

Administration Report 2000

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Letter to the Shareholders

The year 2000 was a decisive one for Marcopolo's growth. It was a year in which the company successfully met the challenges it faced and consolidated innumerable achievements. It was a year in which it once again confirmed its leadership in the bus body market and expanded even more its area of activity.

In tune with our strategic planning, we further strengthened our presence on the world scenario. In the South American countries that form part of the Mercosur and Andean Pact trade blocs, we have plants in Brazil, Argentina and Colombia. In the latter, we established a partnership with Superbus, a company of the Fenalca Group, to take part in the Transmilenio project with the support of Volvo. In the North American Free Trade Agreement (NAFTA) area, we are consolidating our presence in Mexico through Polomex, a company in which Mercedes Benz also has a stake. In Europe, Marcopolo bus bodies are produced at our plant in Coimbra, Portugal, which has been operating since 1991. Together with Scania South Africa, we began assembling our products in that country at our plant in Pietersburg, Northern Province. A competent network of representatives and an internal staff of 6,659 highly motivated employees back all these industrial units. Thanks to them, