

Caxias do Sul, February 24, 2010.

**2009 Fiscal Year Results**  
Brazilian Corporate Legislation



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## **MANAGEMENT REPORT**

Dear Shareholders,

2009 began amidst strong turbulence provoked by the collapse of the international financial system. Commercial cash flow decreased drastically and numerous economic stimulus packages appeared around the world. In Brazil, efforts were concentrated on increasing domestic consumption and to support national industry. However, that did not stop the absence of credit and the price increase of financing lines from affecting the demand for capital goods in general. In Marcopolo's case, the fall in demand was felt from the first months of the year and the resumption of the bus market initiated itself only in the last quarter. The Company did not measure efforts in the sense of the reduction of costs of increasing operational efficiency and in the maintenance of its personnel. Adaptation to the new reality enabled Marcopolo to end a challenging year fortified, showing its potential to adapt to different scenarios.

## 1. Operational Context

Marcopolo is a corporation, situated in Caxias do Sul, Rio Grande do Sul, and has as its principle objective the manufacturing of car bodies and bus components. Having been constituted on August 6, 1949, the company completed 60 years of activity and success, in 2009.

The line of products include a wide variety of models, composed of groups of intercity, urban, micro and mini buses, as well as the family Volare (complete bus, with chassis and body).

The manufacture of a bus is carried out in eleven manufacturing units, being: four in Brazil (three in Caxias do Sul - RS, and another one in Duque de Caxias - Rio de Janeiro) and seven abroad, being our own unit in South Africa and joint ventures in Argentina, Columbia, Egypt, India (2) and Mexico.

Marcopolo still retains prominent participation in the companies SPHEROS (acclimation and air conditioning), WSUL (foams for seats) and MVC – Componentes Plásticos Ltda. (Ltd Plastic Components), manufacturer of high technology plastic components.

Marcopolo is the leader in its branch of activities in the Brazilian market and distinguishes itself as one of the most important world manufacturers. In 2009, the Company contributed 41.7% to Brazilian production. Beyond the companies mentioned, Marcopolo also retains complete control of Bank Moneo INC., constituted to provide financial support to Marcopolo's products.

At the end of the 2009 fiscal year, the Company's functional chart was composed of 13,715 collaborators, being 9,696 in Brazil and 4,019 abroad (13,755 in 12.31.08).

## 2. Performance Indicators

The table below lists some indicators relevant to management, and an analysis of Company performance in 2009.

**SELECTED INFORMATION**  
(R\$ millions, except when indicated)

CONSOLIDATED DATA	2009	2008	Variation
<b>Operational Performance:</b>			
Net Sales	2.057,7	2.532,2	(18,7)%
- Sales in Brazil	1.408,2	1.553,4	(9,3)%
- Sales Abroad	649,5	978,8	(33,6)%
Gross Profit	395.8	474.1	(16.5)%
EBITDA	184.7	273.5	(32.5)%
EBITDA (adjusted) <sup>(1)</sup>	208.4	214.2	(2.7)%
Net Profit	136.5	134.4	1.6%
Share Profit	0.610	0.603	1.2%
Return on Invested Capital - ROIC <sup>(2)</sup>	18.4%	17.8%	0.6 pp
Investments in Permanent Assets	104.0	132.2	(21.3)%
Equity	724.0	683.5	5.9%
<b>Financial Position: Industrial Segment</b>			
Funds, Fund equivalent and Securities	480.8	407.4	18.0%
Short Term Financial Liabilities	218.7	507.2	(56.9)%
Long Term Financial Liabilities	496.6	264.0	88.1%
Liquid Financial Liabilities	234.5	363.8	(35.5)%
Liquid Financial Liabilities in Industrial Seg./EBITDA adjusted	1.1x	1.7x	-
<b>Financial Position: Industrial and Financial Segments</b>			
Funds, Fund equivalent and Securities	541.4	434,4	24.6%
Short Term Financial Liabilities	385.7	628,4	(38.6)%
Long Term Financial Liabilities	868.7	551,7	57.5%
Liquid Financial Liabilities	713.0	745,7	(4.4)%
<b>Margins</b>			
Gross Margin	19.2%	18.7%	0.5 pp
EBITDA Margin	9.0%	10.8%	(1.8) pp
EBITDA Margin (adjusted)	10.1%	8.5%	1.6 pp
Net Margin	6.6%	5.3%	1.3 pp

Notes: <sup>(1)</sup> EBITDA (adjusted) does not consider the profits or losses for exchange variations on exchange contract advances; <sup>(2)</sup> ROIC (Return on Invested Capital) = EBIT ÷ (stock + clients + fixed assets - suppliers); pp = percentage points.

### 3. Marcopolo's Highlights – Consolidated Data

**Global Company Production** was 19,384 units in 2009. From this total, 13,672 units were produced in Brazil and 5,712 more units abroad.

**Consolidated Liquid Sales** reached R\$ 2,057.7 million in 2009.

**EBITDA** reached R\$ 184.7 million in 2009, with a margin of 9.0%. EBITDA adjusted in relation to the exchange variation of exportations added R\$ 208.4 million in 2009 and a margin of 10.1%.

**Net Profit** added R\$ 136.5 million in 2009, with a margin of 6.6% in 2009.

**Dividends/Interest on Equity.** The approved payment of dividends and interest on equity on account of 2009 fiscal year, was R\$ 71.8 million.

**Registered Units on Net Sales.** In 2009, 19,207 units were registered in net sales, being 13,522 units in the domestic market, representing 70.4% of the consolidated share, and 5,685 units in the external market, representing the remaining 29.6% of the total, in accordance with the following table:

OPERATIONS	2009	2008	Var. %
<b>BRAZIL:</b>			
- Domestic Market	11,937	13,264	(10.0)
- External Market	2,191	6,760	(67.6)
<b>SUBTOTAL</b>	<b>14,128</b>	<b>20,024</b>	<b>(29.4)</b>
Eliminations KD's exported <sup>(1)</sup>	(606)	(4,005)	(84.9)
<b>TOTAL IN BRAZIL</b>	<b>13,522</b>	<b>16,019</b>	<b>(15.6)</b>
<b>ABROAD:</b>			
- México	1,510	3,214	(53.0)
- Portugal	58	162	(64.2)
- South Africa	280	569	(50.8)
- Russia (50%)	-	175	-
- Colombia (50%)	649	747	(13.1)
- India (49%)	2,517	-	-
- Egypt (49%)	207	-	-
- Argentina (33%)	464	570	(18.6)
<b>TOTAL ABROAD</b>	<b>5,685</b>	<b>5,437</b>	<b>4.6</b>
<b>GRAND TOTAL</b>	<b>19,207</b>	<b>21,456</b>	<b>(10.5)</b>

Note: <sup>(1)</sup> Partial bodies or entirely dismantled.

## 4. Bus Sector Performance in Brazil

Throughout this year, the Brazilian bus body industry suffered under the effects of the international financial crisis. After five years of production growth, the bus market shrank in 2009 as compared to 2008, according to the National Association of Bus Manufacturers (FABUS) and the Interstate Union for the Material, Railway and Road Equipment Industry (SIMEFRE). The bodies produced by the sector totaled 25,645 units in 2009, without including the model VOLARE, compared to 35,410 in 2008, a fall of 27.6%. The VOLARE is not accounted for in Brazilian output of bodies due to the fact that it is sold as a complete vehicle. If output of VOLARE vehicles was considered, the national output would have been 29,268 units, or 27.7% below the 40,480 units manufactured in 2008.

