LIBOR rate plus 3% p.a..

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(b) Remuneration of key management personnel

Key management personnel include the directors, officers and members of the Executive Committee. The remuneration paid or payable is as follows:

	2021				
	Fixed	Variable	Pension plan	Share-based payment	Total
Board of Directors and statutory directors	9,812	5,487	57	269	15,625
Non-statutory directors	6,519	4,329	229	652	11,729
	16,331	9,816	286	921	27,354

In the year ended December 31, 2021, stock options of 296,580 book-entry preferred shares were exercised by Marcopolo's management and employees at a price of BRL 2.34 per share with a discount of BRL 0.46 per share, using treasury shares, in accordance with Marcopolo's stock options plan. The transfer of 192,096 shares was also exercised in the amount of BRL 3.73 according to the Long Term Incentive Plan with Restricted Shares.

	2020				
	Fixed	Variable	Pension plan	Share-based payment	Total
Board of Directors and statutory directors	8,378	1,005	52	370	9,805
Non-statutory directors	6,952	1,351	196	1,654	10,153
	15,330	2,356	248	2,024	19,958

In the year ended December 31, 2020, stock options of 452,815 book-entry preferred shares were exercised by Marcopolo's management and employees at a price of BRL 2.82 per share with a discount of BRL 0.05 per share, using treasury shares, in accordance with Marcopolo's stock options plan. The transfer of 150,709 shares was also exercised in the amount of BRL 2.91 according to the Long Term Incentive Plan with Restricted Shares.

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16 Loans and Financing

	Average rate weighted % p.a.	Year of Maturity	Parent company		Consolidated	
			2021	2020	2021	2020
Domestic currency						
FINAME	3.59	2022 to 2025	335	545	2,674	4,357
Bank loans	11.46	2027	-	-	7,368	8,280
Interbank deposits	21.36	2022 to 2026	-	-	19,494	20,620
FINEP	6.36	2022 to 2030	320,369	315,631	333,408	339,164
FDE – Development funds	3.00	2025	-	-	73,795	92,729
Fundepar – ES	-	2026	-	-	30,000	30,000
Export credit notes -						
Compulsory	13.43	2026	185,197	-	185,197	-
Related parties	CDI	-	53	-	-	-
Foreign currency						
Advances on exchange contracts	1.71	2022	-	51,015	23,204	56,224
Pre-payment for export in						
US dollars	3.16	2022 to 2026	175,684	231,310	175,684	231,310
Export credit notes - USD	2.71	2022 to 2026	781,817	457,512	781,817	457,512
Financing in Rand	8.62	2022 to 2026	-	-	5,332	9,069
Financing in Renminbi	6.17	2022	-	-	18,107	53,390
Financing in Australian dollars	3.04	2022	-	-	161,324	166,185
Financing in Argentine Pesos	29.83	2022	-	-	39,303	16,034
Surety	-	-	-	7,796	-	7,796
Subtotal of domestic and foreign currency			<u>1,463,455</u>	<u>1,063,809</u>	<u>1,856,707</u>	<u>1,492,670</u>
Open market funding						
Domestic currency						
BNDES - Pre-fixed Operations	8.39	2026 to 2027	-	-	373,882	370,426
BNDES - Post-fixed Operations	IPCA + 1.52	2026	-	-	41,816	76,364
BNDES - Post-fixed Operations	TJLP + 1.90	2024	-	-	22,685	75,051
BNDES - Post-fixed Operations	SELIC + 1.79	2027	-	-	25,869	10,551
Subtotal of open market funding			-	-	464,252	532,392
Subtotal of loans and financing			<u>1,463,455</u>	<u>1,063,809</u>	<u>2,320,959</u>	<u>2,025,062</u>
Derivative financial instruments			920	3,708	921	5,723
Total loans and financing			<u>1,464,375</u>	<u>1,067,517</u>	<u>2,321,880</u>	<u>2,030,785</u>
Current liabilities			<u>450,023</u>	<u>246,315</u>	<u>887,578</u>	<u>727,820</u>
Non-current liabilities			<u>1,014,352</u>	<u>821,202</u>	<u>1,434,302</u>	<u>1,302,965</u>

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Long-term installments have the following payment schedule:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
From 13 to 24 months	275,831	394,794	443,754	553,510
From 25 to 36 months	159,942	206,306	285,711	352,033
From 37 to 48 months	414,310	68,603	506,891	147,437
From 49 to 60 months	61,913	36,144	93,650	95,536
After 60 months	102,356	115,355	104,296	154,449
	<u>1,014,352</u>	<u>821,202</u>	<u>1,434,302</u>	<u>1,302,965</u>

(a) Loans and Financing

FINAME financing is guaranteed by a chattel mortgage of the financed assets in the amount of BRL 20,225 at December 31, 2021 (BRL 21,893 as of December 31, 2020).

(b) Open market funding

Open market funding refers to funding made by Banco Moneo, from BNDES, to finance FINAME operations.

The face value and fair value of funding in the open market are:

	<u>Face value (future)</u>		<u>Fair value (present)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
1 to 12 months	205,179	225,708	178,469	197,913
From 13 to 24 months	155,909	170,801	139,182	152,949
From 25 to 36 months	99,157	114,793	91,248	105,797
After 36 months	58,910	79,226	55,353	75,734
	<u>519,155</u>	<u>590,528</u>	<u>464,252</u>	<u>532,393</u>

The face value of current liabilities loans approximates their fair value.

(c) Debt reconciliation

	<u>Consolidated</u>			
	<u>Bank loans</u>	<u>Derivatives</u>	<u>Funding Open Market</u>	<u>Total</u>
Debt as of December 31, 2020	1,472,050	5,723	553,012	2,030,785
Movements that affected the cash flow	279,251	(4,802)	(110,444)	164,005
Movements that did not affect the cash flow				
Interest and exchange variations	85,912	-	41,178	127,090
Debt as of December 31, 2021	<u>1,837,213</u>	<u>921</u>	<u>483,746</u>	<u>2,321,880</u>

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17 Lease obligations

The changes in the balances of the lease liabilities are shown below.

