

## 2018 RESULTS - Management Report

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Dear Shareholders:

The Management of Marcopolo S.A. ("Marcopolo" or "Company") hereby submits the Management Report and Financial Statements for the year closed on December 31<sup>st</sup> 2018, accompanied by the independent auditors' report and the opinions of the Fiscal Council and the Audit and Risk Committee.

The Financial Statements are presented according to the accounting policies adopted in Brazil and the IFRS – International Financial Reporting Standards as established by IASB - International Accounting Standards Board.

### **1. OPERATIONAL CONTEXT**

Marcopolo is a publicly-held corporation with registered office in Caxias do Sul, Rio Grande do Sul, founded on August 6<sup>h</sup> 1949 for the purpose of manufacturing buses, bus bodies and components.

The product line encompasses a wide variety of models made up of intercity vehicles, urban vehicles, micro and minibuses, apart from the Volare family (fully-equipped bus with chassis and body).

The buses are manufactured in seventeen plants, five of them located in Brazil (three plants in Caxias do Sul – RS, one in Duque de Caxias – RJ and one in São Mateus – ES) and eleven in foreign countries, one in South Africa, three in Australia, one in China, one in Mexico, two in Argentina, one in Colombia and two in India.

Marcopolo also has a 40% interest in the company Valeo (air-conditioning), 30% in WSUL (seat foam), 65% in Apolo (plastic), 20% in the Egyptian bus body assembly facility GB Polo and 10.8% in the Canadian company NFI Group Inc.

Marcopolo also has a controlling interest in Banco Moneo S.A., incorporated to provide financial support to the Company products.

## 2. PERFORMANCE INDICATORS

The table below lists some of the relevant indicators for the management and analysis of the Company performance in 2018.

### CONSOLIDATED FIGURES

(BRL million and percentage variation, except where otherwise stated)

<b>Operational Performance</b>	<b>2018</b>	<b>2017</b>	<b>Var. %</b>
Net Operating Revenue	4,197.5	2,876.0	45.9
Revenue in Brazil	1,916.1	1,086.5	76.4
Exports revenue from Brazil	1,360.4	999.5	36.1
Revenue in foreign countries	921.0	790.0	16.6
Gross Profit	664.3	403.6	64.6
EBITDA <sup>(1)</sup>	362.1	119.7	202.5
Net Profit	190.9	82.1	132.5
Earnings per share in BRL	0.203	0.078	160.3
Return on Invested Capital – ROIC <sup>(2)</sup>	11.0%	3.2%	7.8pp
Return on Equity – ROE <sup>(3)</sup>	10.1%	4.5%	5.6pp
Investments	161.7	54.3	197.8
Shareholders' Equity	2,105.6	1,898.8	10.9
<b>Financial Position: Industrial Segment</b>			
Cash, Cash Equivalents and Financial Investments <sup>(4)</sup>	938.5	1,148.6	(18.3)
Short Term Financial Liabilities	658.9	649.9	1.4
Long Term Financial Liabilities	830.0	795.5	4.3
Net Financial Liabilities	550.4	296.8	85.4
<b>Financial Position: Industrial and Financial Segments</b>			
Cash, cash equivalents and financial investments	968.1	1,160.7	(16.6)
Short Term Financial Liabilities	834.0	833.9	0.0
Long Term Financial Liabilities	1,100.2	1,109.6	(0.8)
Net Financial Liabilities	966.1	782.8	23.4
<b>Margins</b>			
Gross Margin	15.8%	14.0%	1.8pp
EBITDA Margin	8.6%	4.2%	4.4pp
Net Margin	4.5%	2.9%	1.6pp

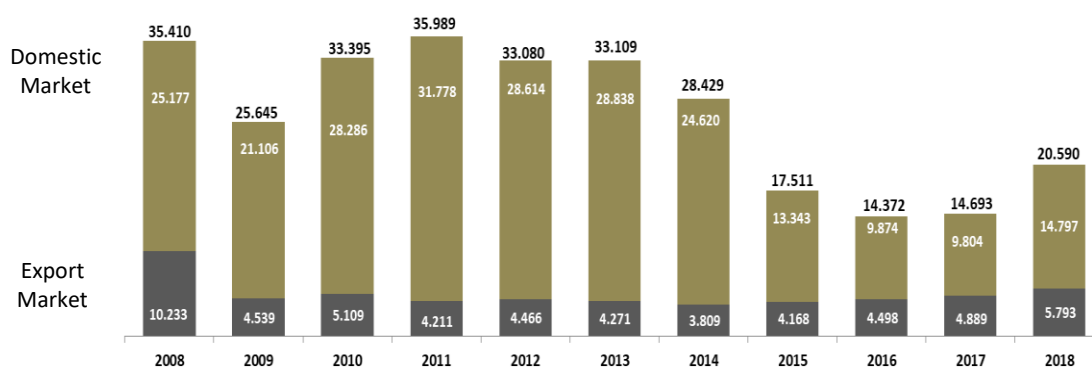
Notes: <sup>(1)</sup> EBITDA = Earnings before interest, taxes, depreciation and amortization; <sup>(2)</sup> ROIC (Return on Invested Capital) = EBIT/(inventories + customers + property, plant and equipment + intangible assets - suppliers); <sup>(3)</sup> ROE (Return on Equity) = Net Profit/Beginning Shareholders' Equity; <sup>(4)</sup> The amount also includes the account "financial assets measured at the fair price by means of the result"; pp = percentage points.

### 3. BUS INDUSTRY PERFORMANCE IN BRAZIL

The Brazilian bus production in reached 20,590 units in 2018, a volume which is 40.1% greater than the 14,693 units produced in 2017. Since the bus is sold fully-equipped, the Volare model is not computed in the Brazilian production of bodies. If the production of this kind of vehicle were considered, the domestic production would be 23,266 units per year, with a 41.2% increment compared to the 16,474 units produced in 2017.

The domestic market demand reached 14,797 units, a 50.9% greater compared to 2017, while the production targeted at the foreign market was of 5,793 units, 18.5% higher than exports in the previous year.

The chart below shows the evolution of the Brazilian bus body production in the last ten years:



#### BRAZILIAN BUS PRODUCTION – TOTAL (in units)

PRODUCTS <sup>(1)</sup>	2014	2015	2016	2017	2018
Intercity	7,977	5,679	4,185	4,768	5,993
Urban	16,836	9,593	7,929	7,152	9,947
Micro	3,616	2,239	2,258	2,773	4,650
<b>TOTAL</b>	<b>28,429</b>	<b>17,511</b>	<b>14,372</b>	<b>14,693</b>	<b>20,590</b>

Sources: FABUS (National Bus Manufacturers Association) and SIMEFRE (Interstate Union of the Railroad and Road Material and Equipment Industry).

Notes: <sup>(1)</sup> Includes exported KD (knocked down) units.

#### BRAZILIAN BUS PRODUCTION – DOMESTIC MARKET (in units)

PRODUCTS <sup>(1)</sup>	2014	2015	2016	2017	2018
Intercity	5,644	3,382	1,654	2,116	3,416
Urban	15,861	8,291	6,796	6,199	7,942
Micro	3,123	1,679	1,419	1,489	3,439
<b>TOTAL</b>	<b>24,628</b>	<b>13,352</b>	<b>9,869</b>	<b>9,804</b>	<b>14,797</b>

Note: <sup>(1)</sup> See notes on the table – Brazilian Bus Production – Total.