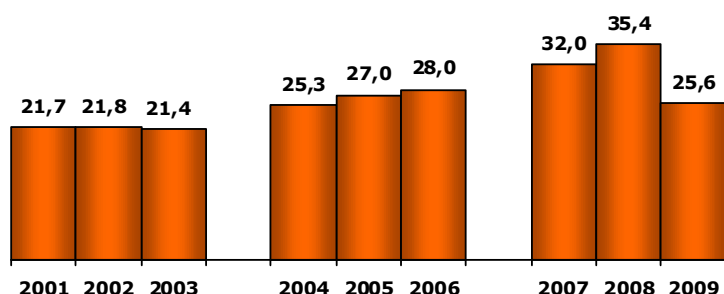
Demand in the domestic market reached 21,112 units, a decrease of 16.1% in relation to 2008. The most affected segment was that of intercity buses, which is more sensitive to the offering of credit. This vague scenario caused entrepreneurs to postpone new investments for the renewal of the fleet.

In the external market, 4,533 units were exported in 2009, a fall of 55.7% in relation to the previous year. The market's traditional importers of buses to Brazil suffered and still suffer under the effects of the crisis. Therein, the exports that followed were withdrawn for the length of the whole year.

Despite the smaller volume produced in the country in 2009, the Brazilian output of buses has been evolving since 2003. In the three-year period from 2007 to 2009, the average annual Brazilian output of buses was 31.0 thousand units, against 26.8 thousand units in the three-year period 2004/2006 and 21.6 thousand in the three-year period of 2001/2003. Under present market conditions, it is possible to affirm that the Brazilian output of buses will return to one of growth in 2010.

The production data for the last three-year periods can be visualized in the graphic that follows:

**BRAZILIAN BUS PRODUCTION EVOLUTION**  
(in units of a thousand)



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

PRODUCTS <sup>(1)</sup>	2009	2008	2007	2006	2005
Intercity	6,456	9,728	8,613	7,552	7,380
Urban	15,093	21,008	18,699	15,540	15,413
Micro	3,075	4,282	4,303	4,217	3,473
<b>SUBTOTAL</b>	<b>24,624</b>	<b>35,018</b>	<b>31,615</b>	<b>27,309</b>	<b>26,266</b>
Mini <sup>(2)</sup>	1,021	392	412	643	717
<b>TOTAL</b>	<b>25,645</b>	<b>35,410</b>	<b>32,027</b>	<b>27,952</b>	<b>26,983</b>

Source: FABUS e SIMEFRE.

Note: <sup>(1)</sup> Includes the units exported in KD (disassembled); <sup>(2)</sup> The production data of Minis does not include the production of complete units such as Volare.

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

PRODUCTS <sup>(1)</sup>	2009	2008	2007	2006	2005
Intercity	4,066	5,741	4,873	3,726	3,589
Urban	13,329	16,075	13,967	11,591	8,367
Micro	2,708	2,990	2,670	2,452	1,734
<b>SUBTOTAL</b>	<b>20,103</b>	<b>24,806</b>	<b>21,510</b>	<b>17,769</b>	<b>13,690</b>
Mini <sup>(2)</sup>	1,009	365	412	639	630
<b>TOTAL</b>	<b>21,112</b>	<b>25,171</b>	<b>21,922</b>	<b>18,408</b>	<b>14,320</b>

Note: See chart notes – Brazilian Bus Production – TOTAL.

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

PRODUCTS <sup>(1)</sup>	2009	2008	2007	2006	2005
Intercity	2,390	3,987	3,740	3,826	3,747
Urban	1,764	4,933	4,732	3,949	7,090
Micro	367	1,292	1,633	1,765	1,739
<b>SUBTOTAL</b>	<b>4,521</b>	<b>10,212</b>	<b>10,105</b>	<b>9,540</b>	<b>12,576</b>
Mini <sup>(2)</sup>	12	27	-	4	87
<b>TOTAL</b>	<b>4,533</b>	<b>10,239</b>	<b>10,105</b>	<b>9,544</b>	<b>12,663</b>

Note: See chart notes – Brazilian Bus Production – TOTAL.

## 5. Marcopolo's Production and Market Share

### 5.1 Production

In 2009, the consolidated output totaled 19,384 units, 11.1% below the 21,811 units manufactured in the 2008 period. Of this total, 70.5% were produced in Brazil and the remaining 29.5% abroad. Details about the Marcopolo's global output are presented in the charts that follow:

### MARCOPOLO – CONSOLIDATED GLOBAL PRODUCTION

OPERATIONS (in units)	2009	2008	Var. %
<b>BRASIL:</b>			
- Marcopolo <sup>(1)</sup>	9,495	15,302	(37.9)
- Affiliated Companies <sup>(2)</sup>	4,816	5,005	(3.8)
<b>SUBTOTAL</b>	<b>14,311</b>	<b>20,307</b>	<b>(29.5)</b>
KD's Eliminated exports <sup>(3)</sup>	(639)	(3,942)	(83.8)
<b>TOTAL IN BRAZIL</b>	<b>13,672</b>	<b>16,365</b>	<b>(16.5)</b>
<b>ABROAD:</b>			
- Mexico	1,510	3,214	(53.0)
- Portugal	54	165	(67.3)
- South Africa	308	560	(45.0)
- Russia (50%)	8	175	(95.4)
- Colombia (50%)	638	765	(16.6)
- India (49%)	2,517	-	-
- Egypt (49%)	207	-	-
- Argentina (33%)	470	567	(17.1)
<b>TOTAL ABROAD</b>	<b>5,712</b>	<b>5,446</b>	<b>4.9</b>
<b>GRAND TOTAL</b>	<b>19,384</b>	<b>21,811</b>	<b>(11.1)</b>

Notes: <sup>(1)</sup> Includes production of the Volare model; <sup>(2)</sup> Refers to the output of the companies Ciferal (3,530 units) and 45.0% of the San Marine (1,286 units) in 2009, corresponding to Marcopolo's participation in the company; <sup>(3)</sup> Partial bodies, or entirely dismantled.

**MARCOPOLO – CONSOLIDATED GLOBAL PRODUCTION BY MODEL**

PRODUCTS/MARKETS (in units)	2009			2008		
	MI	ME <sup>(1)</sup>	TOTAL	MI	ME <sup>(1)</sup>	TOTAL
Intercity	2,475	1,044	<b>3,519</b>	2,788	2,184	<b>4,972</b>
Urban	4,877	2,695	<b>7,572</b>	5,053	4,629	<b>9,682</b>
Micro	963	623	<b>1,586</b>	1,043	919	<b>1,962</b>
Mini (LCV)	364	2,720	<b>3,084</b>	54	71	<b>125</b>
<b>SUBTOTAL</b>	<b>8,679</b>	<b>7,082</b>	<b>15,761</b>	<b>8,938</b>	<b>7,803</b>	<b>16,741</b>
Volare <sup>(2)</sup>	3,444	179	<b>3,623</b>	4,643	427	<b>5,070</b>
<b>TOTAL PRODUCTION</b>	<b>12,123</b>	<b>7,261</b>	<b>19,384</b>	<b>13,581</b>	<b>8,230</b>	<b>21,811</b>

Notes: <sup>(1)</sup> The units exported in KD (partial bodies or entirely dismantled) are included in the total output of ME, which in 2009 added, 639 units compared to 3,942 units in 2008; <sup>(2)</sup> The Volare units are included in the Marcopolo output tables merely to aid comprehension of the broad line of products, of the output capacity, and by virtue of being accounted for in the Net sales. The output of those vehicles does not form part of the details for SIMEFRE or FABUS, neither of the market participation of Marcopolo, or of the sector's production.