	Parent company		Consolidated	
	2021	2020	2021	2020
Opening balance	6,187	6,771	70,968	50,523
Interest and exchange variations	925	829	3,521	20,606
Additions	2,038	214	7,462	22,699
Considerations paid	(2,429)	(1,627)	(22,325)	(22,860)
	<u>6,721</u>	<u>6,187</u>	<u>59,626</u>	<u>70,968</u>

The lease maturity schedule is shown below.

	Parent company		Consolidated	
	2021	2020	2021	2020
1 to 12 months	1,819	1,169	19,661	18,371
From 13 to 24 months	1,820	1,309	15,842	18,325
From 25 to 36 months	1,100	1,497	6,557	12,459
From 37 to 48 months	441	895	4,041	5,095
From 49 to 60 months	504	342	3,821	3,861
Over 60 months	1,037	975	9,704	12,857
Present value of contracts	<u>6,721</u>	<u>6,187</u>	<u>59,626</u>	<u>70,968</u>

The potential right of Pis/Cofins to recover embedded in the lease consideration is shown below.

	Parent company and Consolidated		Parent company and Consolidated	
	2021	2021	2020	2020
	Nominal	Adjusted to present value	Nominal	Adjusted to present value
Lease Consideration	4,618	3,938	4,833	3,909
Potential Pis/Cofins (9.25%)	427	364	447	362

18 Allowances

(a) Passive contingencies

The Company is a party to labor, civil, tax and other lawsuits in progress and is discussing these issues both at the administrative and judicial levels. When applicable, the claims are supported by judicial deposits. The allowances for possible losses arising from these lawsuits are estimated and updated by Management, based on the opinion of its external and internal legal advisors.

The contingencies which, in the opinion of the Company's legal advisors, are considered as possible or probable losses as of December 31, 2021 and 2020 are presented below. Contingencies considered as probable losses are provisioned.

<u>Nature</u>	<u>Parent company</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Probable</u>	<u>Possible</u>	<u>Probable</u>	<u>Possible</u>
Civil	1,032	25,147	964	24,362
Labor	78,684	79,887	62,876	47,564
Tax	11,086	263,818	10,823	254,641
	<u>90,802</u>	<u>368,852</u>	<u>74,663</u>	<u>326,567</u>
<u>Nature</u>	<u>Consolidated</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Probable</u>	<u>Possible</u>	<u>Probable</u>	<u>Possible</u>
Civil	2,737	25,589	2,527	24,804
Labor	94,666	89,958	76,772	57,473
Tax	24,164	302,965	18,179	292,504
	<u>121,567</u>	<u>418,512</u>	<u>97,478</u>	<u>374,781</u>
<u>Judicial deposits</u>	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Civil	2,987	3,064	3,962	3,878
Labor	18,980	21,326	22,637	25,789
Tax	19,196	20,078	40,532	37,003
	<u>41,163</u>	<u>44,468</u>	<u>67,131</u>	<u>66,670</u>

(i) Civil and labor

The Company is a party to civil and labor lawsuits, among which are claims for indemnification of work accidents and occupational diseases. None of these cases refer to individually significant amounts.

(ii) Tax

The Company and its subsidiaries are parties to tax lawsuits. Below is a description of the nature of the main causes:

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Provisioned

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
REINTEGRA - credit appropriation (i)	662	662	662	662
Special Tax Regime - tax credit (ii)	752	728	752	728
IRPJ 2010, 2011 and 2012 (iii)	6,344	6,147	6,344	6,147
Other contingencies	<u>3,328</u>	<u>3,286</u>	<u>16,406</u>	<u>10,642</u>
	<u>11,086</u>	<u>10,823</u>	<u>24,164</u>	<u>18,179</u>

- (i) Contingency related to REINTEGRA credit - contingency arising from divergence of procedure in the request for Reintegra credit related to the 1st and 2nd Quarter of 2012.
- (ii) Contingency regarding the discussion of the procedures adopted for the enjoyment of tax benefits used in the commercialization of products.
- (iii) Contingency related to the discussion of the procedures adopted to offset the income tax paid abroad.

Not provisioned

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
PIS, COFINS and FINSOCIAL - offsets	2,068	2,165	2,068	2,165
COFINS - refund request (i)	24,115	23,592	24,115	23,592
PIS, COFINS - credit	10,177	9,376	10,177	9,376
PIS - offsets (ii)	13,078	12,616	13,078	12,616
IPI - credit	3,605	1,744	3,605	1,744
IRPJ - lower realized inflationary profit	3,102	3,058	3,102	3,058
IRPJ and CSLL - Negative Balance (iii)	19,011	18,606	19,011	18,606
IRPJ and CSLL - profits overseas (iv)	32,502	31,778	32,502	31,778
IRPJ and CSLL - IR paid overseas	1,237	1,192	1,237	1,192
IRPJ and CSLL - profits from overseas (v)	80,110	77,586	80,110	77,586
DCP - Monetary adjustment (vi)	29,749	28,948	29,749	28,948
REINTEGRA - Offset (vii)	17,672	17,265	17,672	17,265
ICMS - outputs with reduced tax rate for non-taxpayers (viii)	-	-	16,207	15,697
ICMS - unsuitable tax documents (ix)	2,156	2,094	2,156	2,094
ISS - services rendered by third parties	6,718	6,546	6,718	6,546
INSS - services rendered by legal entities	4,752	4,649	4,752	4,649
Other lower value contingencies	<u>13,766</u>	<u>13,426</u>	<u>36,706</u>	<u>35,592</u>
	<u>263,818</u>	<u>254,641</u>	<u>302,965</u>	<u>292,504</u>

- (i) Contingencies whose prospects of loss are considered possible, related to procedures questioned by the inspection, regarding requests for COFINS refund. The administrative proceeding is in progress at the Federal Revenue Judgment Office.
- (ii) Contingency whose perspective of loss is considered possible, related to amounts recorded in active debt, arising from unapproved offsetting derived from credits obtained in legal proceedings. The case is in progress at the first instance of the Federal Court of Caxias do Sul.
- (iii) Contingency whose perspective of loss is considered possible, related to procedures questioned by the inspection, regarding requests for refund of the negative balance of IRPJ and CSLL. The case is in progress before the Administrative Council of Tax Appeals.