**BRAZILIAN BUS PRODUCTION – FOREIGN MARKET (in units)**

PRODUCTS <sup>(1)</sup>	2014	2015	2016	2017	2018
Intercity	2,333	2,297	2,531	2,652	2,577
Urban	975	1,302	1,133	953	2,005
Micro	493	560	839	1,284	1,211
<b>TOTAL</b>	<b>3,801</b>	<b>4,159</b>	<b>4,503</b>	<b>4,889</b>	<b>5,793</b>

Note: <sup>(1)</sup> See notes on the table – Brazilian Bus Production – Total.

**4. MARCOPOLO'S PERFORMANCE**

The 2018 consolidated the recovery of the Brazilian bus market, with production rising an expressive 40.1% compared to the previous year. In Marcopolo, production was 61.7% greater, combining an increase in revenue with the recovery of margins. The consolidated net revenue reached BRL 1.9 billion in Brazil, a 76.4% rise compared to 2017.

The main catalysts in the intercity segments were greater confidence of customers in the Brazilian economy and purchases associated to the accessibility rule, which began to require the installation of elevators in intercity buses produced since October 15<sup>th</sup> 2018. Intercity buses contributed to an improvement in the Company's profitability, with a mix of heavier products, arising from a greater demand for interstate and international lines and helped push the income.

In the urban segment, the normalization of fare adjustments, which had been repressing orders since 2013, and the federal program Road to School supported the growth. The increase of physical units in the domestic market was 109.2% in the segment, with the Company's market share jumping to 49.1%, a significant increase of 18.7 percentage points compared to the previous year (30.4%).

The demand for minibuses was pushed by biddings, both for schools and for special projects, purchased by States and Cities. Volare was also helped by greater customer confidence both in the retail segment and biddings. The domestic market volume growth for minibuses and Volares was 121.2% and 51.8% respectively. In 2018, the Company produced 1,965 buses for the Road to School program: 835 minibuses, 737 urban buses and 393 Volares.

The recovery of profitability was also a positive highlight in the 2018 performance. With the evolution of projects focused on the adoption of the LEAN methodology and utilization of operational leverage, Marcopolo closed the year with an 8.6% EBITDA margin, the best performance since 2014, in recurring results (without considering the sale of its stake interest in New Flyer in 2016). Net profit reached BRL 190.9 million, an expressive increase of 132.5%.

In exports, the highlight was the projects for exportation to African countries, which helped the growth of exported physical volumes, reaching a 20.4% increase. In revenue, the restructuring efforts in the International Business field, as well as the

depreciation of the Real of approximately 17.3% in 2018, benefitted income in 36.1%, consequently improving profitability.

In foreign units, the highlight was the production increase in Australia, which rose 34.5%, however, this volume was not followed by an improvement in profit, as the unit reported a loss of BRL 3.4 million because of operational performance problems.

In 2018, the Company advanced in the plant optimization project with the construction of the Manufacturing Center, which will allow for the closing of the Planalto and the new Plastic plant going into operation. The component verticalization process in the Espírito Santo unit is still in progress, which will provide greater competitiveness to the operation.

Finally, on December 10<sup>th</sup> 2018, Marcopolo's Board of Directors approved a capital stock increase within the authorized capital limit, for private subscription, through the issuance of new book-entry preferred shares, a minimum of 4,445,977 preferred shares and at most 21,933,779 new preferred shares, at an issue price of BRL 3.20, resulting in a capital stock increase of at least BRL 14,227,126.40 and at most BRL 70,188,092.80.

#### **4.1 Units Recorded in Net Revenue**

In 2018, 15,956 units were recorded in net revenue, 10,239 of which were recorded in Brazil (64.2% of the total), 3,645 units exported from Brazil (22.9% of the total) and 2,072 units (12.9% of the total) produced in foreign countries, as shown in the table below:

TRANSACTIONS (in units)	2018	2017	Var. %
<b>BRAZIL</b>			
- Domestic Market	10,239	5,587	83.3
- Foreign market	3,794	3,311	14.6
<b>SUBTOTAL</b>	<b>14,033</b>	<b>8,898</b>	57.7
Exclusion exported KDs <sup>(1)</sup>	149	336	(55.7)
<b>TOTAL IN BRAZIL</b>	<b>13,884</b>	<b>8,562</b>	62.2
- South Africa	287	354	(18.9)
- Australia	542	403	34.5
- Mexico	1,020	1,272	(19.8)
- China	223	175	27.4
<b>TOTAL FOREIGN</b>	<b>2,072</b>	<b>2,204</b>	<b>(6.0)</b>
<b>GRAND TOTAL</b>	<b>15,956</b>	<b>10,766</b>	<b>48.2</b>

Notes: <sup>(1)</sup> (Knock Down) = Partially or totally knocked down bodies.

#### 4.2 Production

In 2018, the consolidated Marcopolo production amounted to 16,103 units, 48.3% greater than the 10,860 manufactured in 2017. Out of these total figures, 86.7% have been produced in Brazil and the remaining 13.3% in foreign countries. Marcopolo's worldwide production figures are presented on the tables below:

#### MARCOPOLO – CONSOLIDATED WORLDWIDE PRODUCTION

TRANSACTIONS (in units)	2018	2017	Var. %
<b>BRAZIL</b> <sup>(1)</sup>			
- Domestic Market	10,274	5,581	84.1
- Foreign market	3,938	3,271	20.4
<b>SUBTOTAL</b>	<b>14,212</b>	<b>8,852</b>	60.6
Exclusion exported KDs <sup>(2)</sup>	254	219	16.0
<b>TOTAL IN BRAZIL</b>	<b>13,958</b>	<b>8,633</b>	<b>61.7</b>
<b>FOREIGN</b>			
- South Africa	344	354	(2.8)
- Australia	542	403	34.5
- Mexico	1,046	1,272	(17.8)
- China	213	198	7.6
<b>TOTAL FOREIGN</b>	<b>2,145</b>	<b>2,227</b>	<b>(3.7)</b>
<b>GRAND TOTAL</b>	<b>16,103</b>	<b>10,860</b>	<b>48.3</b>

Notes: <sup>(1)</sup> Includes the production of the Volare model; <sup>(2)</sup> (Knock Down) = Partially or totally knocked down bodies.

#### MARCOPOLO – CONSOLIDATED WORLDWIDE PRODUCTION BY MODEL

PRODUCTS/MARKETS (in units)	2018			2017		
	DM	FM (1)	TOTAL	DM	FM (2)	TOTAL
Intercity	2,566	1,805	4,371	1,558	2,025	3,583
Urban	3,583	2,900	6,483	1,713	2,148	3,861
Micro	1,971	602	2,573	891	744	1,635
<b>SUBTOTAL</b>	<b>8,120</b>	<b>5,307</b>	<b>13,427</b>	<b>4,162</b>	<b>4,917</b>	<b>9,079</b>
Volares <sup>(3)</sup>	2,154	522	2,676	1,419	362	1,781
<b>TOTAL PRODUCTION</b>	<b>10,274</b>	<b>5,829</b>	<b>16,103</b>	<b>5,581</b>	<b>5,279</b>	<b>10,860</b>

Notes: <sup>(1)</sup> DM = Domestic Market; FM = Foreign Market; <sup>(2)</sup> The total FM production includes exported KD units (partially or totally knocked down bodies), which amounted to 254 units in 2018 against 219 units in 2017; <sup>(3)</sup> The production of Volares is not a part of the SIMEFRE and FABUS figures or the industry production.