**MARCOPOLO – PRODUCTION IN BRAZIL**

PRODUCTS/MARKET (in units)	2009			2008		
	MI	ME <sup>(1)</sup>	TOTAL	MI	ME <sup>(1)</sup>	TOTAL
Intercity	2,475	1,199	<b>3,674</b>	2,788	2,011	<b>4,799</b>
Urban	4,877	631	<b>5,508</b>	5,053	3,678	<b>8,731</b>
Micro	963	179	<b>1,142</b>	1,043	610	<b>1,653</b>
Mini (LCV)	364	-	<b>364</b>	54	-	<b>54</b>
<b>SUBTOTAL</b>	<b>8,679</b>	<b>2,009</b>	<b>10,688</b>	<b>8,938</b>	<b>6,299</b>	<b>15,237</b>
Volare	3,444	179	<b>3,623</b>	4,643	427	<b>5,070</b>
<b>TOTAL PRODUCTION</b>	<b>12,123</b>	<b>2,188</b>	<b>14,311</b>	<b>13,581</b>	<b>6,726</b>	<b>20,307</b>

Note: <sup>(1)</sup> See note of chart – Consolidated Global Production – By Model.

## 5.2 Market Share

In Brazil, the Company's market share reached 41.7% in 2009. The Company emphasizes an increase in 2009, of 7.6 percentage points in the market share of the intercity-bus segment, the biggest aggregated value for the Company. The smallest exportation of KDs presents a negative effect on the market share without restricting relation the reality of global consolidated production.

**CONTRIBUTION TO BRAZILIAN PRODUCTION (%)**

PRODUCTS <sup>(1)</sup>	2009	2008	2007	2006	2005
Intercity	56.9	49.3	48.5	42.6	44.7
Urban	36.5	41.6	45.6	43.0	46.9
Micro	37.1	38.6	35.4	22.5	23.6
Mini <sup>(2)</sup>	35.7	13.8	21.8	18.5	27.8
<b>TOTAL</b>	<b>41.7</b>	<b>43.0</b>	<b>44.7</b>	<b>39.2</b>	<b>42.8</b>

Source: FABUS and SIMEFRE

Notes: <sup>(1)</sup> Includes 100% of Ciferal and the proportional participation in the production of the San Marino; <sup>(2)</sup> Volare is not accounted for in the effect of market participation.



## 6. Marcopolo's Operational Performance

Throughout 2009, it suited Marcopolo to act extremely prudent and rational in order to adapt to the situation. In a joint effort between the Administration, the Metallurgists Union and collaborators, the Company put into practice, plans for relaxation of the workday without a reduction in salary, which were important for the maintenance of trained and qualified workmanship and also for the resumption of production from September. The first months of the year brought difficulties, but also brought opportunities for rationalization of spending and an increase in operational efficiency.

The intercity segment retracted in response to the indecisions as regards the interstate lines concessions. The Volare segment, which has as its clients transport companies users of tourism and of freightage, was also affected. The acquisition of school buses in the "Journey to School" project, was partially fulfilled during 2009, and should continue throughout 2010, as it is considered a great necessity for school transport in the country.

The international situation also influenced bus marketing abroad, due to the volatility of global exchange markets.

The process of internationalization of the Company, which was initiated in the 90's, foresees the exportation of KDs from Brazil. These altered logistics, as a result of the continuous appreciation of the Brazilian Real, for global sourcing, foresee the nationalization of pieces and components in the countries in which the Company operates. The adoption of this model must also lend itself to the difficulties faced in Brazil, such as the precariousness of the infrastructure, high interest, excessive tax burden, high social duties in relation to payroll and the continuous valorization of the exchange rate, that limit the exportations of products of a high aggregated value. The efficacy of the politics of *global sourcing* could be verified during the year, since Marcopolo units are naturally protected by producing with costs and will earn sales in the same currency.

In relation to the controlled and allied counterparts abroad, the year of 2009 was one of meeting the requirements of the Company strategy for trial internationalization. The factory in Coimbra, Portugal, was deactivated, in accordance with public notice to the market of such published on September 26. In the same way, Marcopolo terminated an association which, through its controlled company Ciferal Indústria de Ônibus Ltda., it used to maintain with the company Ruspromauto, in Russia, which was actually called Gaz Group, meaning that its part of assets was transferred to a new Russian company, 100% controlled by the Company. Despite this, units outside Brazil contributed 29.5% of Marcopolo's consolidated production, reaching 5,712 units. Further information

about the performance of Marcopolo's controlled/affiliated counterparts abroad is described in item 17 of this report.

Investments for the maturing of the units in India and Egypt, the extraordinary costs originating from the closing of the units of Portugal and Russia and the valorization of the exchange rate, impacted on Company margins. Despite this, Marcopolo demonstrated its capacity and flexibility to adapt to different scenarios.

## 6.1 Consolidated Net Sales

The consolidated net sales reached R\$ 2.057,7 million, 18.7% below the R\$ 2.532,2 million achieved in 2008. Sales for the domestic market generated sales of R\$1.408,2 million, 9.3% below the R\$ 1.553,4 million in the previous fiscal year, and representing 68.4% of the total net sales (61.3% in 2008). Exports counted from business abroad reached R\$ 649.5 million, compared to R\$ 978.8 million in the previous fiscal year, a fall of 33.6%. Sales by product and destined market are presented in the table and graph below.

### TOTAL CONSOLIDATED NET SALES By Product and Market (R\$ Millions)

PRODUCTS <sup>(1)</sup>	2009		2008		TOTAL	
	MI	ME	MI	ME	2009	2008
Intercity	413,5	273,3	426,5	364,7	686,8	791,2
Urban	388,4	205,1	361,6	393,4	593,5	755,0
Micro	61,1	34,6	83,1	42,4	95,7	125,5
Mini (LCV)	16,4	53,2	5,7	3,3	69,6	9,0
<b>Subtotal bodies</b>	<b>879,4</b>	<b>566,2</b>	<b>876,9</b>	<b>803,8</b>	<b>1.445,6</b>	<b>1.680,7</b>
Volare <sup>(2)</sup>	414,6	20,0	544,7	57,8	434,6	602,5
Chassis	-	-	0,6	26,6	-	27,2
Parts and others	114,2	63,3	131,2	90,6	177,5	221,8
<b>GRAND TOTAL</b>	<b>1.408,2</b>	<b>649,5</b>	<b>1.553,4</b>	<b>978,8</b>	<b>2.057,7</b>	<b>2.532,2</b>

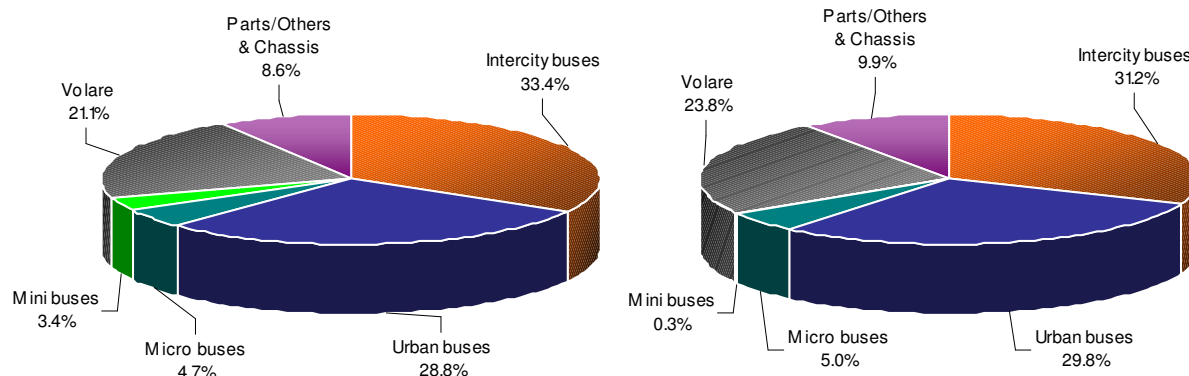
Notes: <sup>(1)</sup> MI = Domestic Market; ME = External Market; <sup>(2)</sup> The sales from Volares includes chassis.