(iv) Contingency whose perspective of loss is considered possible, related to the discussion on the consolidation abroad of the results of indirect subsidiaries, before the offering of profits to taxation in Brazil. The case is in progress before the Federal Revenue Judgment Office.

(v) Contingency whose perspective of loss is considered possible, related to the discussion on the rejection of offsets made with foreign taxes. The proceeding is in progress before the Regional Judgment Office (DRJ).

(vi) Contingency whose perspective of loss is considered possible, related to the discussion on DCP credits, referring to the rejection of the monetary adjustment and isolated fine applied as a result of the declarations that were not approved. The proceeding is in progress before the Regional Judgment Office (DRJ).

(vii) Contingency whose perspective of loss is considered possible, related to the discussion on Reintegra's credit, due to divergence of procedure in the credit claim. The proceeding is in progress before the Regional Judgment Office (DRJ).

(viii) Contingency, whose perspective of loss is considered possible, of the subsidiary, related to ICMS - exits at a reduced rate for non-taxpayers established outside the State. The lawsuit is in progress before the Taxpayers' Council of the State of Rio de Janeiro.

(ix) Contingency whose perspective of loss is considered possible, related to discussions on ICMS, due to the alleged issuance of tax documents with error in the application of the tax rate, in sales transactions to non-taxpayers established outside the State. The lawsuit is in progress in the Court of Justice of the State of São Paulo.

(b) Active tax contingencies

During the first quarter of 2021, the Company enabled credit in the amount of BRL 87,716 related to the court decision that excluded monetary correction (corresponding to inflation) from the IRPJ and CSLL tax bases in financial investments. The Company recognized as revenue the amount of BRL 64,852 in the year, referring to the credits offset in the period. With BRL 40,691 of principal recorded in other revenues and BRL 24,161 of monetary restatement recorded in financial result.

19 Employee pension and post-employment benefits plan

Marcopolo is the main sponsor of Marcoprev Sociedade de Previdência Privada, a non-profit civil society founded in December 1995, whose main purpose is to grant complementary benefits to Social Security to all employees of the sponsors: Marcopolo (main), San Marino, Syncroparts, Trading, Banco Moneo and Fundação Marcopolo. In 2021, the amount of BRL 7,968 (BRL 8,238 in 2020) was spent on contributions at the consolidated level. The actuarial regime for determining the cost and contributions of the plan is the capitalization method. It is a mixed "defined benefit" plan, where contributions are the sole responsibility of the sponsor, and "defined contribution" where contributions are the responsibility of the sponsor and the participant, on an optional basis.

As of December 31, 2021 and 2020, the amounts related to post-employment benefits were determined based on an annual actuarial evaluation conducted by independent actuaries and are recognized in the financial statements as presented below.

The amounts recognized in the balance sheet are as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Present value of actuarial liabilities	(301,061)	(325,555)	(305,014)	(329,936)
Fair value of the plan assets	348,872	353,656	353,467	358,423
Surplus not subject to reimbursement or reduction in future contributions	<u>(47,811)</u>	<u>(28,101)</u>	<u>(48,453)</u>	<u>(28,487)</u>
Liabilities to be recognized	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

According to the prerogatives contained in the regulations of the retirement plan and in the accounting portion of the supplementary retirement plan, there is no possibility of reimbursement, increase in benefit or reduction in future contributions. Consequently, assets arising from the surplus of the plans were not recorded on December 31, 2021.

The movements in the defined benefit obligation during the period are shown below:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
On January 1	-	-	-	-
Contributions from plan participants	4,360	5,375	4,392	5,400
Actuarial losses (gains)	(4,360)	(5,375)	(4,392)	(5,400)
Recognized net annual revenue (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
On December 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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The changes in the fair value of the assets of the benefit plan in the years presented are as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
On January 1	353,656	341,022	358,423	345,164
Sponsors' contribution	4,360	5,357	4,392	5,400
Employee contribution	71	60	72	61
Benefits paid	(15,993)	(17,036)	(16,167)	(17,181)
Expected return on plan assets	<u>6,778</u>	<u>24,253</u>	<u>6,747</u>	<u>24,979</u>
On December 31	<u>348,872</u>	<u>353,656</u>	<u>353,467</u>	<u>358,423</u>

The changes in the actuarial obligation in the years presented are as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
On January 1	325,555	335,523	329,936	339,591
Actuarial (gains) losses	(32,995)	(9,883)	(33,568)	(9,778)
Cost of current services	1,772	(7,315)	1,784	(7,258)
Financial cost	22,651	24,206	22,957	24,501
Employee contribution	71	60	72	61
Benefits paid	<u>(15,993)</u>	<u>(17,036)</u>	<u>(16,167)</u>	<u>(17,181)</u>
On December 31	<u>301,061</u>	<u>325,555</u>	<u>305,014</u>	<u>329,936</u>

The amounts recognized in the income statement are:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Cost of current services	1,772	(7,315)	1,784	(7,258)
Financial cost	<u>(192)</u>	<u>(251)</u>	<u>(193)</u>	<u>(254)</u>
Total included in personnel costs	<u>1,580</u>	<u>(7,566)</u>	<u>1,591</u>	<u>(7,512)</u>

The main actuarial assumptions at the balance sheet date are:

• **Economic hypotheses**

	<u>Percentage p.a.</u>			
	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Discount rate (*)	8.88	7.17	8.88	7.17
Expected rate of return on plan assets	8.88	7.17	8.88	7.17
Future salary increases	5.73	5.73	5.73	5.73
Inflation	3.25	3.25	3.25	3.25

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(*) The discount rate is composed of: inflation 3.25% p.a. plus interest 5.73% p.a. for the year 2021 (inflation 3.25% p.a. plus interest 3.79% p.a. for the year 2020).