**MARCOPOLO – PRODUCTION IN BRAZIL**

PRODUCTS/MARKETS (in units)	2018			2017		
	DM	FM	TOTAL	DM	FM	TOTAL
Intercity	2,566	1,511	<b>4,077</b>	1,558	1,711	<b>3,269</b>
Urban	3,583	1,303	<b>4,886</b>	1,713	464	<b>2,177</b>
Micro	1,971	602	<b>2,573</b>	891	734	<b>1,625</b>
<b>SUBTOTAL</b>	<b>8,120</b>	<b>3,416</b>	<b>11,536</b>	<b>4,162</b>	<b>2,909</b>	<b>7,071</b>
Volares(1)	2,154	522	<b>2,676</b>	1,419	362	<b>1,781</b>
<b>TOTAL PRODUCTION</b>	<b>10,274</b>	<b>3,938</b>	<b>14,212</b>	<b>5,581</b>	<b>3,271</b>	<b>8,852</b>

Notes: <sup>(1)</sup> The production of Volares is not a part of the SIMEFRE and FABUS figures or the industry production.

**4.3 Market Share**

Marcopolo maintained its leading position in the market, closing the year with a 56.0%, an increase of 7.9 percentage points compared to 2017. The prominent segment was the urban bus one, with an increase of 18.7 percentage points. This is a result of a reorganization effort in the Domestic Market Business field, with focus on strengthening team work, structured processes, and adjusting the sales network.

The table below shows Marcopolo's market share in the Brazilian production by product line:

**MARKET SHARE IN BRAZILIAN PRODUCTION (%)**

PRODUCTS <sup>(1)</sup>	2014	2015	2016	2017	2018
Intercity	57.0	55.0	65.9	68.6	68.0
Urban	34.0	35.1	30.1	30.4	49.1
Micro	27.4	28.3	35.3	58.6	55.3
<b>TOTAL</b>	<b>39.6</b>	<b>40.7</b>	<b>41.3</b>	<b>48.1</b>	<b>56.0</b>

Source: FABUS and SIMEFRE

Note: <sup>(1)</sup> Volare is not computed for market share purposes.

**5. CONSOLIDATED NET REVENUE**

The consolidated net revenue achieved BRL 4,197.5 million in 2018, 45.9% greater than the BRL 2,876.0 million in 2017. The result is mainly an effect from the domestic market income, which was 76.4% greater than 2017. A highlight under this title is the urban bus revenue for the domestic market, which rose 109.3% compared to the previous year.

The domestic market sales yielded revenue of BRL 1,916.1 million or 45.6% of the total net revenue (37.8% in 2017). Exportation, added to foreign transactions, reached revenue of BRL 2,281.4 million or 54.4% of the total (62.2% in 2017).

Revenue by product and destination market is shown on the table below:

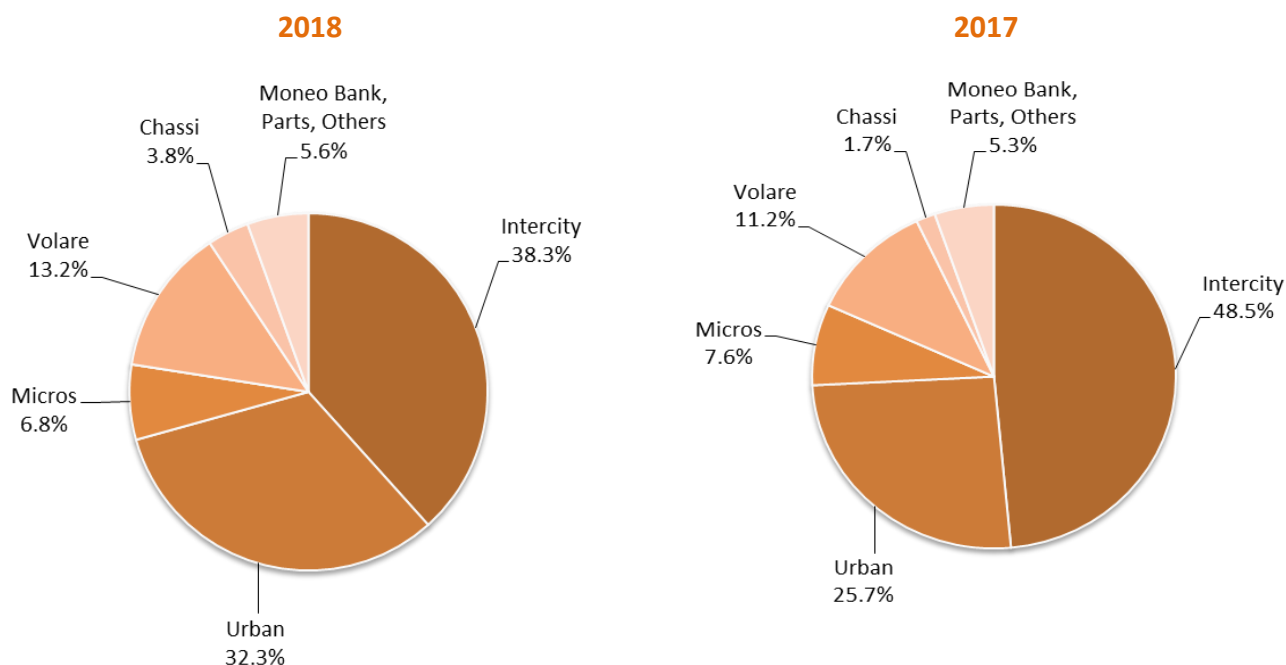
**TOTAL CONSOLIDATED NET REVENUE BY PRODUCTS AND MARKETS (BRL million)**

PRODUCTS/MARKETS <sup>(1)</sup>	2018			2017		
	DM	FM	TOTAL	DM	FM	TOTAL
Intercity	739.9	869.0	1,608.9	461.1	934.0	1,395.1
Urban	443.2	915.3	1,358.5	211.8	527.0	738.8
Micro	208.0	76.1	284.1	86.5	132.7	219.2
<b>Bodies subtotal</b>	<b>1,391.1</b>	<b>1,860.4</b>	<b>3,251.5</b>	<b>759.4</b>	<b>1,593.7</b>	<b>2,353.1</b>
Volares <sup>(2)</sup>	434.1	120.3	554.4	256.5	65.3	321.8
Chassis	5.2	153.6	158.8	2.2	47.1	49.3
Bank Moneo, Parts and Others	85.7	147.1	232.8	68.4	83.4	151.8
<b>GRAND TOTAL</b>	<b>1,916.1</b>	<b>2,281.4</b>	<b>4,197.5</b>	<b>1,086.5</b>	<b>1,789.5</b>	<b>2,876.0</b>

Notes: <sup>(1)</sup> DM = Domestic Market; FM = Foreign Market; <sup>(2)</sup> The Volare revenue includes chassis.

Out of the total consolidated net revenue in 2018, 77.4% came from the sale of bodies, 13.2% from the sale of Volares and 9.4% of the revenue from parts, Banco Moneo and chassis.