## 6.2 Consolidated Net Sales Breakdown (%)

Of the total consolidated net sales from 2009, 70.3% originated from sales of car bodies, 21.1% from the commercialization of Volares, and 8.6% by sales from chassis parts and from Banco Moneo. The graphs below show in further detail the origin of consolidated sales by lines of products (in %).

2009

2008



## 7. Gross Profit and Margins

In 2009, Gross profit totaled R\$ 395.8 million, or 19.2% of net profit (18.7% in 2008). An improvement of 0.5 percentage points in the margin occurred as a result of the prices practiced in the domestic market and the deflation of the main raw materials. The resultant idleness of the smaller production throughout the first nine months of the year and the training curve in the introduction of the Generation 7 line of intercity buses impeded an improvement even bigger than the gross margin. In addition, the exchange valorization compressed the export margins.

The result of the exchange hedges, that added R\$ 23.7 million, did not reflect in the gross margin, being recorded in the line of "Financial revenues" of the financial demonstrations. The adjustment to the present value of sales and purchases on easy terms was R\$ 15.8 million in 2009. Excluding that adjustment, just like the effect of the exchange hedges, the gross margin would be 20.7% in 2009.

## 8. Sales Expenditure

Sales expenses added R\$ 152.2 million in 2009 and represented 7.4% of the net sales, whereas in the previous year these expenses were R\$ 146.2 million or 5.8% of sales. This increase basically caused the credit provisions for doubtful liquidation of R\$ 25.4 million (R\$ 8.5 million in 2008) carried out by Bank Moneo, which can still be reverted, in part, in 2010.

## 9. General and Administrative Expenses

General and administrative expenses totaled R\$ 98,8 million in 2009, 1.7% less than the R\$ 100,5 million spent in 2008.

## 10. Net Financial Results

The Net financial result in 2009 was positive R\$ 46.4 million, compared to a negative result of R\$ 38.9 million in 2008. This result originated mainly from the exchange variation of R\$ 23.7 million and adjustment of the present value of R\$ 15.8 million. The financial revenues added R\$ 229.5 million in the year compared to R\$ 171.0 million in the previous fiscal year, and the financial expenses were R\$ 183.1 million in 2009 and R\$ 209.9 millions in 2008. For further information, see explanatory note no. 24.

## 11. EBITDA and EBITDA (adjusted)

EBITDA reached R\$ 184,7 million in 2009, with a margin of 9.0%, compared to R\$ 273,5 million and a margin of 10.8% in 2008. EBITDA (adjusted) in response to the export exchange variation, including the *forward* operations destined for protection of order backlogs, added R\$ 208.4 million in 2009 and a margin of 10,1%, compared to R\$ 214.2 million and a margin of 8.5% in 2008.

### EBITDA AND EBITDA (adjusted)

(R\$ millions)	2009	2008
Operational Result	191,4	186,8
Financial Revenues	(229,5)	(171,0)
Financial Expenses	183,1	209,9
Depreciations/ Amortizations	39,7	47,8
<b>EBITDA</b>	<b>184,7</b>	<b>273,5</b>
Exchange variation linked to the exportations	23,7	(59,3)
<b>EBITDA (adjusted)</b>	<b>208,4</b>	<b>214,2</b>

## 12. Other Sales and Operational Expenses

In 2009, the net balance of expenses and operational sales was R\$ 35.0 thousand positive, against R\$ 1.8 million negative, in 2008.

### **13. Net Profit**

The net profit for 2009, contemplating the adjustments of Legislation no. 11.638, reached R\$ 136.5 million in 2009 compared to R\$ 134.4 million in the previous fiscal year, a growth of 1.6%. The liquid margin fixed itself at 6.6% in 2009, against 5.3% in 2008. This increase must basically be due to an improvement of the gross margin and of the financial result.

### **14. Loans and Financing**

The net financial indebtedness totaled R\$ 713.0 million on 12.31.2009. Of this total, R\$ 234.5 million resulted from the industrial segment and R\$ 478.5 million from the financial segment.

It suffices to emphasize that the indebtedness of the financial segment comes from the consolidation of the activities of Bank Moneo and should be analyzed separately, once the distinct characteristics of the originating operational activities of the Company are possessed. Financial liability to Bank Moneo has as its counterpart the account of "Clients" in the Assets of the Bank. The credit risk is properly provisioned following the norms of the Central Bank of Brazil. By treating itself as a pass over by FINAME, each payment of BNDES has an exact counterpart in the account of receivables of the clients of Bank Moneo.

On December 31, the net financial indebtedness of the industrial segment represented 1.1 times the adjusted EBITDA.

### **15. Cash Provided by Operations**

In 2009, operational activities generated resources of R\$ 166.6 million. Investment activities required R\$ 104.0 million consumed in permanent assets. Financing activities generated R\$ 11.7 million. As it turned out, the initial cash balance of R\$ 434.3 million, discounting the R\$ 4.7 million for cash exchange variation, increased to R\$ 503.9 million at the end of the year. The demonstration of the cash flow of the industrial and financial segments is presented in detail in the Explanatory Notes that accompany this report.

### **16. New Generation of Intercity buses Buses**

In June, Marcopolo presented the market with the first models of the new family of intercity buses from Generation 7. This new generation is the result of more than three

years of development and field work, with investments in the order of R\$ 30.0 million. The Generation 7 created a new standard of quality, comfort, security, robustness and economy, allied with a futuristic and innovative design, and has a focus on service of the needs and demands of users, and on the reduction of user costs. Its success is shown by the orders made since the launching, exceeding initial Company expectations.

## 17. Controlled and Affiliate Entities Performance

In 2009, the units from abroad produced 5,712 units compared to 5,446 units in the previous year, a growth of 4.9%. This volume represented 29.5% of Marcopolo's consolidated output. The main highlights of controlled and affiliated entities abroad and of Banco Moneo are described below:

**POLOMEX.** Located in Mexico, it was strongly affected by the global crisis, especially by the strong dependence of that country on the United States. Swine Flu (H1N1) impacted negatively on the tourism of the country, and consequently, bus sales for this segment. The volume produced was 1,510 units, 53.0% less in relation to the previous year, accompanying the shrinkage of the Mexican market. The expectation of production in 2010 is 1,500 units.

**SUPERPOLO.** Located in Colombia, it produced 1,276 units, being 50,0%, or 638 units, which were considered in Marcopolo's consolidated production. This volume was 16.6% less than production in 2008, due to a retraction of demand for buses in the country. The expectation for production in 2010 is 1,200 units, and of this total, 600 would be consolidated for Marcopolo.

**PORTUGAL.** In accordance with the announcement on September 26, Marcopolo terminated the production of buses in its Coimbra unit. The output for 2009, to that date, was 54 units.

**SOUTH AFRICA.** Marcopolo South Africa - MASA is benefited by investments in public transport, for attendance at the 2010 World Cup. The company delivered 143 urban buses for attendance at Confederations Cup in 2009, and already initiated the delivery of part of the lot, earned in public auction, of 460 intercity buses for the transport of delegates and authorities during the World Cup. Beyond that, the Company also participates in the sale of urban buses for cities that will host the Cup. With that, 2010 will be very promising for this unit, with production estimated at 600 units.

**RUSSIA.** In accordance with notice to the market on December 17, Marcopolo, through its controlled company Ciferal Indústria de Ônibus Ltda., terminated association maintained with the company Ruspromauto, in Russia, actually called Gaz

Group. Marcopolo transferred its part of assets from the association referred to, to a company in the final phase of constitution, 100% controlled by the Company, and will thereafter explore opportunities in the Russian market.

