

Marcopolo S.A.

Financial Statements Together with
Report of Independent Public Accountants

December 31, 1999 and 1998

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

(Translation of the report originally issued in Portuguese.
See Note 19 to the financial statements.)

To the Management and Shareholders of

Marcopolo S.A.:

(1) We have audited the individual (Company) and consolidated balance sheets of MARCOPOLO S.A. (a Brazilian corporation) and subsidiaries as of December 31, 1999 and 1998, and the related statements of income, changes in shareholders' equity, and changes in financial position for the years then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

(2) Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the relevant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

(3) In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of Marcopolo S.A. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations, the changes in shareholders' equity, and the changes in their financial positions for the years then ended in accordance with accounting practices emanating from Brazilian corporate law.

Porto Alegre, February 16, 2000.

ARTHUR ANDERSEN S/C

Roberto Wagner Promenzio
Engagement Partner

MARCOPOLO S.A.

BALANCE SHEETS--DECEMBER 31, 1999 AND 1998

(In thousands of Brazilian reais)

(Translation of the original in Portuguese)

A S S E T S

	<u>Company</u>		<u>Consolidated</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
CURRENT ASSETS:				
Cash and banks	425	3,091	13,326	4,566
Temporary cash investments	79,928	112,072	114,163	116,307
Trade accounts receivable	92,403	62,124	130,583	85,361
Inventories	36,443	25,701	61,944	44,769
Other receivables	5,326	6,024	9,663	9,093
Recoverable taxes	18,891	15,001	26,431	18,534
	-----	-----	-----	-----
Total current assets	233,416	224,013	356,110	278,630
	-----	-----	-----	-----
NONCURRENT ASSETS:				
Intercompany receivables	21,339	9,256	1,460	-
Deferred income taxes	1,952	1,350	1,952	1,350
Escrow deposits	2,441	327	2,491	327
Notes receivable	-	-	6,587	-
Other receivables	156	18	324	1,396
	-----	-----	-----	-----
Total noncurrent assets	25,888	10,951	12,814	3,073
	-----	-----	-----	-----
PERMANENT ASSETS:				
Investments	76,472	43,603	2,003	837
Property, plant and equipment	54,305	61,432	111,472	94,901
Deferred charges	735	333	6,516	995
	-----	-----	-----	-----
Total permanent assets	131,512	105,368	119,991	96,733
	-----	-----	-----	-----
Total assets	390,816	340,332	488,915	378,436
	=====	=====	=====	=====

The accompanying notes are an integral part of these balance sheets.

MARCOPOLO S.A.

BALANCE SHEETS--DECEMBER 31, 1999 AND 1998

(In thousands of Brazilian reais)

(Translation of the original in Portuguese)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>Company</u>		<u>Consolidated</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES:				
Trade accounts payable	17,761	12,394	30,021	24,153
Financial institutions	61,847	38,123	120,733	53,662
Salaries and related charges	11,556	11,694	15,470	14,590
Taxes	4,040	3,216	7,520	5,079
Intercompany payables	11,202	6,131	-	-
Advances from customers	6,340	5,115	7,320	5,316
Sales commissions	4,350	4,501	4,596	3,131
Advance billings	2,082	1,669	2,558	1,669
Interest on capital	3,536	12,789	3,536	12,789
Management profit sharing	1,167	1,847	1,167	1,921
Other accounts payable	9,127	6,223	15,921	6,997
	-----	-----	-----	-----
Total current liabilities	133,008	103,702	208,842	129,307
	-----	-----	-----	-----
LONG-TERM LIABILITIES:				
Financial institutions	53,299	39,901	80,291	51,230
Other accounts payable	-	-	125	1,112
	-----	-----	-----	-----
Total long-term liabilities	53,299	39,901	80,416	52,342
	-----	-----	-----	-----
MINORITY INTEREST	-	-	(3,261)	58
	-----	-----	-----	-----
SHAREHOLDERS' EQUITY:				
Capital	130,000	130,000	130,000	130,000
Capital reserves	1,445	1,445	1,445	1,445
Profit reserves	73,064	65,284	71,473	65,284
	-----	-----	-----	-----
Total shareholders' equity	204,509	196,729	202,918	196,729
	-----	-----	-----	-----
Total liabilities and shareholders' equity	390,816	340,332	488,915	378,436
	=====	=====	=====	=====

The accompanying notes are an integral part of these balance sheets.