The charts below show the source of the consolidated revenue in further detail (in %):





## **6. GROSS INCOME AND MARGINS**

In 2018, the gross profit totaled BRL 664.3 million, amounting to 15.8% of the net revenue. The 1.8 percentage-point improvement compared to 2017 results from greater intercity bus revenue in the domestic market, exportation of products with greater added value combined with a more favorable foreign exchange rate, especially in the segment of urban buses and Volares, as well as through improved efficiency in all manufacturing plants, arising from the Company's efforts to revitalize its production system by making use of the LEAN principles.

## **7. SALE EXPENSES**

Sale expenses totaled BRL 251.1 million in 2018 or 6.0% of the net income against BRL 168.7 million, or 5.9% of the revenue in 2017. Such increase arises mostly from a greater volume of expenses with commissions because of the greater sales volume both to the domestic and foreign market.

## **8. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses totaled BRL 181.8 million in 2018 and BRL 167.1 million in 2017, amounting to 4.3% and 5.8% of the net income respectively. The reduction in the revenue value and percentage results from actions conducted by the Company seeking to reduce indirect expenses and costs.

## **9. OTHER OPERATING REVENUE/EXPENSES**

In 2018, BRL 25.2 million was recorded as "Other Operating Expenses", against BRL 80.4 million in 2017.

The amount is made up of BRL 13.6 million of provisions for indemnification related to contract terminations with commercial representative, which are non-recurring expenses, and BRL 8.5 million related to provisions for payments of employment claims, BRL 2.6 million of provision for obsolete inventory loss and BRL 0.5 million in other expenses.

## **10. EQUITY METHOD RESULTS**

The equity method result in 2018 was BRL 95.1 million positive against BRL 86.9 million also positive in 2017. The main contribution came from NFI Group Inc., in the amount of BRL 74.0 million.

Equity was negatively impacted by the non-recurring effect of adjustment for inflation in the financial statements of the Company's subsidiary located in Argentina, Loma Hermosa, which consolidates the operations of Metalpar and Metalsur, in the amount of BRL 5.0 million, as detailed in the explanatory note 2.2. vi.

The equity method result is described in detail in Explanatory Note no. 11 to the Financial Statements.

### 11. NET FINANCIAL INCOME

The 2018 net financial income was BRL 92.0 million negative against BRL 18.7 million positive in 2017. The most relevant impact comes from exchange variation, in an amount of BRL 74.7 million, resulting from the depreciation of the Real against the U.S. Dollar, on the order backlog in dollars. Even though the foreign exchange effect is negative, it benefits the Company as the orders from exportation are invoiced, positively affecting the margins.

Apart from the aforementioned effect, the payment of interest on loans negatively affected the financial result in a net manner, i.e., by subtracting the yield of financial investments, in the amount of BRL 17.3 million.

The financial income is described in detail in Explanatory Note no. 27 to the Financial Statements.

### 12. EBITDA

EBITDA reached BRL 362.1 million in 2018, with an 8.6% margin against BRL 119.7 million and a 4.2% margin in 2017. The recovery of the EBITDA margin in 4.5 percentage points compared to 2017 is explained (i) by a greater volume and profitability of exportation, helped by the depreciation of the Real; (ii) by a greater volume of intercity buses in the domestic market; (iii) by New Flyer's equity method result, which was 37.8% greater than the same period last year; (iv) by the control of operating costs and expenses resulting from the Company's effort to reduce them; and (v) by substantial recovery of the results in the Neobus and Marcopolo Rio units.

The table below shows the accounts that make up the EBITDA:

(BRL million)	2018	2017
Result before Income Tax and Social Contribution	209.3	92.9
Financial Revenue	(205.1)	(292.0)
Financial expenses	297.1	273.3
Depreciation / Amortization	60.8	45.4
<b>EBITDA</b>	<b>362.1</b>	<b>119.7</b>

Within the year, EBITDA was affected by non-recurring events concerning the provision for indemnification of commercial representatives (BRL 13.6 million) and the negative equity result arising from the adjustment for inflation of Loma Hermosa's financial statements (BRL 5.0 million). The adjusted EBITDA would be BRL 380.7 million with a 9.1% margin within the period.

### 13. NET PROFIT

The 2018 net profit reached BRL 190.9 million, with a 4.5% net margin. The improvement in the net margin is explained by the same factors as in EBITDA, having been negatively affected by the foreign exchange variation in the period, as stressed above.

#### **14. FINANCIAL INDEBTEDNESS**

The net financial indebtedness amounted to BRL 966.1 million on 12.31.2018 (BRL 782.8 million on 12.31.2017). Out of this total, BRL 415.7 million came from the financial segment, while the industrial segment had net liabilities in the amount of BRL 550.4 million.

It should be noted that the financial segment indebtedness comes from the consolidation of the Bank Moneo activities and must be analyzed separately, as it has different characteristics from the indebtedness arising from the Company's manufacturing activities. The financial liabilities of the Bank Moneo have a corresponding entry in the "Customers" account in the Bank's Assets. The credit risk is properly provisioned for. Since these are transfers from the FINAME, each disbursement BNDES has a corresponding entry in the customer receivables account of the Banco Moneo, both in term and fixed rate. See Explanatory Note 29 to the Financial Statements.

On December 31st, the net financial indebtedness of the industrial segment amounted to 1.5 times the EBITDA of the last 12 months.

#### **15. CASH GENERATION**

In 2018, the operating activities raised funds in the order of BRL 225.2 million. The investment activities, minus dividends received from associated companies demanded BRL 112.8 million, while the financing activities consumed BRL 221.9 million, BRL 190.2 million net of loans and repayments, BRL 33.9 million consumed in the payment on dividend and interest on the shareholders' equity and BRL 2.2 million for the sale of treasury shares. As a result, the beginning cash balance of BRL 1,160.8 million, considering the unavailable financial investments and reducing BRL 83.2 million equivalent to the difference between foreign exchange variation and variation of unavailable financial investments, was reduced to BRL 968.1 million at the end of the year.

The cash flow statement of the industrial and financial segments is presented in detail in Explanatory Note 30 to the Financial Statements.

#### **16. PERFORMANCE OF CONTROLLED AND ASSOCIATED COMPANIES**

##### **16.1 Controlled companies in foreign countries**

In 2018, the controlled units in foreign countries produced 2,145 units. This volume amounted to 13.3% of Marcopolo's consolidated production. We stress that the Company remains engaged in expanding the application of the Lean principles in all its international operations.

Below are some of the highlights of controlled companies in foreign countries:

**MARCOPOLO SOUTH AFRICA (MASA)** – In 2018, MASA, located in Johannesburg, produced 344 units with a 2.8% reduction compared to the 2017 production (354

units). The unit recovered its profitability in spite of a reduction in volumes and the internal economic problems within the country, reporting a profit of BRL 4.9 million. The expectation for 2019 is one of growing results.

**POLOMEX** – Located in Monterrey, Mexico, Polomex produced 1,046 units in 2018 (1,272 units in 2017). In 2018, the operation managed to maintain its profit, in spite of a smaller volume of orders and a mix of products with less added value. In 2019, an increase is expected in income and profitability with a greater demand for intercity buses.