• **Demographic assumptions**

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Mortality table	AT 2000(*)	AT 2000(*)	AT 2000(*)	AT 2000(*)
Death and disability table	RRB 1983	RRB 1983	RRB 1983	RRB 1983
Disability entry table	RRB 1944	RRB 1944	RRB 1944	RRB 1944

(*) Table segregated by sex, based on the AT-2000 Basic smoothed by 10%.

• **Actuarial hypotheses and sensitivity analyses**

The table below, of sensitivity analysis of the obligations of benefit plans, shows the impact on actuarial exposure (7.41% p.a.) by changing the premise in the discount rate by 1 p.p.:

(i) Present value of the obligation as of December 31, 2021.

- Total	301,061
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(ii) Significant actuarial assumptions as of December 31, 2021.

	<u>Sensitivity Analysis</u>	<u>Effect on the VPO</u>
Discount rate	9.88%	1% increase
Discount rate	7.88%	1% reduction
		270,280
		338,794

(iii) Methods and hypotheses used in sensitivity analyses.

The results presented were prepared by modifying only the actual hypotheses mentioned in each line.

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20 Income tax and social contribution

(a) Deferred income tax and social contribution

The basis for the constitution of taxes is as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Asset (liability)				
Provision for technical assistance	34,965	38,442	57,458	63,417
Provision for commissions	12,408	31,076	16,639	36,803
Allowance for doubtful accounts	9,746	7,733	77,418	63,356
Provision for profit sharing	39,807	20,400	41,731	22,069
Provision for contingencies	95,463	76,793	104,909	115,449
Allowance for losses in inventories	5,361	6,469	9,272	11,854
Provision for third party services	9,944	9,846	25,126	20,121
Provision for contract terminations	8,753	14,330	14,800	16,571
Unrealized inventories	9,626	7,933	9,626	7,933
Adjustment to present value	2,033	1,434	3,393	1,909
Suspended withholding income tax	10,121	8,765	10,121	8,765
(Tax depreciation)	(22,102)	(21,690)	(22,102)	(21,690)
(Settlement of gains/losses with derivatives)	790	2,521	2,220	1,550
Exchange variation	77,675	82,515	77,675	82,515
Tax loss and negative social contribution base	144,882	-	232,092	46,128
Other provisions	10,016	17,080	(10,643)	7,735
Calculation basis	449,488	303,647	649,735	484,485
Nominal rate - %	34	34	34	34
Deferred income tax and social contribution	152,826	103,240	220,910	164,725

(b) Estimated installments of realization of deferred tax assets

The recovery of tax credits is based on projections of taxable income, as well as on the realization of temporary differences for the following years:

	Parent company		Consolidated	
	2021	2020	2021	2020
1 to 12 months	40,696	14,570	52,023	61,349
From 13 to 24 months	35,767	62,605	56,500	71,618
From 25 to 36 months	16,759	21,033	36,036	24,320
From 37 to 48 months	22,908	87	37,001	696
Over 48 months	36,696	4,945	39,350	6,742
	152,826	103,240	220,910	164,725

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(c) Reconciliation of current income tax and social contribution expenses

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Reconciliation				
Income before income tax and social contribution	350,483	39,513	382,897	48,692
Nominal rate - %	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
	<u>(119,164)</u>	<u>(13,434)</u>	<u>(130,185)</u>	<u>(16,555)</u>
Permanent additions and exclusions				
Equity	4,291	9,448	-	(11,359)
Interest on equity	34,188	14,369	34,188	14,369
Reintegra	-	716	-	716
Profit sharing for managers	(1,510)	(1,522)	(1,510)	(1,522)
Assumed ICMS credit	-	-	-	7,773
Worker Meals Program	731	-	731	-
Industrial Development Program (i)	14,302	8,837	14,302	8,837
IR/CS on results abroad	-	(2,628)	-	(2,628)
Tax loss on subsidiaries	-	-	(11,942)	(17,332)
Use of tax loss	-	-	-	8,006
Rota 2030	857	2,628	857	2,628
Supplementary Law 160	594	48,057	594	48,057
IRPJ/CSLL on the Selic rate	63,858	-	63,858	-
Other additions (exclusions)	<u>17,993</u>	<u>(2,121)</u>	<u>4,582</u>	<u>1,024</u>
	<u>16,140</u>	<u>64,350</u>	<u>(24,525)</u>	<u>42,015</u>
Income tax and social contribution				
Current	(33,446)	36,008	(80,090)	(869)
Deferred	<u>49,586</u>	<u>28,342</u>	<u>55,565</u>	<u>42,884</u>
	<u>16,140</u>	<u>64,350</u>	<u>(24,525)</u>	<u>42,015</u>
Effective rate - %	5	150	7	74

(i) It is a tax incentive focused on technological innovation. Marcopolo deducts from the IRPJ and CSLL tax bases the expenses incurred in the calculation period with technological research and development of technological innovation classified as operating expenses, according to Law 11.196/2005.

21 Shareholders' equity

(a) Share capital

The Company's authorized share capital is 2,100,000,000 shares, of which 700,000,000 are common shares and 1,400,000,000 are registered preferred shares with no par value.

As of December 31, 2021, the subscribed and paid-in capital is represented by 946,892,882 (946,892,882 as of December 31, 2020) registered shares, of which 341,625,744 are common shares and 605,267,138 are preferred shares, without par value. According to the Company's bylaws, the preferred shares differ from the common ones by the priority of repayment in the capital.