**ARGENTINA.** The participation of 33.0% by Marcopolo in Metalpar provided the consolidation of 470 units in 2009, 17.1% less than the 567 units consolidated in 2008. Metalpar exclusively produces urban buses and, in this segment, is a leader in the Argentinian market. In January, 2010, Marcopolo exercised a partial purchase option, increasing its participation in the referred company to 40%. The Company still retains an option for acquisition of more 10% of Metalpar's share capital, which will be able to be exercised until January 31, 2011. For 2010 the prediction for production is 500 units, in accordance with *guidance* divulged in December of 2009.

**INDIA.** The *joint venture* "TATA MARCOPOLO MOTORS LIMITED" produces urban and mini buses. In the proportional consolidation of the contribution by Marcopolo of 49.0% in the partnership, was merely considered in the production of the minibus, which added 2,517 units. In its first year of consolidation, the joint venture already represented 44.1% of the output of the companies abroad, consolidated by Marcopolo. The expectation of production for 2010 is 12,000 units, and of this total, 6,000 would be consolidated for Marcopolo.

**EGYPT.** The *joint venture* with the group GB AUTO will allow Marcopolo to act on the Egyptian market, as much as in the markets of the Middle East and of the European and African continents. In the pre-operational phase until the end of 2009, the unit located in the city of Suez provided consolidation of 207 units, regarding the 49% contribution by Marcopolo to the partnership. In accordance with the publication in December 2009, the *guidance* of production proportional to Marcopolo's contribution in *JV* will be 600 units in 2010.

**BANCO MONEO.** The activities of Banco Moneo S.A. began in July 2005 with the purpose of financing Marcopolo's products. The Bank is authorized to act on investments, mercantile leasing and credit, financing and investments. In 2009, the profit yield of the Bank was prejudiced by the increase of provisions of R\$ 16.9 million regarding 2008, resulting in the biggest insolvency provoked by the global financial crisis. With the resumption of the Brazilian economy and the characteristics of this business segment, there is still a possibility of reversal of part of the provisions during 2010, time for all of the Bank financing to have real guarantees. The operation of credit and guarantees, in December of 2009, totaled R\$ 686.1 million, compared to R\$ 548.6 million in December of 2008, an increase of 25.1%.

## 18. Corporate Governance

Marcopolo adopts good Corporate Governance practices, following principles of transparency, equity, accountability and corporate responsibility. Its actions are listed in Level 2 of Bovespa Corporate Governance since 2002. The Company is linked to arbitration in the Chamber of Market Arbitration, in accordance with the constant committing Clause of the Company Articles of Association.

The management of Marcopolo is formalized on the basis of the distinction between the functions and responsibilities of the Board of Directors, of Fiscal Advice and of Executive Management. The Board of Directors is constituted of seven members, three of which are external and independent, one elected by minority shareholders, one elected by the preferential shareholders stock holders and another by the Controllers. The Auditor Board is composed of three members, one indicated for minority shareholders, another by preferential share and stockholders and one by the Controllers. The competencies of each organ are defined in the Company Articles of Association. To assist, provide opinion and support in the conduct of business, the Board of Directors counts on the Executive Committee, as well as committees of : (i) Risk Auditors; (ii) Human Resources and Ethics; and (iii) Strategy and Innovation, with technical and consultation functions that were not foreseen by the Executive Committee. The Company provides treatment that is fair and equalitarian to everybody in the minority, be they of capital or other interested parties (stakeholders). In the disclosure of information, it utilizes elevated standards of transparency, seeking to establish an internal climate of confidence, as much as in the relations of the company with third parties.

To improve the information presented to the market in general and to the foreign shareholders privately, Financial Demonstrations are also divulged in conformity with standards established by the International Financial Reporting Standard (IFRS). At the beginning of each fiscal year, the Company discloses the annual calendar of corporate events and stimulates the active presence of shareholders at its assemblies. In 2009, the Company held meetings with the Association of Analysts and Market Capital Investment Professionals (APIMEC) in São Paulo, Rio de Janeiro and in Porto Alegre. It has, for practice, participated actively in events and conferences aimed at the public investor, organized by investments banks and institutions linked to the capital market, as much in Brazil as abroad. The Company discloses its results quarterly and carries out teleconferences with the presence of its main executives to better explain the results and their strategies. Marcopolo's relationship of with its stock holders and potential investors is dealt with by the Investor Relations area. In 2009, analysts from Brazil and abroad were received and they carried out an innumerable amount of



telephone contacts. Marcopolo's Investor Relations website is always brought up to date and possesses content necessary to the needs of the public investor.

## **19. Independent Auditors**

### **19.1 Independent Auditors**

From the 2005 fiscal year, the Company turned to its auditors, hiring PricewaterhouseCoopers - Independent Auditors, with its main office on Rua Mostardeiro, 800, 8th and 9th floor, in Porto Alegre (RS), in substitution of KPMG Independent Auditors.

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

In attendance of Instruction CVM 381/03, sections I to IV of the 2<sup>nd</sup> article, Marcopolo declares that it does not possess others contracts with its Independent Auditors that do not relate to the audit of the Company Financial Demonstrations disclosed and directed to the CVM. The practice is based on internationally accepted principles, that the external auditors should not audit their own service and exercise managerial functions nor promote the interests of the Company.

## **20. Capital Markets**

### **20.1 Capital Stock**

The capital stock of the Company is R\$ 450,0 million, and is divided into 85,406,436 ordinary shares (38.1%) and 138,818,585 preferential shares (61.9%), all nominative, written up and without a nominal value.

### **20.2 Marcopolo Share Performance on BM&FBovespa**

The preferential shares of Marcopolo were expressively valued at 124.3% in 2009, compared to 82.7% on the Ibovespa. After the shock caused by the international financial crisis in the Brazilian capital market, the liquidity of Marcopolo notes began to grow. In 2009, there were 71,755 transactions carried out, a growth of 22.4% in relation to the 58,624 carried out in 2008 and transacted 133.5 million shares. The negotiation of Marcopolo emission shares moved R\$ 679.0 million during the year. The prominent participation of foreign investors in Marcopolo's capital stock demonstrates the confidence on the part of this public in the future performance of the Company. On 12.31.09, the shareholders abroad retained 46.0% of the preferential shares and 28.5% of the total of the shares in circulation. The following table shows the evolution of the indicators related to the capital market:

INDICATORS	2009	2008	2007	2006	2005
Number of Transactions	71,755	58,624	51,606	20,319	11,878
Negotiates Shares (millions)	133,5	90,9	119,6	114,7	93,4
Value Transacted (R\$ millions)	679,0	512,0	863,8	424,8	247,8
Market Value (R\$ million) <sup>(1)</sup>	1.513,5	674,9	1.495,6	1.181,7	556,0
Existing Shares (thousands) <sup>(2)</sup>	224,2	224,2	224,2	224,2	224,2
Patrimonial of Share (R\$)	3,23	3,05	2,65	2,42	2,10
Quotation POMO4 (12/31/09)	6,75	3,01	6,67	5,27	2,48
Interest on Equity Capital and Dividends per Share (R\$/share)	0,321	0,233	0,335	0,225	0,190

Notes: <sup>(1)</sup> Quotation of last transaction for the period of Preferential Share Writing (PE), multiplied by the total of the shares (OE + PE) existing in the same period; <sup>(2)</sup> Of that total, 554,8 thousand preferential shares found themselves in treasury on December 31 of 2009.