**VOLGREN** – Headquartered in Melbourne, Australia, Volgren produced 542 units in 2018 (403 units in 2017). Even though there was an increase in revenue and volumes, the unit was unable to report a profit due to operational performance problems. After operational and structural adjustments made in 2018, the operation is expected to recover profitability in 2019.

**MARCOPOLO CHINA (MAC)** – MAC has an area for sourcing, production of parts, components and knocked down bus bodies, as well as production of PKD buses for exportation. The news in 2018 was that Marcopolo China was authorized to operate in a FTZ (Free-trade Zone). For 2019, the efforts continue in the opening of new export markets.

### ***16.2 Associated companies in foreign countries***

**METALPAR/METALSUR** – The Argentinean operations of Metalpar and Metalsur suffered greatly with the economic problems in Argentina, especially those related to inflation and foreign exchange devaluation. In 2019, the vision continues to be negative and the Company has been working to mitigate the losses in that country.

**NFI GROUP INC.** NFI Group Inc., a company in which Marcopolo has a 10.8% ownership interest, is the main manufacturer of urban buses in the United States and Canada. Located in Winnipeg, Canada, the New Flyer Industries is a leading company in technology and offers a wide range of products, including clean diesel, natural gas, diesel-electricity and electricity-powered vehicles. The New Flyer results contributed in the amount of BRL 74.0 million, a 37.8% increase compared to the previous year. The expectation is for the company to continue showing good performance and thus contributing significantly to Marcopolo's results.

**SUPERPOLO** – Located in Colombia, Superpolo reported a year of increased profitability. The expectation for 2019 is one of strong expansion of revenue and earnings, with important orders from the renovation of the TransMilenio system already confirmed.

**TATA MARCOPOLO MOTORS (TMML)** – 2018 was a year of good performance of TMML with stable results, suffering less effects from the Indian market's seasonality. The expectation for 2019 is of challenges arising from the change of motors to be implemented in the country beginning this year.

### **16.3 Bank Moneo**

Banco Moneo S.A. began operating in July 2005 for the purpose of financing Marcopolo products. The Bank is authorized to operate in lease-purchase, credit, financing and investment. In 2018, the bank had a loss in the amount of BRL 8.5 million. The credit and accommodation transactions totaled BRL 653.4 million on 12.31.2018 against BRL 720.9 million on 12.31.2017. The Bank maintained a policy of prioritizing the quality of its credit portfolio by means of a strict credit assessment and approval system.

## **17. CORPORATE GOVERNANCE**

Marcopolo tries to adopt best Corporate Governance practices, following the principles of transparency, equity, accountability and corporate responsibility, and its actions are listed on Level 2 of B3's Corporate Governance since 2002. The Company is bound to the arbitration of the Market Arbitration Chamber, according to an Arbitration Clause contained in its Articles of Incorporation.

Marcopolo's management is formalized on the basis of distinction between the roles and responsibilities of the Board of Directors, the Executive Committee and the Executive Board. The Board of Directors is made up of seven members, four of which are external and independent, one elected by the minority shareholders, one by shareholders holding preferred shares and the other two by controlling shareholders. The Chairman of the Board of Directors does not take part in the Executive Board. The Board of Directors has a consulting technical committee on a permanent basis, established by its Articles of Incorporation, named Executive Committee, which assists and provides opinion on the conduct of business. The competences of each of these bodies are established by the Company's Articles of Incorporation. Furthermore, in order to support, opine and support the conduct of business, the Board of Directors also has the following Committees: (i) Audit and Risks; (ii) Human Resources and Ethics; and (iii) Strategy and Innovation. The roles of each of these supporting Committees can be found on the Company's website: <http://ri.marcopolo.com.br>, on the menu Corporate Governance/Bylaws of the Committees.

The Company also has an Audit Committee made up of three members, one appointed by the minority shareholders, one by shareholders holding preferred shares and one by the controlling shareholders. The competences of each body are established by the Company's Articles of Incorporation.

The Company treats all minorities fairly and equally, be they shareholders or other stakeholders. When reporting information, the company uses high transparency standards in order to establish an atmosphere of reliability, both internally and in the company relationship with third parties. In order to comply with legal provisions and

improve the information provided to the market in general and foreign shareholders in particular, the Financial Statements are reported according to the standards established by the IFRS - International Financial Reporting Standard. In 2018, the Company held meetings with the Stock Market Investment Analysts and Professionals Association (APIMEC) in São Paulo and Porto Alegre and non-deal road shows in Brazil and foreign countries. There was also the ninth edition of the Marcopolo Day, an event in which the Company receives analysts and investors in its Caxias do Sul facilities for a presentation about the company, its strategy, products and productive process. Marcopolo's relationship with its shareholders and potential investors is conducted by the Investor Relationship department. In 2018, analysts from Brazil and foreign countries were received and several phone calls were made. Marcopolo's Investor Relationship website (<http://ri.marcopolo.com.br>) has current information for the investing audience.

## **18. COMPLIANCE PRACTICES**

In order to supplement the good governance practices and risk management, Marcopolo implemented a Compliance department in 2014, the structure of which includes a Consulting Committee made up of the executive officers appointed by the Articles of Incorporation, by the chairman of the Board of Directors, by the Compliance Officer and by representatives of the controlling shareholders. The Compliance structure also includes a compliance analyst and internal agents. The Company revised its code of conduct to include integrity provisions, trained all its employees and representatives, enhanced internal and external communication channels, created a report channel, created an integrity policy, began to include compliance clauses in all the agreements executed by the Company, performs due diligence of integrity in partners and third parties, among other practices. Apart from that, the compliance team has taken place in outside training and benchmarking events.

## **19. INDEPENDENT AUDITORS**

### **19.1 Change of Independent Auditors**

In 2017, the company changed its auditors and engaged the services of Pricewaterhouse Coopers Auditores Independentes, with business address in Porto Alegre, RS, Rua Mostardeiro, 800, 9º andar, to replace KPMG Auditores Independentes.

### **19.2 CVM Instruction 381/03**

In compliance with the CVM Instruction 381/03, subdivisions I through IV of Section 2, Marcopolo hereby declares that it has agreements with its Independent Auditors other than for the auditing of the Company's Financial Statements. During 2018, a Pricewaterhouse Coopers Auditores Independentes was hired to provide assistance tax services and the fees were equivalent to BRL 196,500. The responsibility for the definitions inherent to the executed procedures and the application thereof are

prerogatives of the Management, so both the Company and its external auditors understand that such services do not affect professional independence.

## 20. STOCK MARKET

### 20.1 Capital Stock

On December 31st 2018 the Company's capital stock was BRL 1,264,622,468 divided into 925,196,009 shares, 341,625,744 of them being common shares (36.9%) and 583,570,265 being preferred shares (63.1%), all of them registered, book-entry and without par value.

### 20.2 Performance of the Marcopolo Shares in B3

In 2018, 1,008.2 thousand transactions were conducted with Marcopolo shares and 744.5 million shares were traded. Transactions with shares issued by Marcopolo moved BRL 2.9 million in the year. The interest of foreign investors in Marcopolo's capital stock amounted to 54.8% of the preferred shares and 35.5% of the total capital stock on 12.31.2018.