Of the total subscribed capital, 236,669,520 (240,469,955 as of December 31, 2020) registered preferred shares belong to foreign shareholders.

(b) Reserves

(i) Legal reserve

This is constituted at the rate of 5% of the Net income ascertained in each fiscal year pursuant to article 193 of Law no. 6.404/76, up to the limit of 20% of the share capital.

(ii) Statutory reserves

Marcopolo allocates at least 25% (twenty-five percent) of the remaining profit to the payment of dividends to all shares of Marcopolo, as a minimum mandatory dividend. The remaining balance of the Net income will be allocated, in its entirety, to the formation of the following reserves:

- . Reserve for future capital increase to be used in future capital increases, to be formed by 70% of the remaining balance of the Net income for each year, not exceeding 60% of the share capital.
- . Reserve for payment of interim dividends to be used for payment of interim dividends provided for in paragraph 1 of article 33 of the Bylaws, to be formed by 15% of the remaining balance of the Net income of each fiscal year, not exceeding 10% of the share capital.
- . Reserve for the purchase of own shares to be used for the acquisition of shares issued by Marcopolo, for cancellation, holding in treasury and/or respective disposal, to be formed by 15% of the remaining balance of the Net income for each year, not exceeding 10% of the share capital.

(iii) Tax incentives

Based on Article 30 of Law 12.973/14, amended after the enactment of Complementary Law 160 on August 7, 2017, the tax incentives granted by the States and the Federal District are considered grants for investments and cannot be distributed as profit or dividends to shareholders. The adoption of this procedure is the basis for non-taxation of the subsidy for investments in income tax and social contribution. On December 31, 2021, the Company determined the amount of BRL 20,247 (BRL 26,744 in 2020) amount recognized in the income for the year, recorded in equity in own account of tax incentive.

(c) Treasury shares

Corresponds to the treasury stock of 7,057,813 nominative preferred shares, acquired at the average cost of BRL 3.9012 (in Reais) per share. In the year, 566,769 registered preferred shares were sold at a weighted average price of BRL 2.4715 per share, generating a negative net result of BRL 623. The value of treasury shares as of December 31, 2021 corresponds to BRL 27,534. The shares will be used to, pursuant to paragraph 3 of article 168 of Brazilian Corporate Law and CVM Instruction no. 390/03, grant stock options to Marcopolo's management and employees, in accordance with the Stock Option Plan approved by the Extraordinary General Meeting held on December 22, 2005.

22 Interest on equity - Law 9.249/95 and dividends

In accordance with the option provided for in Law n°. 9,249/95, Marcopolo calculated interest on shareholders' equity based on the Long-Term Interest Rate (TJLP) in force in the year, in the amount of BRL 100,552, of which BRL 34,777 in June 2021 and BRL 65,775 in December 2021 (BRL 42,261 in 2020) being paid as of April 4, 2022, at the rate of BRL 0.037 and 0.070 respectively for each share, both for book-entry common shares and book-entry preferred shares, which were accounted for as financial expenses, as required by tax legislation. For the purpose of these financial statements, such interest has been eliminated from financial expenses for the year and is being presented in the retained earnings account against cash.

Income tax and social contribution for the year were reduced by BRL 34,188 (BRL 14,369 in 2020), approximately, due to the deduction of these taxes by interest on shareholders' equity.

Statement of the calculation of the mandatory minimum dividend:

	2021	2020
Net income for the year (Subsidiary)	366,623	103,863
Tax incentive - Complementary law 160	(20,247)	(26,744)
Annual Net income (Parent company) after tax incentive	346,376	77,119
Legal reserve (5%)	(17,319)	(3,856)
Calculation basis for dividends	329,057	73,263
Amount of mandatory minimum dividends (25%)	82,264	18,316
Proposed dividends additional to the mandatory minimum	18,288	23,945
Total dividends proposed by Management	100,552	42,261
Interest on equity imputed to dividends		
Gross value	100,552	42,261
Withholding income tax (15%)	(15,083)	(6,339)
Suspended withholding income tax withheld	3,475	607
Net amount of interest credited	88,944	36,529
Net value of interest, dividends credited and proposed	88,944	36,529

The amount of such interest was attributed to the mandatory minimum dividend declared in advance, on account of the current fiscal year in accordance with item III of CVM Resolution No. 683/2012.

23 Insurance Coverage (Unaudited)

As of December 31, 2021, the Company had insurance coverage against fire and other risks for property, plant and equipment and inventories at amounts considered sufficient to cover possible losses.

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The main insurance coverage is:

<u>Nature of the asset</u>	<u>Equity value</u>	<u>Consolidated</u>	
		<u>2021</u>	<u>2020</u>
Inventories, buildings and contents	Fire and various risks	1,035,815	1,038,494
Vehicles	Collision and civil liability	55,887	70,255
		<u>1,091,702</u>	<u>1,108,749</u>

24 Surety and guarantees

As of December 31, 2021, the Company had contracted sureties and/or guarantees in the amount of BRL 93,674 (BRL 96,589 as of December 31, 2020), granted to banks in financing transactions with clients, with a corresponding guarantee of the respective financed assets, as well as the residual book value of financed assets in the amount of BRL 20,225 (BRL 21,893 as of December 31, 2020) given in guarantees for bank loans and contingencies.

The company had guarantee insurance in force as of December 31, 2021 in the amount of BRL 98,149 (BRL 92,779 as of December 31, 2020).

25 Employee Profit Sharing

In the fiscal year of 2021, in accordance with the provisions of Law No. 10.101 of December 19, 2000, the Management opted for the semi-annual payment, with a installment being paid in July 2021, and the balance will be paid in February 2022.

Employee participation was calculated as established in the Marcopolo Target Effectiveness Program (EFIMAR) Agreement.