## 21. Dividends/Interest on Equity Capital

In the Board of Directors Meeting (RCA), on September 1st, a policy was approved and adopted for the remuneration of shareholders by means of payment of interest on equity capital and/or quarterly dividends, with anticipation of a minimum mandatory dividend. The payment of the total value of R\$ 71.8 million on the basis of dividends and interest on equity capital on account of the 2009 fiscal year was divided into three phases. In the first phase, on September 30 of 2009, R\$ 13.4 million was paid, on the basis of interest on equity capital. In the second phase, on December 30 of 2009, R\$ 13.4 million was paid, also on the basis of interest on equity capital. In the third phase, R\$ 45.0 million is to be paid on March 31 of 2010. Of that, R\$ 15.2 million refers to interest on equity capital and R\$ 29.8 million is based on dividends, with a base date of December 11, 2009. The shares of the Company were negotiated ex-dividends and ex-interest from December 14, 2009, inclusive. The total value distributed equals 52.6% of the net profit of the fiscal year.

## 22. Investment

In 2009, Marcopolo invested R\$ 104.0 million in capital goods, of which R\$ 41.8 million was spent by the Controller and applied to: R\$ 1.6 million to computer and software equipment; R\$ 20.0 million to machines and equipment; R\$ 12.0 million to buildings, land and improvements and R\$ 8.2 million to other immobilizations. R\$ 62.2 million was invested in Controlled and Affiliated parties of which: R\$ 8.8 million went to Marcopolo South Africa, R\$ 20.5 million to GB Polo, R\$ 4.2 million to San Marino, R\$ 13.5 million to Tata Marcopolo Motors Limited and R\$ 15.2 million to other units.

### **23. Management of the Environment and Certifications**

The commitment to sustainability is central to Marcopolo. Actions to minimize and control the resultant impact of its activities are continuously evaluated and optimized. Permanent intervention in processes, with a view to achieve the best utilization of raw materials, water consumption reduction and energy, minimizing the generation of residues, effluents and emissions, allied to the correct handling and final arrangement of the waste shows the collective commitment to the results planned. It is possible to demonstrate this concern, in the launching of the new Generation 7 product line. The precautions related to reduction of weight of the bodies, substitution of unrecyclable material for recyclable material and development of components under the concept of ecodesign confirms the attitude of the company in facing its commitments. Marcopolo's system of environmental management is certified under ISO 14001 and has integrated further certifications: ISO 9001 - Quality, OHSAS 18001 – Health and Security and BE 8000 – Social Responsibility.

### **24. Aggregated Value Management**

Marcopolo continues to be committed to the creation of value for its shareholders, identifying and investing in projects that will provide returns in excess of the cost of medium capital pondered. In parallel, the healthy concepts of the Balanced Scorecard (BSC) are adopted, which translate the strategy of each unit into objectives, aimed goals and plans of action, which are monitored and managed regularly. The tools GVA/BSC, as well as being utilized to calculate efficiency in the management of strategies, also evaluate operational performance and lay the foundation for the Executive Variable Remuneration Plan.

### **25. Social Responsibility**

Marcopolo and its collaborators developed social responsibility under the coordination of the Marcopolo Foundation. The Program *SuperAção* is aimed at promoting social development of infants and adolescents in communities where the company maintains manufacturing plants, including projects focused on education and health. The Schools Project, involved in improvement of the school community, was carried out this year in two schools in the town of Caxias do Sul, and included around 800 students and professors. The Volunteers Program acts on five Educational Centers and in two safe houses, including socio-educative activities, physical installations reforms and sustenance-collection-campaigns for 1.200 infants and 90 elders. In commemoration of Children's Day, the traditional event *A Happy Day* took place. It united youths of the institutions and schools attended by volunteers in a festive afternoon, with leisure activities and distribution of refreshments, and gathered around 1.600 infants and

adolescents. The Marcopolo Foundation also contributes monthly to community institutions in the area of health and education, distinguishing itself in support of Oncology services at the General Hospital, in Caxias do Sul, which attends SUS patients (Unique System of Health).

With means from the Law of *Rouanet de Incentivo à Cultura* of Marcopolo and of Ciferal which sponsored the *Project Recreation – Doing Art Education*, in action since 2004 in the city of Caxias do Sul, it attends around 3000 infants and adolescents through offices of art. Banco Moneo supported the *Reolon Center of Popular Culture*, which attends around 300 infants and adolescents in situations of personal and social vulnerability. Marcopolo, Banco Moneo and Ciferal again passed 1.0% of the Income tax owed to the *Municipal Fund for the Rights of the Infant and Adolescent* in the cities of Caxias do Sul (RS) and Duque de Caxias (Rio de Janeiro), where the manufacturing units operate. By means of the LIC (Law of Cultural Incentive via property tax), Marcopolo supported town projects in Caxias do Sul focused on education, such as the *Invigoration of Community Libraries* and the *Reading Passport*. Together, the projects supported with these fiscal incentives received R\$ 674.2 thousand arising from taxes from Marcopolo companies.

The campaign for internal awareness about the destination of 6.0% of Individual Income tax resulted in the participation of 80 collaborators from the company, totaling the channeling of R\$ 229.6 thousand that will be utilized in Industrial Learning programs for adolescents attended by *Recreation* – a network that attends to Infants and Adolescents.

## 26. Persons Chart

No. OF COLLABORATORS	2009	2008	2007	2006	2005
Controllers	7,040	7,581	6,877	6,076	6,057
Controlled Parties in Brazil	2,656	3,035	3,046	2,086	2,540
Controlled Parties Abroad	4,019	3,139	2,449	1,927	1,939
Total <sup>(1)</sup>	13,715	13,755	12,372	10,089	10,536
Rotation Index (%) <sup>(2)</sup>	1.23	1.18	0.89	1.05	1.08

Notes: <sup>(1)</sup> Includes collaborators of controlled/affiliated parties in proportion to company participation; <sup>(2)</sup> In reference to the Controller.

## 27. People Management

### 27.1 Satisfaction of Collaborators

The satisfaction of Company collaborators is measured by means of Research every two years, of the internal Organizational Climate. The research carried out in October 2009 obtained 78.0% as the general average in satisfaction in the units of Caxias do

Sul (RS). An assembly of actions will be implemented throughout 2010 as a way to promote improvements that contribute to the maintenance of a good work environment and to correct potential weak points identified in the research.

## **27.2 Education and Training**

The training programs developed at the company contemplated administrative, technical, and operational areas, with the achievement of courses that attend to qualification needs of the professionals in different activities. Company leaders participated in specific programs including the politics of managing people. The company also offers scholarships for all levels of schooling, including for language courses.

The Marcopolo School of Professional Formation, created in February 1990, maintains courses of industrial learning for youths, including those in situations of social vulnerability, offering benefits, their first job paid and access to the company career plan. At present EFPM has five units in Brazil and in 2009 it inaugurated a unit next to the MASA (South Africa). Throughout its 20 years of activities, more than 600 youths have already graduated from EFPM, qualified to exercise their professional activities in the most diverse areas of the company.

## **27.3 Quality of Life**

The quality of life programs focused on collaborators and relatives are adapted to the reality of each country in which the company has industrial units. In Brazil, the VidaConvida Program was developed by the Marcopolo Foundation, and offers countless leisure activities, culture and sports that promote quality of life. In Caxias do Sul (RS), the main office of the Foundation has a multi-modality-sporting gymnasium, sports courts, a mansion for parties, shed for CTG (Gaucho Traditions Center), barbeques and playground. In Duque de Caxias (Rio de Janeiro), the main office was inaugurated in 2009 and includes barbeque areas, sports courts, game room and canteen.

## **27.4 Remuneration and Plan for Grants of Option to Buy Shares**

The remuneration of collaborators is composed of a fixed part, linked to competence and abilities, and a variable part, the result of having reached goals from the Program of Participation in the Results. Periodically, salary research is carried out to evaluate if the values paid to the collaborators are within regional standards, permitting the company to maintain its competitiveness in the labor market.