The table below shows the evolution of the main stock market indicators:

INDICATORS	2018	2017
Number of transactions (thousands)	1,008.2	1,250.5
Traded Shares (million)	744.5	1,146.2
Traded amount (BRL million)	2,853.6	3,360.4
Market value (BRL million) <sup>(1)(2)</sup>	3,774.8	3,691.5
Book value per share (BRL)	2.28	2.05
POMO4 quotation (last business day)	4.08	3.99
Interest on Equity Capital and dividends per share (BRL/share)	0.09	0.04

Notes: <sup>(1)</sup> Quotation of the last transaction of the period of the Preference Book-entry share (PE), multiplied by the total number of shares (OE+PE) in the same period. <sup>(2)</sup> Out of this total, 3,977,285 preferred shares were in treasury on 21.31.2018.

## 21. DIVIDENDS/INTEREST ON EQUITY CAPITAL

On December 10th 2018, the Board of Directors approved the payment of interest on capital equity in the gross amount of BRL 82.9 million, equivalent to BRL 0.09 for each share.

The total amount proposed for payment of interest on shareholders' capital ascribed to the dividends for the year 2018 totals BRL 82.9 million. The total amount paid corresponds to 44.4% of the Company's adjusted net income in 2018 and amounts to a 2.2% yield (dividend per share/share quotation at the end of the period).

## 22. INVESTMENT/NON-CURRENT ASSETS

In 2018, Marcopolo invested BRL 161.7 million, BRL 95.7 million of which was spent in the parent company and applied towards: BRL 62.8 million in machines and equipment, BRL 20.6 million in buildings, BRL 5.6 million in computer equipment and



software and BRL 6.7 million in other non-current assets. In the controlled companies, BRL 18.3 million was invested in Volgren, BRL 17.8 million in Volare Espírito Santo, BRL 9.0 million in Polomex, BRL 8.5 million in Neobus, BRL 8.4 million in Marcopolo China, BRL 3.3 million in Marcopolo Rio and BRL 0.7 million in other units.

### **23. SOCIOENVIRONMENTAL RESPONSIBILITY**

In a constant search for best practices, Marcopolo seeks economic development, simultaneously improving the quality of life of its employees, their families and society as a whole. In 2018, the Marcopolo Way program was launched, the purposes of which include the maintenance of the Vision, Values, Policies and sharing of the best management practices in all Brazilian and foreign units. The Marcopolo Solidarity Production System – SIMPS, which is an integral part of Marcopolo Way, uses the principles and fundamentals of the LEAN philosophy in the form of methods, tools and the organization's best practices in order to optimize the performance of the processes. It also supports industrial management in the execution of the company's strategy for growth, market leadership, productivity, quality, personnel safety, workplace improvement and profitability of products and services. Marcopolo remains with international management certifications ISO 14.001 - Environment, ISO 9.001 – Quality, and OHSAS 18.001 – Health and Safety.

#### **23.1 Social Responsibility**

Marcopolo and its employees develop social responsibility by means of the Marcopolo Foundation. The projects are targeted at children and adolescents of the community in which we are present. The Schools Project is noteworthy for its purpose to contribute to the development of the entire school community. The project provides diversified activities in out of school hours such as music, choir, orchestra, sports and refresher clinic. The Marcopolo Foundation also contributes on a monthly basis to educational and healthcare charities.

Also with focus on education, all the employees' children get notebook kits through the Everyone in School project, also coordinated by the Marcopolo Foundation. The purpose is to help family economy and support in the education of their children. The program is targeted at children and adolescents aged 5-17 and eleven months taking elementary or secondary school. Nearly 23,000 customized notebooks were delivered in 2018.

The Marcopolo Foundation encourages and facilitates the allotment of 6% of their employees' Individual Income Tax to the Municipal Funds for the Rights of Children and Adolescents in the cities of Caxias do Sul (RS) and Duque de Caxias (RJ) by means of the Destine Você Também Project, creating benefits in professionalization actions for adolescents and a children connection strengthening center, serving nearly 1.500 young people in social and personal risk situation.



### **23.2 Satisfaction of Employees**

Marcopolo conducts an Internal Organizational Climate Survey every two years with all its employees. In September 2018, a Global Survey was conducted for the first time including the Brazilian and foreign units, making use of the Korn Ferry specialized consulting methodology. The general Satisfaction average of the companies in Brazil was 75%. Based on the results, general action plans will be prepared by unit and also plans to meet specific needs of the departments taking part in the Survey, which shall be monitored periodically. Also in 2018 Marcopolo's Code of Conduct was revised for the third time in order to comply with the Brazilian anticorruption act and align it with the best compliance practices, apart from improving the company's personnel management practices. The Code was disseminated to workers in Brazilian units in October.

The implementation of the same Code, with local adjustments if necessary, is expected for 2019 in the units of Mexico, Colombia, South Africa, Australia and China. The internal and external channels were revised again so that employees and other interested persons may submit comments, criticism, ideas and suggestions about the several topics involving their work or related to the Code of Conduct guidelines and the Compliance rules, with specific segregation for reporting. The external channels were unified to be used by all units in the implementation of the new version of the Code of Conduct also in foreign countries. The messages received are treated and answered according to a specific policy.

### **23.3 Education and Training**

To support the professional and personal developments of its employees and contributing to their constant qualification, Marcopolo provided training to all professional levels, which resulted in an annual average of 42 hours' training by employee. And as a way to maintain and develop the concepts of product quality, process and safety, 305,000 hours of training were conducted.

The managers took parts in actions related to the safety of their teams, with training sessions focused on accident prevention and understanding their role in the dissemination and care with safe activities. Furthermore, Marcopolo qualified the new Managers, with actions focused on conducting high-performance teams, contributing to their formation basis.

The Marcopolo Professional Education School (EFPM) maintained its industrial courses for young people in partnership with SENAI, University of Caxias do Sul and the Social Assistance Foundation (FAS). One of EFPM's main purposes is to prepare professionals for the labor market by means of the first paid job and access to the Company's career plan. In 2018, a group of 30 young people from foster homes was created to encourage them to seek qualification and recognize their roles as citizens.

Marcopolo has had an Education Incentive Program since 1981, including scholarships for high school, technical courses, graduate and postgraduate courses for employees approved in a selection process. The company also provides for the development of skills for communication in English and Spanish for workers who require this skill in their position.

#### **23.4 Quality of Life**

The quality of life programs targeted at employees and their families are coordinated by the Marcopolo Foundation, including educational, leisure, cultural and sports activities. The Caxias do Sul and Duque de Caxias units feature their own facilities with places for events, courts and kiosks.

#### **23.5 Environment**

Marcopolo's commitment is to protect the environment in a sustainable and balanced manner, establishing the required controls to minimize the activities' impact in compliance with the applicable law. In 2018, the San Marino Ônibus Ltda unit obtained the ISO 14.001 certification - Environmental Management System.

#### **23.6 Compensation**

The employees' compensation is made up of a fixed part, connected to their competences and skills, and a variable part, contingent upon the attainment of the goals of the Profit-sharing Program. Wage researches are conducted periodically in order to assess whether the amounts paid to the employees are within the regional standards, so that the company can remain competitive in the labor market.