The amounts are classified in the income statement for the year as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Cost of Products and Services Sold	12,367	4,690	14,323	6,458
Selling expenses	3,767	1,770	3,777	1,797
Administration expenses	8,647	842	10,201	2,522
	<u>24,781</u>	<u>7,302</u>	<u>28,301</u>	<u>10,777</u>

26 Revenue

The reconciliation of gross sales to net revenue is as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Gross sales of products and services	1,516,853	1,839,103	3,944,836	4,063,692
Taxes on sales and returns	(213,728)	(196,140)	(445,397)	(474,030)
Net revenue	<u>1,303,125</u>	<u>1,642,963</u>	<u>3,499,439</u>	<u>3,589,662</u>

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27 Expenditure by nature

	Parent company		Consolidated	
	2021	2020	2021	2020
Raw materials and consumables	802,552	878,755	2,535,552	2,079,995
Cost of idleness	6,952	19,550	10,131	59,142
Third party services and others	153,585	211,974	271,146	316,850
Direct remuneration	261,995	234,952	440,354	611,346
Remuneration of management	9,874	12,441	9,874	12,441
Employee participation in profits and results	24,781	7,302	28,301	10,777
Depreciation and amortization charges	34,058	31,662	103,351	96,038
Private pension expenses	6,985	7,335	7,968	8,238
Other expenses	77,799	89,365	130,338	194,470
Total costs and expenses of sales, distributions and administrative expenses.	<u>1,378,581</u>	<u>1,493,336</u>	<u>3,537,015</u>	<u>3,389,297</u>

28 Financial profit/loss

	Parent company		Consolidated	
	2021	2020	2021	2020
Financial income				
Interest and monetary variations received (i)	190,063	10,226	230,031	34,380
Interest on derivatives	7	475	845	932
Income from financial investments	21,630	10,355	31,848	15,946
Adjustment to present value of trade accounts receivable	13,491	19,273	28,231	37,679
	<u>225,191</u>	<u>40,329</u>	<u>290,955</u>	<u>88,937</u>
Financial expenses				
Interest on loans and financing	(48,582)	(43,371)	(81,759)	(56,243)
Interest on derivatives	(3,463)	(958)	(3,463)	(958)
Bank expenses	(5,538)	(8,721)	(10,899)	(14,918)
Adjustment to present value of suppliers	(4,683)	(4,821)	(11,046)	(9,305)
	<u>(62,266)</u>	<u>(57,871)</u>	<u>(107,167)</u>	<u>(81,424)</u>
Currency variations				
Active exchange variation	146,956	290,911	189,482	386,013
Active exchange variation on derivatives	11,990	9,939	19,368	14,652
Passive exchange variation	(188,800)	(393,303)	(223,653)	(506,409)
Passive exchange variation on derivatives	(5,384)	(7,333)	(14,113)	(25,539)
	<u>(35,238)</u>	<u>(99,786)</u>	<u>(28,916)</u>	<u>(131,283)</u>
Net financial result	<u>127,687</u>	<u>(117,328)</u>	<u>154,872</u>	<u>(123,770)</u>

(i) In the third quarter, the amount of BRL 22,019 corresponding to the unconstitutionality of the incidence of IRPJ and CSLL on the amounts related to the Selic rate was recognized. In the period, the amount of BRL 168,521 related to the Selic interest adjustment on the exclusion of ICMS from the PIS and COFINS tax bases was also recognized.

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29 Other operating income (expenses)

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Exclusion of ICMS from the PIS and Cofins tax bases (III)	160,917	-	223,461	64,877
Exclusion of monetary correction from the IRPJ/CSLL calculation basis in financial investments (ii)	40,690	-	40,690	-
IRPJ/CSLL on the Selic rate (i)	61,791	-	67,638	-
Attorneys' fees	(27,378)	-	(33,265)	-
Disposal of participation of the Indian associate TMML	-	44,233	-	44,233
Terminations with representatives	-	-	-	(10,167)
Provision for labor contingencies	(47,583)	(32,805)	(53,171)	(39,595)
Labor terminations	-	(36,999)	-	(53,084)
Tax expenses	(4,911)	-	(12,116)	-
Impairment of investment property	-	-	(5,584)	-
Disposal of property located in Rio de Janeiro – Ciferal	-	-	29,681	-
Other expenses	1,849	3,770	(3,339)	(757)
Total of other operating income (expenses)	185,375	(21,801)	253,995	5,507

(i) From the decision of the Federal Supreme Court on the unconstitutionality of the incidence of IRPJ and CSLL on amounts related to the Selic rate received due to the repetition of tax undue (RE 1.063.187 – Theme 962) the Company and its subsidiaries Ciferal and San Marino, carried out the calculation of the amounts included in their lawsuits that discuss the subject. Based on the best estimate of amounts associated with the aforementioned survey, the Company and its subsidiaries recognized in the year 2021, the amount of BRL 102,542. BRL 67,638 recorded in other revenues, BRL 22,019 recorded in financial income and BRL 12,885 recorded in current income tax/social contribution.

(ii) Its details are contained in note 18 (b).

(*) From the decision of the Federal Supreme Court on the exclusion of ICMS from the PIS and COFINS tax bases, the Company and its subsidiaries Ciferal Indústria de Ônibus Ltda. and Volare Veículos Ltda. carried out the calculation of the amounts included in their lawsuits that discuss the subject. Based on the best estimate of amounts associated with the aforementioned survey, the Company and its subsidiaries recognized in 2021, BRL 383,065. This amount includes the principal of BRL 214,545, recorded in other income and the Selic interest adjustment of BRL 168,521 recorded in the financial result.

30 Profit per share - common and preferred

(a) Basic

Basic profit per share is calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of shares issued during the year, excluding the shares purchased by the Company and held as treasury shares.

	<u>2021</u>	<u>2020</u>
Profit attributable to shareholders	366,623	103,863
Weighted average number of shares in circulation (thousands)	939,835	939,366
Earnings per share	0.39009	0.11057

(b) Diluted

Diluted profit per share are calculated by adjusting the weighted average number of common and preferred shares outstanding to assume the conversion of all potential diluted common shares.