MARCOPOLO S.A.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

(In thousands of Brazilian reais, except per share data)

(Translation of the original in Portuguese)

	<u>Company</u>		<u>Consolidated</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
GROSS REVENUE:				
Sales and services	414,633	443,336	534,190	523,349
Sales taxes and returns	(51,102)	(62,581)	(69,564)	(79,683)
	-----	-----	-----	-----
NET REVENUE	363,531	380,755	464,626	443,666
Cost of goods sold and services provided	(287,235)	(294,992)	(373,546)	(352,033)
	-----	-----	-----	-----
GROSS PROFIT	76,296	85,763	91,080	91,633
EQUITY IN SUBSIDIARIES	7,864	1,463	-	-
OPERATING EXPENSES:				
Selling expenses	(31,159)	(38,081)	(44,642)	(41,056)
Management compensation	(1,957)	(1,847)	(2,745)	(2,536)
Administrative expenses	(16,582)	(17,688)	(23,925)	(22,218)
Financial expenses	(72,234)	(23,102)	(81,020)	(22,022)
Financial income	55,376	30,413	69,647	33,858
Other, net	(2,585)	475	(638)	1,701
	-----	-----	-----	-----
INCOME FROM OPERATIONS	15,019	37,396	7,757	39,360
NONOPERATING INCOME	819	135	2,839	339
NONOPERATING EXPENSES	(1,308)	(436)	(3,341)	(929)
	-----	-----	-----	-----
INCOME BEFORE TAXES ON INCOME	14,530	37,095	7,255	38,770
INCOME AND SOCIAL CONTRIBUTION TAXES				
Current	(230)	(5,099)	(1,101)	(6,600)
Deferred	601	1,350	620	1,423
	-----	-----	-----	-----
INCOME BEFORE PROFIT SHARING	14,901	33,346	6,774	33,593
EMPLOYEE PROFIT SHARING	(2,065)	(1,365)	(2,239)	(1,547)
MANAGEMENT PROFIT SHARING	(1,167)	(1,847)	(1,167)	(1,921)
	-----	-----	-----	-----
INCOME BEFORE MINORITY INTEREST	11,669	30,134	3,368	30,125
MINORITY INTEREST	-	-	6,710	9
	-----	-----	-----	-----
NET INCOME	11,669	30,134	10,078	30,134
	=====	=====	=====	=====
EARNINGS PER SHARE OUTSTANDING AT YEAREND - R\$	0.142	0.367		
	=====	=====		
BOOK VALUE PER SHARE OUTSTANDING AT YEAREND - R\$	2,492	2,397		
	=====	=====		

The accompanying notes are an integral
part of these statements.

MARCOPOLO S.A.STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITYFOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998(In thousands of Brazilian reais)(Translation of the original in Portuguese)

	Capital reserves						Total
	Restated capital	Investment grants	Gain from sale of treasury stock	Profit reserves	Treasury stock	Retained earnings	
BALANCES DECEMBER 31, 1997	93,858	7,593	-	84,784	(2,444)	-	183,791
Increase in capital	36,142	(7,593)	-	(28,549)	-	-	-
Investment grants	-	688	-	-	-	-	688
Sale of treasury stock	-	-	757	-	2,444	-	3,201
Net income	-	-	-	-	-	30,134	30,134
Proposed allocation of income:							
Transfer to profit reserves	-	-	-	9,049	-	(9,049)	-
Interest on capital	-	-	-	-	-	(21,085)	(21,085)
BALANCES DECEMBER 31, 1998	130,000	688	757	65,284	-	-	196,729
	=====	===	===	=====	===	=====	=====