#### **23.7 Share Purchase Option Plan**

The Regulation of the Share Purchase or Subscription Option Plan was approved by shareholders in the Extraordinary General Meeting held on December 22nd 2005, changed by the O/EGM dated March 23rd 2006 and by the Board of Directors in meetings held in the years 2006, 2007, 2011, 2012 and 2013. The plan, whose participants are executives of the Company and its controlled companies (except controlling officers) has as main purposes: (i) Align the interests of participants and shareholders; (ii) Get the participants committed to the company's short, mid and long term results; (iii) Encourage a feeling of ownership; and (iv) Attract and retain talent. The Plan is monitored by the HR and Ethics committee and approved by the Board of Directors.

The company also has a Long-Term Incentive Plan with Restricted Shares by Performance, proposed by the Board of Directors on February 12th 2015 and approved by the General Meeting on March 26th 2015. The plan has the purpose of composing the compensation package of the main executives of the company, obtain the participants' commitment to long-term results, maintain competitiveness within the

market, attract and retain the best professionals and align the interests of executives and shareholders.

#### 24. MANAGERS' COMPENSATION

The aggregate amount of the fixed compensation is established by the General Meeting and paid to the managers by the Board of Directors. The greatest annual individual compensation of the Board of Directors/Executive Committee totaled BRL 2,641.9 thousand in 2018, the average compensation was BRL 967.7 thousand and the smallest was BRL 465.0 thousand. Among executive officers, the greatest individual compensation was BRL 4,681.5 thousand in 2018, the average was BRL 3,692.2 thousand and the smallest was BRL 2,702.9 thousand. In the Audit Committee, the greatest individual compensation was BRL 249.8 thousand in 2018, the average was BRL 214.7 thousand and the smallest was BRL 197.1 thousand.

#### 25. PERSONNEL

NO. OF EMPLOYEES	2018	2017	2016	2015	2014
Controlling Company	7,410	6,255	6,125	6,236	7,883
Controlled Companies in	2,826	2,057	2,135	1,369	2,776
Controlled Companies in	1,739	1,645	1,921	1,666	1,889
Associated Companies	3,579	2,403	2,632	3,200	4,270
<b>TOTAL <sup>(1)</sup></b>	<b>15,554</b>	<b>12,360</b>	<b>12,813</b>	<b>12,471</b>	<b>16,818</b>
<b>GRAND TOTAL <sup>(2)</sup></b>	<b>19,743</b>	<b>15,059</b>	<b>15,749</b>	<b>16,125</b>	<b>21,435</b>

Notes: <sup>(1)</sup> Includes employees in the controlled/associated companies proportionally to their equity interest; <sup>(2)</sup> Refers to the total participation in controlled/associated companies.

#### 26. PROSPECTS FOR 2019

For 2019, the Company has the purpose of increasing its profit and, in order to meet this challenge, it began a project named "Second Management Wave". It is a set of short-term actions focused on relevant and priority topics, such as: expansion of the sales horizon, increase of logistic efficiency, reduction of costs with materials and increase of industrial performance. It is expected that, with the project's efforts and one more year of sales recovery in Brazil, we may achieve greater profitability, still in search for the pre-crisis levels.

Among the initiatives to improve profitability is the opening of the new Manufacturing Center in January 22<sup>nd</sup>, which concentrates the production of metal parts in a single pavilion, thus expediting the production lines and improving efficiency. Continuing the plant optimization process, shutdown of the plant located in the Planalto district of Caxias do Sul shall happen this year.

The recovery of the internal economy, along with the approval of reforms by the current government, shall guide the customers' confidence in 2019, contributing an increasing demand in the bus market. As for the domestic demand, the main specific drivers for the sector in 2019 must be, for intercity buses, the rule reducing the average fleet age in interstate and international lines to 5 years, which shall be

achieved by the end of 2019; and for urban buses, the resuming of the bidding process in the city of São Paulo, which shall result in greater confidence by the managers in the renewal of their fleets and normalization of fare adjustments.

As for the Road to School program, there is a remaining volume of nearly 1,000 units to be delivered in this 1H19 from an auction conducted in February 2018. This year, there is also the prospect of a new auction, which may favor the segments of micro buses, urban buses and Volares.

Exports still high, with an order backlog to Latin American countries, mostly due to special fleet renovation projects in the major markets. The maintenance of the current foreign exchange level shall help the company continue with its margin recovery process for 2019.

In foreign markets, a highlight is Mexico, which shows a trend to improve volumes, arising mostly from the sale of vehicles to the Iamsa Group, announced in mid-2018, and a product portfolio with greater added value. For Australia, the expectation is to increase profitability through improved efficiency resulting from a strong effort in 2018. In associated companies, a special performance is expected from the Superpolo operation in Colombia, as a result of an expected fleet renovation process in the city of Bogota.

The capital increase by means of private subscription announced in late 2018 reached an expressive volume by part of the investors. The total amount subscribed was BRL 69,429,993.60 to be approved by the Board of Directors on February 25, 2019.

In 2019, the Company will continue making efforts to recoup its historical performance levels, believing that the growing volumes combined with the initiatives and improvements implemented since 2015, especially those concerning the increase of operating efficiency, quality, stronger presence both in foreign and domestic markets, search for synergy and optimization of its plant will allow for the achievement of new excellence levels and, mainly, greater profit. We will remain attentive to new opportunities in the search for constant improvement.

## **27. ACKNOWLEDGEMENTS**

Marcopolo is honored to thank customers, suppliers, representatives, shareholders, financial institutions, government bodies, the communities and especially the employees for their effort, devotion and commitment.

Caxias do Sul, February 22<sup>nd</sup> 2019.

The Management.

**BALANCE SHEETS**

IFRS 10 & 11 (CPC 36 R3 E CPC 19 R2) - in thousands of reais

ASSETS	Consolidated	
	12/31/18	12/31/17
<b>Current assets</b>		
Cash and cash equivalents	863.467	958.759
Short-term investments valued at fair value	89.928	187.373
Derivatives financial instruments	1.453	445
Trade accounts receivable	1.101.973	821.310
Inventories	686.821	521.364
Recoverable taxes	205.985	228.274
Other accounts receivable	111.361	105.376
	<b>3.060.988</b>	<b>2.822.901</b>
<b>Non-current assets</b>		
Financial assets available for sale	13.260	14.118
Recoverable taxes	2.019	1.669
Deferred income tax and social contribution	116.835	92.185
Judicial Deposits	56.183	34.151
Trade accounts receivable	360.862	428.773
Other accounts receivable	1.638	1.548
		572.444
Investments	482.827	377.003
Investment Property	49.808	50.708
Property, plant and equipment	770.733	688.355
Intangible assets	232.551	220.841
	<b>2.086.716</b>	<b>1.909.351</b>
<b>TOTAL ASSETS</b>	<b>5.147.704</b>	<b>4.732.252</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>Consolidated</b>	
	<b>12/31/18</b>	<b>12/31/17</b>
<b>Current liabilities</b>		
Suppliers	418.247	366.399
Loans and financing	833.995	831.071
Derivative financial instructions	48	2.811
Salaries and vacation pay	156.463	103.305
Taxes and contributions payable	74.549	88.159
Advances from customers	116.750	74.600
Comissioned representatives	43.014	25.757
Interest on own capital and dividends	34.753	15.325
Management profit sharing	5.391	5.027
Other accounts payable	145.217	106.812
	<b>1.828.427</b>	<b>1.619.266</b>
<b>Non-current liabilities</b>		
Loans and financing	1.100.165	1.109.595
Provision	77.709	64.770
Taxes contributions payable	-	0
Obligations to purchase equity interests	-	0
Other accounts payable	6.772	10.009
	<b>1.184.646</b>	<b>1.184.374</b>
<b>Stockholders' equity</b>		
Capital	1.264.622	1.264.622
Capital reserves	5.358	6.487
Revenue reserves	681.149	557.985
Treasury stock	(18.446)	(21.797)
Equity valuation adjustments	172.936	91.472
	<b>2.105.619</b>	<b>1.898.769</b>
<b>Non-controlling Interest</b>	<b>29.012</b>	<b>29.843</b>
	<b>2.134.631</b>	<b>1.928.612</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>5.147.704</b>	<b>4.732.252</b>

The consolidated financial statements including the notes to financial statements and the report of independent auditors PricewaterhouseCoopers Auditores Independentes - are available at the sites [www.cvm.gov.br](http://www.cvm.gov.br) and [www.bmfbovespa.com.br](http://www.bmfbovespa.com.br).