The Company considers the exercise of stock options by employees and management as a dilution effect of common and preferred shares. The number of shares calculated as described above is compared with the number of shares issued, assuming the exercise of stock options.

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	2021	2020
Profit attributable to shareholders	366,623	103,863
Weighted average number of shares in circulation (thousands)	939,835	939,366
Adjustments for:		
Exercise of stock options	7,058	7,527
Earnings per share	0.38719	0.10969

31 Balance sheets and income statements by segment

The industrial segment produces bus bodies and spare parts. The financial segment is responsible for financing operations through Banco Moneo.

Balance sheets

	Consolidated		Industrial		Financial	
	2021	2020	2021	2020	2021	2020
Assets						
Current						
Cash and cash equivalents	1,322,975	1,040,931	1,279,679	989,248	43,296	51,683
Derivative financial instruments	683	2,641	683	2,641	-	-
Trade accounts receivable	657,575	970,452	411,051	702,407	246,524	268,045
Inventories	987,614	748,411	987,614	748,411	-	-
Other accounts receivable	398,340	408,617	362,078	379,187	36,262	29,430
	<u>3,367,187</u>	<u>3,171,052</u>	<u>3,041,105</u>	<u>2,821,894</u>	<u>326,082</u>	<u>349,158</u>
Noncurrent						
Financial assets measured at amortized cost	75,061	67,961	75,061	67,961	-	-
Trade accounts receivable	435,455	449,933	27,380	-	408,075	449,933
Other accounts receivable	798,547	241,042	774,692	220,836	23,855	20,206
Investments	560,123	489,312	560,123	489,312	-	-
Investment properties	48,004	89,361	48,004	89,361	-	-
Property, plant and equipment	1,017,759	1,006,320	1,016,405	1,005,714	1,354	606
Intangibles assets	352,388	345,930	352,124	345,559	264	371
	<u>3,287,337</u>	<u>2,689,859</u>	<u>2,853,789</u>	<u>2,218,743</u>	<u>433,548</u>	<u>471,116</u>
Total assets	<u>6,654,524</u>	<u>5,860,911</u>	<u>5,894,894</u>	<u>5,040,637</u>	<u>759,630</u>	<u>820,274</u>
Liabilities						
Current						
Suppliers	459,049	358,825	459,049	358,825	-	-
Loans and Financing	886,657	722,097	691,958	503,673	194,699	218,424
Derivative financial instruments	921	5,723	921	5,723	-	-
Other accounts payable	679,413	631,663	662,307	616,790	17,106	14,873
	<u>2,026,040</u>	<u>1,718,308</u>	<u>1,814,235</u>	<u>1,485,011</u>	<u>211,805</u>	<u>233,297</u>
Noncurrent						
Loans and Financing	1,434,302	1,302,965	1,121,599	945,766	312,703	357,199
Other accounts payable	237,951	231,642	236,410	229,800	1,541	1,842
	<u>1,672,253</u>	<u>1,534,607</u>	<u>1,358,009</u>	<u>1,175,566</u>	<u>314,244</u>	<u>359,041</u>

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	<u>Consolidated</u>		<u>Industrial</u>		<u>Financial</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Participation of non-controlling shareholders	51,226	55,779	51,226	55,779	-	-
Shareholders' equity attributable to controlling shareholders	2,905,005	2,552,217	2,671,424	2,324,281	233,581	227,936
Total liabilities	6,654,524	5,860,911	5,894,894	5,040,637	759,630	820,274

Income statements

	<u>Consolidated</u>		<u>Industrial</u>		<u>Financial (*)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Operations						
Net sales and services revenue	3,499,439	3,589,662	3,413,386	3,491,945	86,053	97,717
Cost of products sold and services rendered	(3,143,215)	(2,994,073)	(3,101,684)	(2,943,337)	(41,531)	(50,736)
Gross profit	356,224	595,589	311,702	548,608	44,522	46,981
Operating revenues (expenses)						
Selling expenses	(191,570)	(211,818)	(183,033)	(191,595)	(8,537)	(20,223)
Administrative costs	(206,291)	(183,406)	(190,322)	(164,578)	(15,969)	(18,828)
Other operating income (expenses), net	253,995	5,507	257,462	2,929	(3,467)	2,578
Equity income (loss)	15,667	(33,410)	15,667	(33,410)	-	-
Operating profit	228,025	172,462	211,476	161,954	16,549	10,508
Financial profit/loss						
Financial income	499,805	489,602	499,805	489,602	-	-
Financial expenses	(344,933)	(613,372)	(344,933)	(613,372)	-	-
Income before income tax and social contribution	382,897	48,692	366,348	38,184	16,549	10,508
Income tax and social contribution	(24,525)	42,015	(16,241)	46,576	(8,284)	(4,561)
Net income (loss) for the year	358,372	90,707	350,107	84,760	8,265	5,947

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32 Cash flow statements by business segment - indirect method