	Capital reserves						Total
	Restated capital	Investment grants	Gain from sale of treasury stock	Profit reserves	Treasury stock	Retained earnings	
BALANCES DECEMBER 31, 1998	130,000	688	757	65,284	-	-	196,729
Net income	-	-	-	-	-	11,669	11,669
Proposed allocation of income:							
Transfer to profit reserves	-	-	-	7,780	-	(7,780)	-
Interest on capital	-	-	-	-	-	(3,889)	(3,889)
BALANCES DECEMBER 31, 1999	130,000	688	757	73,064	-	-	204,509
	=====	=====	====	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

MARCOPOLO S.A.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

(In thousands of Brazilian reais)

(Translation of the original in Portuguese)

	Company		Consolidated	
	1999	1998	1999	1998
SOURCES OF FUNDS:				
From operations-				
Net income	11,669	30,134	10,078	30,134
Minority interest	-	-	(3,319)	19
Items not affecting working capital--				
Depreciation and amortization	10,272	8,199	15,310	11,342
Equity in subsidiaries	(7,864)	(1,463)	-	-
Cost of investments written off/sold	1,122	317	3,207	802
Cost of property, plant and equipment disposals	186	-	307	-
Provision for losses on investments	-	116	-	133
Exchange variations - foreign subsidiary	-	-	(3,712)	(704)
Provided by operations	15,385	37,303	21,871	41,726
Shareholders and third parties-				
Investment grants	-	688	-	688
Dividends received	29	4,101	-	-
Sale of treasury stock	-	3,201	-	3,201
Decrease in capital of subsidiaries	-	11,059	-	-
Increase in long-term liabilities	13,398	19,716	21,946	29,471
Total sources	28,812	76,068	43,817	75,086
USES OF FUNDS:				
Investments	25,219	13,905	1,472	58
Property, plant and equipment	4,221	10,126	17,352	19,275
Deferred charges	449	124	5,511	124
Noncurrent assets	14,937	3,771	8,070	1,475
Interest on capital	3,889	21,085	3,889	21,085
Net effect of noncurrent items of subsidiary acquired	-	-	9,578	-
Total uses	48,715	49,011	45,872	42,017
INCREASE (DECREASE) IN WORKING CAPITAL	(19,903)	27,057	(2,055)	33,069
REPRESENTED BY:				
Working capital				
Beginning of year	120,311	93,254	149,323	116,254
End of year	100,408	120,311	147,268	149,323
INCREASE (DECREASE) IN WORKING CAPITAL	(19,903)	27,057	(2,055)	33,069

The accompanying notes are an integral part of these statements.

MARCOPOLO S.A.

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 1999 AND 1998

(Amounts in thousands of Brazilian reais)

(Translation of the original in Portuguese)

1. OPERATIONS

The Company is engaged in the manufacture and sale of buses, vehicles, truck bodies and machinery used in the agricultural and industrial sectors, as well as in imports and exports. It may also have equity interests in other companies.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were prepared in accordance with accounting practices emanating from Brazilian corporate law, amendments introduced by Law No. 9,457/97, and CVM - Brazilian Securities Commission Instruction No. 248, of March 29, 1996. In conformity with such accounting practices, the monetary restatement of permanent assets and shareholders' equity was only applied to December 31, 1995.

3. SIGNIFICANT ACCOUNTING PRACTICES

(a) Temporary Cash Investments--Stated at cost plus income earned to the balance sheet date.

(b) Allowance for Doubtful Accounts--Recognized based on estimated losses, determined based on an individual evaluation of accounts receivable and considering past losses, in amounts considered sufficient to cover possible losses on the realization of accounts receivable.

(c) Inventories--Stated at the lower of average cost and market or realizable value.

(d) Investments--Investments in subsidiaries are accounted for under the equity method, with the Company's share of the results of operations included in income. Dividends receivable are classified in current assets. Goodwill on the acquisition of equity investments is amortized over the period of its expected future profitability. Other investments are stated at cost.