Shareholders gathered at the Extraordinary General Meeting, which occurred on December 22, 2005, and approved the "Share Purchase Option Plan". The plan, whose

participants are the executives of the Company and their controlled parties (except the Controlling directors), has as its main objective: (I) to align the interests of the participants to those of the shareholders; (ii) commit the participants to company results in the short, medium and long term; (iii) encourage and stimulate the feeling of ownership; and (iv) attract and retain talent. The Plan is monitored by the Committee of RH and Ethics and approved by the Board of Directors.

## **27.5 Remuneration of Directors**

The annual global total set by the General Assembly for payment of the fees of Company administrators is distributed among the administrators by the Board of Directors. The highest individual annual remuneration set for the Board of Directors added R\$ 247 thousand in 2009, the average remuneration was R\$ 235 thousand and the lowest was R\$ 199 thousand. In the Executive Committee, the highest individual remuneration in 2009 was set at R\$ 2,425 thousand, the average was R\$ 1,809 thousand and the lowest was R\$ 934 thousand. As to statutory management, the highest individual remuneration was set at R\$ 821 thousand in 2009, the average was R\$ 707 thousand and the lowest was R\$ 480 thousand. The annual individual remuneration set for Fiscal Counselors was R\$ 108 thousand.

In accordance with that stipulated in the Company Articles of Association, the members of the Board of Directors do not receive a variable remuneration. The highest individual variable remuneration of the Executive Committee was R\$ 2.425 thousand in 2009, the average variable remuneration was R\$ 1,809 thousand and the lowest was R\$ 934 thousand. In Statutory management, the highest individual variable remuneration in 2009 was R\$ 942 thousand, the average was R\$ 762 thousand and the lowest was R\$ 523 thousand. Financial Adviser Members do not receive a variable remuneration.

## **28. Expectations for 2010**

The bus sector in the Brazilian domestic market began 2010 with a good perspective. The demand demonstrates the best conditions for credit through the lines of FINAME of BNDES. The interest rate is set at 7.0% for the year, including the spread of the financial agent, with 100.0% of good finance for up to 8 years, allowing businessmen to invest in renewal of the fleet. The resumption of the Brazilian economy and great generation of jobs and income also contributes to the increase in demand for buses.

The extension of concessions for federal interstate lines in 2011, as well as the definition of the date for auction of these lines in the same year, recaptures the demand for this segment, by intercity buses which until then, were repressed. Beyond

that, the medium age advanced for the intercity bus fleet in Brazil will necessarily result in a gradual renewal.

In addition to that, the success of Generation 7 also contributed to the increase in demand. The bus margins for new generation were negatively impacted in the first months since the launch in a learning curve. In 2010, production processes will gradually take shape and dominate, just as suppliers manage to adapt to new parts and required components, the margins will improve.

The need for mobility by the population is increasing. Marcopolo makes available the most diverse bus models for utilization on public transport systems. The model implanted in Curitiba was also utilized successfully in diverse cities in Brazil and in South America. The 2010 electoral year presents appeals positively to the renewal of the fleet, benefiting diverse programs, among which "Journey to School" is emphasized. There is still the possibility of extension of the school program to urban areas. The Program for Acceleration of the Growth of Urban Mobility foresees that cities with more than 500 thousand inhabitants receive exclusive runners of public transit for passengers, what will drive greater demand for urban buses in the coming years.

The sector still wagers in infrastructure works aimed at attendance at the 2014 World Cup and 2016 Olympic games. The budget of R\$ 9.0 billion announced with resources of the FGTS (Guarantee Funds for Time of Service) for improvements to urban transport should extend the demand for buses in the coming years.

The use of urban buses on low floor, broadly utilized in the big cities abroad, should form gradually, to be incorporated in the renewal of the Brazilian fleet. Examples of this include the State of Rio de Janeiro which determined that 50.0% of the fleet of urban buses be endowed on short floor until 2014. Beyond that, 100.0% of the inter-municipal intercity bus fleet in the State of the Rio de Janeiro should be air conditioned until 2016. Another decree reduces up to 3.0% of the value of the bracket of ICMS in the floor bus purchase under suppliers established in the State of Rio de Janeiro, which will strongly benefit Ciferal, a unit of Marcopolo located in the town of Duque de Caxias/RJ.

Abroad, the new factory in Egypt, is at present in a pre-operational phase, and should enter in the normal course of operation in the 1st semester of 2010, aggregating 600 consolidated units for Marcopolo this year, proportional to the participation of the Company in the partnership. The Joint Venture Tata Marcopolo Motors, in India, which in 2009 already delivered a volume of over 5.0 thousand units, begins the year under full capacity. In the South Africa, this years World Cup already aggregated demand in

2009 and will aggregate more in the 1st semester. In Mexico, strong economic dependence on the United States also affected the bus market. The economic recuperation of the country is expected in the second quarter of the year. The unit in Colombia should maintain a stable production level in 2010. With respect to exports, expect recuperation of volume from the second semester of 2010.

The production of Marcopolo parts and components in China is aimed at attending the strategic vision of the Company to develop suppliers inside its global sourcing program.

Conforming to the notice divulge by the Company on December 11, 2009, the expectation of performance (guidance) for 2010 is: (I) to reach consolidated net sales of R\$ 2.55 billion; and (ii) produce 24,700 buses among all units in Brazil and abroad. The investments in immobilized asset will demand resources in the order of R\$ 60.0 million. The forecast will be able to be made during the length of the fiscal year, if and when the conditions indicate the convenience to do so.

Finally, it can be emphasized that in 2009, Marcopolo completed 60 years of activities, sharing its path of success with clients, suppliers, collaborators, representatives and shareholders. It was through the work and dedication exerted by everybody that the Company reached its present standing and will continue to sustain business, respecting the interests of its shareholders, protecting the environment and participating in the development of the communities in which it carries on business.

## **29. Acknowledgements**

Marcopolo is honored to be able to thank the collaborators for their effort, dedication and commitment that, again in 2009, served to support the results achieved. The collaborators again believed in the Company and, in a joint effort, overcame its challenges. To the clients and shareholders, thanks for the choice, loyalty and confidence, and, to the suppliers, financial institutions, authorities and to the community, for the support received.

The Management.