	Consolidated		Industrial Segment		Financial Segment	
	2021	2020	2021	2020	2021	2020
Cash flows from operating activities						
Net income for the year	358,372	90,707	350,107	84,760	8,265	5,947
Adjustments to reconcile income to cash generated by operating activities:						
Depreciation and amortization	105,470	96,038	105,221	95,781	249	257
Gain (loss) on sale of assets of investments, property, plant and equipment and intangible assets	(53,562)	3,191	(53,562)	3,214	-	(23)
Equity	(15,667)	33,410	(15,667)	33,410	-	-
Allowance for doubtful accounts	39,112	16,904	30,575	(3,319)	8,537	20,223
Current and deferred income tax and social contribution	24,525	(42,015)	16,241	(46,576)	8,284	4,561
Appropriate interest and variations	126,509	255,767	85,332	216,461	41,177	39,306
Non-controlling interests	(8,251)	(13,156)	(8,251)	(13,156)	-	-
Changes in assets and liabilities						
(Increase) decrease in trade accounts receivable	285,892	(188,371)	231,050	(103,861)	54,842	(84,510)
(Increase) decrease in securities	(5,142)	81,207	(5,142)	81,207	-	-
(Increase) decrease in inventories	(237,516)	(143,371)	(237,516)	(143,371)	-	-
(Increase) reduction in other accounts receivable	(546,570)	(195,876)	(536,089)	(200,693)	(10,481)	4,817
Increase (decrease) in suppliers	100,759	(50,768)	100,759	(50,768)	-	-
Increase (decrease) in accounts payable and provisions	94,412	232,914	88,931	232,574	5,481	340
Cash generated by operating activities	268,343	176,581	151,989	185,663	116,354	(9,082)
Profit taxes paid	(80,090)	(869)	(68,258)	5,900	(11,832)	(6,769)
Net cash from operating activities	188,253	175,712	83,731	191,563	104,522	(15,851)
Cash flows from investment activities						
Dividends from subsidiaries, joint ventures and associates	4,749	2,511	4,749	2,511	-	-
Fixed asset additions	(100,081)	(130,378)	(99,237)	(130,141)	(844)	(237)
Intangible additions	(3,923)	(3,962)	(3,877)	(3,875)	(46)	(87)
Receipts from sale of investments, property, plant and equipment and intangible assets	66,494	658	66,494	658	-	-
Net cash used in investment activities	(32,761)	(131,171)	(31,871)	(130,847)	(890)	(324)
Cash flows from financing activities						
Treasury shares	1,618	1,256	1,618	1,256	-	-
Loans from third parties	895,909	607,413	709,548	311,671	186,361	295,742
Payment of loans - principal	(678,463)	(610,323)	(418,330)	(389,539)	(260,133)	(220,784)
Payment of loans - interest	(76,127)	(49,191)	(40,500)	(24,727)	(35,627)	(24,464)
Payment of interest on net equity and dividends	(16,539)	(69,971)	(13,919)	(69,971)	(2,620)	-
Net cash used in financing activities	126,398	(120,816)	238,417	(171,310)	(112,019)	50,494
Effect of exchange rate changes on cash and cash equivalents	154	42,584	154	42,584	-	-

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	<u>Consolidated</u>		<u>Industrial Segment</u>		<u>Financial Segment</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net increase (decrease) in cash and cash equivalents	282,044	(33,691)	290,431	(68,010)	(8,387)	34,319
Cash and cash equivalents at the beginning of the year	1,040,931	1,074,622	989,248	1,057,258	51,683	17,364
Cash and cash equivalents at the end of the year	1,322,975	1,040,931	1,279,679	989,248	43,296	51,683

33 Additional information

The industrial business segment operates in the geographical regions specified below. The financial business segment operates exclusively in Brazil.

(a) Net revenue by geographical region

	<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>
Brazil	2,433,527	2,756,144
Africa	99,902	60,961
Argentina	282,714	101,051
Australia	422,175	500,464
China	17,152	16,910
United Arab Emirates	310	4,573
Mexico	243,659	149,559
	<u>3,499,439</u>	<u>3,589,662</u>

(b) Property, plant and equipment, goodwill and intangible assets by geographical region

	<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>
Brazil	957,050	938,025
Africa	18,388	19,284
Argentina	36,068	24,367
Australia	229,535	234,221
Canada	82,321	76,484
China	11,685	15,386
Mexico	34,651	44,015
Uruguay	100	93
United Arab Emirates	349	375
	<u>1,370,147</u>	<u>1,352,250</u>

34 Other information

COVID-19 Pandemic

Since the beginning of January 2020, the coronavirus pandemic, which is a rapidly evolving situation, has adversely impacted global economic activities. The rapid development and fluidity of this situation prevent an accurate prediction of its final impact.

In order for the Company to monitor and analyze the impacts of Covid-19, a Crisis Committee composed of its board and some invited managers was created. In this environment, the main actions taken by the Company are being discussed daily, aiming at operational sustainability.

Despite having resumed its activities, we adopted several measures, recommendations and determinations from health agencies and competent authorities, reiterating our commitment to the safety of all employees, customers and other stakeholders.

At this time, in relation to receivables agreements entered into with customers, we have not identified risks of losses in addition to the amounts of the allowances for losses already recognized. However, there were occasional renegotiations with some customers aimed at extending maturities. We are following the issue very closely and believe that the level of allowance for doubtful debts of the Company is appropriate to the risk condition that we estimate for our customers.

Regarding the realization of inventories, we do not expect risks of realization of them in an amount lower than their cost. This is also due to the fact that for the coming months, there was a re-planning of the purchase volumes supported by the industrial schedules of the specific area.

As for the debts already incurred, we obtained some re-negotiations in the flow of payments and not anticipated restrictions on the Company's ability to proceed with its payment on the due date. Additionally, we do not have loan agreements with restrictive Covenants clauses.

Regarding non-financial assets, to date we have not identified material impacts for the recoverability of the amounts recorded considering the revised estimates of expected future cash flows. Regarding exchange variation, the Company adopts as a practice the realization of export exchange hedge at the time of confirmation of sales orders (when the order enters our backlog), ensuring the business margin. In this line, any devaluation of the exchange implies the recognition of an expense in the Company's income. As the products are delivered and invoiced, the Company captures the benefits of devaluation of the Real in its operating margins. Currently, the Company's foreign exchange exposure is backed by the amount of the order portfolio signed with customers.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the Company expects to recover or settle its assets and liabilities.

The Company maintains a liquidity scenario and a good cash position – the medium and long-term amortization flow is adequate. Currently, firm orders added to internal fixed cost adjustment measures will allow us to balance for the coming months. In any case, we are taking expenditure and investment containment measures.

To date, the activities present full conditions of continuity of operations.