(e) Equity Investments Abroad--The financial statements of foreign subsidiaries are adjusted, when necessary, to reflect corporate law accounting practices in Brazil and translated into local currency in accordance with CVM Resolution No. 28/86.

(f) Property, Plant and Equipment—Stated at acquisition cost, plus revaluations, monetarily restated to December 31, 1995, less accumulated depreciation and amortization and an allowance for estimated losses on realization. Depreciation is calculated under the straight-line method on the cost of acquisition or construction plus revaluation, at rates determined based on the estimated useful lives of the assets. Amortization is calculated under the straight-line method on the acquisition cost.

(g) Deferred Charges—Represented basically by costs for research and development of products, amortized over the expected future benefit periods, under the straight-line method.

(h) Financial Institutions--Loans are restated to the balance sheet date in accordance with contractual indices; financial charges are recognized as incurred.

(i) Provision for Income and Social Contribution Taxes--Taxes on income are calculated on taxable income at current rates in effect.

4. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of the Company and its direct and indirectly controlled subsidiaries, as of December 31, 1999 and 1998, as follows:

<u>Subsidiary</u>	<u>Ownership interest (%)</u>	
	<u>Direct</u>	<u>Indirect</u>
Marcopolo Distribuidora de Peças Ltda.	99.999	0.001
Marcopolo Trading S.A.	99.997	0.003
MVC – Componentes Plásticos Ltda.	-	100.00
Polo Investimentos Ltda.	99.95	0.05
Dinação Indústria e Comércio de Ferro e Aço Ltda.	-	100.00
Marcopolo International Corporation (1)	100.00	-
Ilmot International Corporation S.A. (1)	-	100.00
Marcopolo Indústria de Carroçarias S.A. (1)	-	100.00
Polo Serviços em Plásticos Ltda.	99.00	1.00
Marcopolo Latinoamérica S.A. (1)	99.143	0.857
Ciferal Comércio Indústria Participações S.A. (2)	-	50.00
Polomex S.A. de C.V. (1)	99.98	0.02

(1) Foreign subsidiary.

(2) To comply with CVM Instruction No. 247/96, this jointly-owned subsidiary is consolidated.

Consolidation Principles

The following significant accounting practices are applied in the preparation of the consolidated financial statements:

- Marcopolo S.A. and its consolidated subsidiaries follow uniform practices.
- Significant intercompany transactions and balances are eliminated. Investments in subsidiaries are eliminated in proportion to the shareholders' equity included in the consolidation for these companies.
- Minority interest in subsidiaries is shown separately.

5. TEMPORARY CASH INVESTMENTS

	Company		Consolidated	
	1999	1998	1999	1998
Local currency:				
Fixed income funds (*)	6,321	43,768	6,321	43,768
Bank certificates of deposit (*)	42,286	59,123	54,869	59,123
Capitalization securities - Banco do Brasil	-	181	-	181
Foreign currency:				
Central Bank Notes	30,200	9,000	30,200	9,000
Fixed funds	-	-	18,373	-
Variable funds	-	-	2,110	-
Other	1,121	-	2,290	4,235
	-----	-----	-----	-----
	79,928	112,072	114,163	116,307
	=====	=====	=====	=====

(*) Return linked to 99% of interbank deposit rates.

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	1999	1998	1999	1998
Accounts receivable – domestic	68,777	48,180	78,007	57,290
Accounts receivable – foreign	54,667	41,803	85,867	57,371
Allowance for doubtful accounts	(1,224)	(929)	(3,474)	(2,370)
Advances on exchange contracts	(29,817)	(26,930)	(29,817)	(26,930)
	-----	-----	-----	-----
	92,403	62,124	130,583	85,361
	=====	=====	=====	=====

7. INVENTORIES

	Company		Consolidated	
	1999	1998	1999	1998
Finished goods	8,905	8,381	12,907	12,929
Work in process	2,720	2,276	5,008	3,056
Raw materials and supplies	21,217	14,111	37,009	24,030
Merchandise	-	-	3,354	2,801
Advances to suppliers and other	3,601	933	3,666	1,953
	-----	-----	-----	-----
	36,443	25,701	61,944	44,769
	=====	=====	=====	=====

8. INVESTMENTS

	Company		Consolidated	
	1999	1998	1999	1998
In subsidiaries	76,098	43,045	-	-
Unamortized goodwill	-	-	1,472	-
Other	374	558	531	837
	-----	-----	-----	-----
	76,472	43,603	2,003	837
	=====	=====	=====	=====

The investments in subsidiaries are as follows.

	Marcopolo Distribuidora de Peças Ltda.	Marcopolo Trading S.A.	MVC Componentes Plásticos Ltda.	Marcopolo Latinoamérica S.A. (1)	Polo Investimentos Ltda. (2)	Polo Serviços em Plásticos Ltda.	Polomex S.A. (1)	Marcopolo International Corporation (1)	Total	
									1999	1998
SUBSIDIARY DATA:										
Capital stock	4,000	1,000	21,631	9,156	48,840	500	9	89	-	-
Adjusted shareholders' equity	3,987	3,272	28,575	2,680	50,614	697	77	14,831	-	-
Shares or quotas held	1	3,450,103	1	13,860	1	1	50,000	50,000	-	-
Ownership %	99.999	99.997	99.999	99.143	99.95	99.000	99.980	100.00	-	-
Net income (loss) for the year	(760)	115	6,944	(3,208)	1,458	42	67	5,062	-	-
CHANGES IN INVESTMENT										
Balances, beginning of year-										
Net equity	4,747	3,186	12,631	3,940	11,297	648	-	6,596	43,045	42,894
Additions	-	-	9,000	-	37,840	-	10	-	46,850	13,848
Dividends received	-	(29)	-	-	-	-	-	-	(29)	(4,101)
Goodwill write-off – sale of										
Investment	-	-	(21,631)	-	-	-	-	-	(21,631)	-
Equity in net income (loss)	(759)	115	-	(1,285)	1,451	40	67	8,235	7,864	1,463
Balances, end of year-										
Net equity	3,987	3,272	-	2,655	50,588	688	77	14,831	76,098	43,045

(1) Foreign subsidiary.

(2) In 1999, the Company, through Polo Investimentos Ltda., acquired 50% of the capital of Ciferal Indústria Comércio, Participações S.A., resulting in goodwill of R\$1,472, based on future profitability, with an estimated amortization period of five years.

9. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rate (%)	Company		Consolidated	
		1999	1998	1999	1998
Land	-	7,276	7,829	13,525	11,345
Buildings	4	31,969	31,852	55,932	46,411
Machinery and equipment	10	51,469	50,869	86,035	70,094
Installations	10	25,919	25,181	31,555	26,080
Furniture and fixtures	10	3,411	4,108	5,490	4,820
Vehicles	20	1,690	1,680	2,764	2,143
Other	10 to 20	9,947	9,453	13,495	14,287
		-----	-----	-----	-----
		131,681	130,972	208,796	175,180
Accumulated depreciation		(78,570)	(71,154)	(98,877)	(82,377)
Construction in progress		1,194	1,614	1,553	2,098
		-----	-----	-----	-----
		54,305	61,432	111,472	94,901
		=====	=====	=====	=====

10. RELATED-PARTY TRANSACTIONS

Related-party balances and transactions are detailed as follows.