**BALANCE SHEETS**
*in thousands of reais*

ASSETS	Parent Company		Consolidated	
	12/31/09	12/31/08	12/31/09	12/31/08
<b>Current assets</b>				
Cash and cash equivalents	404,800	201,009	503,925	434,351
Short-term investment	5,228	-	37,438	83
Trade accounts receivable	404,674	419,193	706,100	687,299
Inventories	134,657	169,468	244,195	310,581
Taxes recoverable	74,459	146,092	94,344	173,497
Deferred income tax and social contribution	24,634	38,029	35,004	40,875
Other accounts receivable	21,463	38,307	48,389	64,178
	<b>1,069,915</b>	<b>1,012,098</b>	<b>1,669,395</b>	<b>1,710,864</b>
<b>Non-current assets</b>				
<b>Long-term receivables</b>				
Related parties	721	1,278	-	-
Taxes recoverable	1,553	1,004	2,434	2,940
Deferred income tax and social contribution	8,130	19,151	25,080	26,329
Judicial Deposits	11,776	12,236	13,745	14,617
Trade accounts receivable	-	-	398,943	329,726
Other accounts receivable	14,633	-	14,394	291
	<b>36,813</b>	<b>33,669</b>	<b>454,596</b>	<b>373,903</b>
Investments	326,065	338,333	927	912
Property, plant and equipment	127,773	108,718	290,768	268,982
Intangible assets	64,184	65,764	68,416	68,794
Deferred charges	-	-	8,144	11,590
	<b>518,022</b>	<b>512,815</b>	<b>368,255</b>	<b>350,278</b>
<b>TOTAL ASSETS</b>	<b>1,624,750</b>	<b>1,558,582</b>	<b>2,492,246</b>	<b>2,435,045</b>
LIABILITIES AND STOCKHOLDERS' EQUITY	Parent Company		Consolidated	
	12/31/09	12/31/08	12/31/09	12/31/08
<b>Current liabilities</b>				
Suppliers	120,033	105,372	207,070	188,833
Loans and financing	126,682	287,594	385,633	628,416
Salaries and vacation pay	46,371	50,813	58,582	62,506
Taxes and contributions payable	26,409	14,980	42,433	23,862
Related parties	1,175	1,415	-	-
Advances from customers	13,812	17,421	19,613	32,103
Comissioned representatives	16,292	14,253	20,512	22,937
Interest on own capital and dividends	43,508	59,810	43,576	59,810
Management profit sharing	7,552	7,074	7,552	7,074
Other accounts payable	32,070	38,911	68,792	92,386
	<b>433,904</b>	<b>597,643</b>	<b>853,763</b>	<b>1,117,927</b>
<b>Non-current liabilities</b>				
Loans and financing	437,863	216,294	868,729	551,703
Provision for contingencies	15,874	45,755	27,287	56,552
Benefits to employees	8,039	10,570	8,059	10,573
Other accounts payable	-	24	1,550	2,972
	<b>461,776</b>	<b>272,643</b>	<b>905,625</b>	<b>621,800</b>
<b>Minority Interest</b>	-	-	<b>8,815</b>	<b>11,809</b>
<b>Stockholders' equity</b>				
Capital	450,000	450,000	450,000	450,000
Capital reserves	(806)	708	(806)	708
Revenue reserves	308,782	236,066	303,755	231,279
Treasury stock	(2,427)	(6,058)	(2,427)	(6,058)
Equity adjustments	(26,479)	7,580	(26,479)	7,580
	<b>729,070</b>	<b>688,296</b>	<b>724,043</b>	<b>683,509</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>1,624,750</b>	<b>1,558,582</b>	<b>2,492,246</b>	<b>2,435,045</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.bovespa.com.br](http://www.bovespa.com.br).

**STATEMENTS OF INCOME**
*in thousands of reais*

ACCOUNTS	Parent Company		Consolidated	
	2009	2008	2009	2008
<b>Gross sales and service revenues</b>	1,694,343	1,906,889	2,554,486	3,024,210
Sales deductions				
Taxes on sales	(352,196)	(222,352)	(496,786)	(492,047)
<b>Net sales and service revenues</b>	<b>1,342,147</b>	<b>1,684,537</b>	<b>2,057,700</b>	<b>2,532,163</b>
Cost of sales and services	(1,107,269)	(1,384,395)	(1,661,865)	(2,058,094)
<b>Gross Profit</b>	<b>234,878</b>	<b>300,142</b>	<b>395,835</b>	<b>474,069</b>
<b>Operating expenses (income)</b>				
Selling expenses	78,531	81,037	152,166	146,196
Management fees	8,301	8,330	8,301	8,330
Administrative expenses	43,008	43,583	90,470	92,120
Other operating expenses (income), net	(12,240)	(210)	(35)	(4,863)
<b>Operating profit before equity results and financial income (expenses)</b>	<b>117,278</b>	<b>167,402</b>	<b>144,933</b>	<b>232,286</b>
<b>Results from investments</b>				
Equity in the results of investees	2,603	31,016	-	-
<b>Financial result net</b>	<b>52,062</b>	<b>(30,602)</b>	<b>46,442</b>	<b>(38,862)</b>
Financial expenses	(140,709)	(150,515)	(183,099)	(209,884)
Financial income	192,771	119,913	229,540	171,022
<b>Income before taxation and profit sharing</b>	<b>171,943</b>	<b>161,171</b>	<b>191,375</b>	<b>186,779</b>
<b>Income tax and social contribution</b>				
For the year	(27,608)	(56,499)	(47,187)	(84,920)
Deferred	-	38,018	-	40,605
<b>Management profit sharing</b>	<b>(7,552)</b>	<b>(7,074)</b>	<b>(7,552)</b>	<b>(7,074)</b>
<b>Minority interest</b>	<b>-</b>	<b>-</b>	<b>(93)</b>	<b>(944)</b>
<b>Net income for the year</b>	<b>136,783</b>	<b>135,616</b>	<b>136,543</b>	<b>134,446</b>
<b>Net income per share - R\$</b>	<b>0.612</b>	<b>0.609</b>	<b>0.610</b>	<b>0.603</b>

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**CASH FLOWS**
*In thousands of reais*

	Parent Company		Consolidated	
	12/31/09	12/31/08	12/31/09	12/31/08
<b>Cash flows from operating activities</b>				
<b>Net income for the year</b>	<b>136,783</b>	<b>135,616</b>	<b>136,543</b>	<b>134,446</b>
Adjustments to reconcile net income with cash generated by (used in) operating activities:				
Depreciation and amortization	16,575	29,981	39,711	47,869
Cost of permanent asset sales	12,728	8,379	19,024	13,797
Equity in the results of investees	(2,603)	(31,016)	-	-
Allowance for doubtful accounts	4,798	5,764	15,695	14,267
Deferred income tax and social contribution	24,416	(38,018)	7,120	(40,605)
Interest and appropriated exchange variations	(36,023)	45,931	(151)	54,248
Minority interest	-	-	(2,994)	3,973
<b>Changes in assets and liabilities</b>				
(Increase) decrease in trade accounts receivable	9,721	(138,341)	(139,987)	(225,080)
(Increase) decrease in other accounts receivable	73,755	(6,256)	72,818	22,439
(Increase) decrease in inventories	34,811	(42,086)	48,746	(69,251)
Increase (decrease) in short-term investment	(5,228)	-	(37,355)	70,984
Increase (decrease) in suppliers	14,637	(35,907)	54,052	(35,909)
Increase (decrease) in accounts payable	(34,808)	13,680	(46,600)	(2,425)
<b>Net cash provided by (used in) operating activities</b>	<b>249,562</b>	<b>(52,273)</b>	<b>166,622</b>	<b>(11,247)</b>
<b>Cash flows from investing activities</b>				
Investments	(62,366)	(37,174)	(15)	(14,384)
Related parties	317	7,253	-	(5,726)
Dividends from subsidiaries	38,153	13,163	-	-
Purchases of property, plant and equipment	(36,246)	(58,738)	(96,013)	(110,322)
Purchases of intangible	(5,507)	-	(7,931)	(7,475)
Non-current financial investment	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(65,649)</b>	<b>(75,496)</b>	<b>(103,959)</b>	<b>(137,907)</b>
<b>Cash flows from financing activities</b>				
Loans and financing	404,653	530,503	732,404	1,114,379
Payment of loans and interest	(307,973)	(446,879)	(643,977)	(991,565)
Payment of dividends and interest on own capital	(78,919)	(59,810)	(78,919)	(59,810)
Treasury stock	2,117	(3,174)	2,117	(3,174)
<b>Net cash provided by (used in) financing activities</b>	<b>19,878</b>	<b>20,640</b>	<b>11,625</b>	<b>59,830</b>
Foreign exchange variation on cash and cash equivalents	-	-	(4,714)	28,150
<b>Foreign exchange variation on cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>(4,714)</b>	<b>28,150</b>
Cash and cash equivalents at the beginning of the year	201,009	308,138	434,351	495,525
Cash and cash equivalents at the end of the year	404,800	201,009	503,925	434,351
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>203,791</b>	<b>(107,129)</b>	<b>69,574</b>	<b>(61,174)</b>

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