**STATEMENTS OF INCOME**

*IFRS 10 & 11 (CPC 36 R3 E CPC 19 R2) - in thousands of reais*

ACCOUNTS	Consolidated	
	2018	2017
<b>Net sales and service revenues</b>	<b>4.197.468</b>	<b>2.875.993</b>
Cost of sales and services	(3.533.152)	(2.472.347)
<b>Gross Profit</b>	<b>664.316</b>	<b>403.646</b>
<b>Operating income (expenses)</b>		
Selling expenses	(251.055)	(168.734)
Administrative expenses	(181.812)	(167.119)
Other operating income (expenses), net	(25.233)	(80.397)
Equity in the results of investees	95.071	86.857
<b>Net income (loss) from operations</b>	<b>301.287</b>	<b>74.253</b>
Financial revenue	205.063	292.019
Financial expenses	(297.045)	(273.299)
<b>Financial Income/loss</b>	<b>(91.982)</b>	<b>18.720</b>
<b>Profit before income tax and social contribution</b>	<b>209.305</b>	<b>92.973</b>
<b>Income taxes and social contribution</b>		
Current	(43.006)	(33.267)
Deferred charges	24.650	20.406
<b>Net income from continued operations</b>	<b>190.949</b>	<b>80.112</b>
<b>Net income per share - R\$</b>	<b>0,2073</b>	<b>0,0784</b>

The consolidated financial statements including the notes to financial statements and the report of independent auditors - KPMG Auditores Independentes - are available at the sites [www.cvm.gov.br](http://www.cvm.gov.br) and [www.bmfbovespa.com.br](http://www.bmfbovespa.com.br).

CASH FLOWS

IFRS 10 & 11 (CPC 36 R3 E CPC 19 R2) - in thousands of reais

Statement of Cash Flows	Consolidated	
	12/31/18	12/31/17
<b>Cash flows from operating activities</b>		
<b>Net income for the period</b>	<b>190.947</b>	<b>82.112</b>
Adjustments to reconcile net income with cash generated by (used in) operating activities:		
Depreciation and amortization	60.805	45.432
Gain (loss) on disposal of investments, property, plant and equipment and intangible assets	18.888	27.245
Equity in the results of investees	(95.071)	(86.857)
Provision for credit losses	38.338	32.127
Current and deferred income tax and social contribution	18.357	10.860
Interest and appropriated exchange variations	170.789	120.100
Non-controlling Interest	4.217	9.942
<b>Changes in assets and liabilities</b>		
(Increase) decrease in trade accounts receivable	(241.982)	108.090
(Increase) decrease in other accounts receivable	97.295	49.849
(Increase) decrease in inventories	(147.951)	(40.364)
(Increase) decrease in short-term investment	(26.120)	(109.024)
(Increase) decrease in actuarial liabilities	39.836	109.725
Increase (decrease) in suppliers	-	-
Increase (decrease) in accounts payable	139.889	(61.635)
<b>Cash flows from operating activities</b>	<b>268.237</b>	<b>297.602</b>
Income taxes paid	(43.006)	(33.267)
<b>Net cash provided by (used in) operating activities</b>	<b>225.231</b>	<b>264.335</b>
<b>Cash flows from investing activities</b>		
Investments	-	(10.369)
Dividends from subsidiaries, jointly-controlled entities and associates	47.433	16.366
Purchase of fixed assets	(156.935)	(52.465)
Purchase of intangible assets	(4.808)	(1.827)
Proceeds from sale of fixed	1.536	1.291
<b>Net cash obtained in investing activities</b>	<b>(112.774)</b>	<b>(47.004)</b>
<b>Cash flows from financing activities</b>		
Issued shares	-	-
Treasury stock	2.222	665
Borrowings from third parties	997.911	567.914
Payment of borrowings - principal	(1.101.813)	(937.213)
Payment of borrowings - interest	(86.289)	(118.600)
Interest on capital and dividends	(33.890)	(17.140)
<b>Net cash applied financing activities</b>	<b>(221.859)</b>	<b>(504.374)</b>
Foreign exchange gains on cash and cash equivalents	14.110	5.744
<b>Foreign exchange gains/(losses) on cash equivalents</b>	<b>14.110</b>	<b>5.744</b>
Cash and cash equivalents at the beginning of the period	958.759	1.209.459
Cash and cash equivalents at the end of the period	863.467	958.759
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(95.292)</b>	<b>(250.700)</b>

The consolidated financial statements including the notes to financial statements and the report of independent auditors PricewaterhouseCoopers Auditores Independentes - are available at the sites [www.cvm.gov.br](http://www.cvm.gov.br) and [www.bmfbovespa.com.br](http://www.bmfbovespa.com.br).

**APPENDIX**

**Marcopolo S.A. (B3: POM03; POM04)**, seeking transparency in the disclosure of results, hereby presents the main indicators, by way of comparison, based on the standard prior to the adoption of IFRS 10 and 11.

**MARCOPOLO – CONSOLIDATED WORLDWIDE PRODUCTION**

TRANSACTIONS (in units)	2018	2017	Var. %
<b>BRAZIL</b>			
- Domestic Market	10,274	5,581	84.1
- Foreign market	3,938	3,271	20.4
<b>SUBTOTAL</b>	<b>14,212</b>	<b>8,852</b>	60.6
Exclusion exported KDs <sup>(1)</sup>	254	219	16.0
<b>TOTAL IN BRAZIL</b>	<b>13,958</b>	<b>8,633</b>	<b>61.7</b>
<b>FOREIGN</b>			
- South Africa	344	354	(2.8)
- Argentina – Metalpar (50%)	567	865	(34.5)
- Argentina – Metalsur (25%)	47	61	(23.0)
- Australia	542	403	34.5
- Colombia (50%)	630	658	(4.3)
- India (49%) <sup>(3)</sup>	6,280	5,758	9.1
- Mexico	1,046	1,272	(17.8)
- China	213	198	7.6
<b>TOTAL FOREIGN</b>	<b>9,669</b>	<b>9,569</b>	1.0
<b>GRAND TOTAL</b>	<b>23,627</b>	<b>18,202</b>	29.8

Notes: <sup>(1)</sup> Partially or totally knocked down bodies; <sup>(3)</sup> Units manufactured in the Lucknow plant are included in India.