	Marcopolo Distribuidora de Peças Ltda.	Marcopolo Trading S.A.	MVC Componentes Plásticos Ltda.	Ilmot International Corporation S.A.	Polo Investimentos Ltda.	Dinaço Indústria e Comércio de Ferro e Aço Ltda.	Marcopolo Indústria de Carroçarias S.A.	Polo Serviços em Plásticos Ltda.	Marcopolo International Corporation	Polomex S.A. de C.V.	Ciferal Indústria Comércio Participações S.A.	Marcopolo Latino América S.A.	Total	
													1999	1998
Asset (Liability) – loans and current account	(22)	(2,082)	(5,490)	279	(3,112)	(496)	-	70	16,041	526	4,419	4	10,137	3,125
Accounts receivable from sales	169	-	15	5,082	-	69	10	-	11,175	1,584	6,166	1,603	25,873	8,313
Accounts payable from purchases	-	-	192	-	-	94	-	637	-	-	-	-	923	2,209
Purchase of goods and services	2,234	-	3,611	-	-	5,670	-	5,615	-	-	512	-	17,642	28,118
Sales of goods and services	611	3	46	23,831	-	237	50	-	22,424	1,732	6,737	13,237	68,908	42,539
Financial expenses	-	33	673	-	96	1,216	-	8	-	-	-	-	2,026	(4,284)
Financial income	113	25	160	29	270	4	-	10	1,331	9	147	63	2,161	1,607

Notes:

- The current account balances are subject to charges based on CDI (Interbank deposit) rates, in local currency, and LIBOR plus 3% per year in excess of exchange variation, in foreign currency.
- Sales and purchases of goods and services are based on prices and terms similar to transactions with unrelated parties.

11. FINANCIAL INSTITUTIONS

Loans and financing are as follows:

	Company			
	1999		1998	
	Current	Long-term	Current	Long-term
Local currency:				
FINAME (Government Agency for machinery & equipment Financing)	884	3,229	2,827	3,676
Working capital	-	-	805	-
Foreign currency:				
Working capital	38,953	-	7,320	-
Advances on exchange contracts	22,010	50,070	27,171	36,225
	-----	-----	-----	-----
	61,847	53,299	38,123	39,901
	=====	=====	=====	=====
	Consolidated			
	1999		1998	
	Current	Long-term	Current	Long-term
Local currency:				
FINAME	3,587	7,289	3,277	5,408
Working capital	16,454	-	819	-
Foreign currency:				
Working capital	62,312	22,734	22,395	9,597
FINAME	67	198	-	-
Advances on exchange contracts	38,313	50,070	27,171	36,225
	-----	-----	-----	-----
	120,733	80,291	53,662	51,230
	=====	=====	=====	=====

Local currency loans mature through November 2003, and foreign currency loans through December 2003; the loans are subject to the following annual interest rates:

- a. Those in local currency at the rate of 6.5%, plus monetary restatement calculated based on the URTJ, TJLP (Long-term Interest Rate) and UMBNDS indices.
- b. Those in foreign currency at rates ranging from 2.6% to 6.0% over LIBOR and exchange variation based on the U.S. dollar.
- c. Advances on exchange contracts are subject to rates ranging from 6.3% to 9.9% and U.S. dollar exchange variation.

The loans are guaranteed by the Company's directors and the financed assets pledged as collateral.

12. CAPITAL STOCK

As of December 31, 1999 and 1998, capital stock is represented by 38,490,512 common shares and 43,583,346 preferred shares, all registered and without par value. The Board of Directors can increase capital, irrespective of statutory change, up to the limit of 800,000,000 common shares and 1,200,000,000 preferred shares.

All shareholders are entitled to minimum mandatory dividends of 25% of adjusted net income. Preferred shares are nonvoting, but have the following rights and preferences:

- a. Rights equal to the common shares in the distribution of shares by the Company in case of stock splits, transfer of reserves to capital stock or revaluation of assets.
- b. Preference over common shares in the redemption of capital, up to the stated amount, with the holders entitled to pro rata distribution of any remaining proceeds after redemption of common shares.
- c. Additional 10% dividends.

13. INTEREST ON CAPITAL

The Company elected to pay interest on capital to its shareholders, recording it on December 27, 1999, in the gross amount of R\$3,889, to be paid starting March 29, 2000, at the rate of R\$0.045 per common share and R\$0.0495 per preferred share. The amount of such interest will be attributed to mandatory dividends declared in advance, for the current year, in accordance with item V of CVM Resolution No. 207/96. An additional 10% was included in interest on capital attributable to preferred shares, imputed into the dividends.

Mandatory minimum dividend calculation for 1999:

Net income for the year	11,669
Legal reserve (R\$11.669 x 5%)	(584)
Depreciation of revalued assets	209

Calculation basis for dividends	11,294
	=====
Minimum dividends (25%)	2,824
	=====
Interest on capital imputed into dividends:	
Gross	3,889
Withholding income tax at source (15%)	(583)
Withholding income tax at source – suspended	230

Net distribution	3,536
	=====

The reversal of the amount of interest on capital, in the statement of income, was made under the caption “Financial expenses”.

14. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAX ASSETS

The Company recognizes deferred income and social contribution taxes, when applicable, on temporary additions to taxable income, based on the accruals for nondeductible expenses at the balance sheet date, as follows:

	1999	1998
Income tax	1,865	1,350
Social contribution tax	87	-
	-----	-----
	1,952	1,350
	=====	=====

15. RECONCILIATION OF SHAREHOLDERS' EQUITY AND NET INCOME - COMPANY AND CONSOLIDATED

	1999	
	Shareholders' equity	Net Income
Company	204,509	11,669
	-----	-----
Unrealized profits from transactions with subsidiaries	(1,873)	(1,873)
Tax effect	282	282
	-----	-----
Consolidated	202,918	10,078
	=====	=====

16. YEAR 2000 ISSUE (UNAUDITED)

The Company's computer systems were not affected by any problems related to the Year 2000 issue. Regarding relationships with third parties, the Company did not identify any problems that might have affected its normal operations.

Subsequent to December 31, 1999, computer systems have been operating normally, without any sign of problems related to the Year 2000 issue.

17. PRIVATE PENSION PLAN

The Company is the primary sponsor of Marcoprev - Sociedade de Previdência Privada, a pension fund formed in December 1995 that provides supplementary pension benefits to all employees of the participating companies, namely Marcopolo S.A., Marcopolo Distribuidora de Peças Ltda., Marcopolo Trading S.A., MVC Componentes Plásticos Ltda., Polo Serviços em Plásticos Ltda., Polo Investimentos Ltda., Fundação Marcopolo and Associação dos Funcionários da Marcopolo (Employee Association). Company contributions to the fund approximated R\$1,775 in 1999 (R\$1,439 in 1998).

The actuarial method used to determine annual costs and required contributions is the capitalization method. The plan is a combination of "defined benefits", in which contributions are the exclusive responsibility of the sponsor, and "defined contributions", in which contributions are the joint responsibility of the sponsor and of the participants, on an optional basis.

The balance sheet of Marcoprev as of December 31, audited by independent public accountants, is summarized as follows:

	<u>1999</u>	<u>1998</u>
Assets	22,111	15,535
Liabilities	134	119
Technical reserves	21,520	15,416
Represented by:		
Mathematical reserves for-		
Vested benefits	17,232	14,672
Unvested benefits	12,301	10,606
Unamortized reserves	(8,013)	(9,862)

As of December 31, 1999, the actuarial deficit is R\$28,507 (R\$24,714 in 1998).

18. FINANCIAL INSTRUMENTS

The known or estimated amounts of financial instruments as of December 31, 1999 and 1998, recorded in balance sheet accounts, do not have market values significantly different from the amounts recorded in the financial statements.

In 1999, the Company carried out derivative transactions to hedge part of its loans in foreign currency. The hedged amount as of December 31 was R\$21,458 and the cost resulting from these transactions, in the amount of R\$591, was recorded in financial expenses.

19. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

The accompanying financial statements are presented on the basis of accounting practices emanating from corporate law in Brazil. Certain accounting practices applied by the Company and its subsidiaries that conform with those accounting practices in Brazil may not conform with generally accepted accounting principles in the countries where these financial statements may be used.

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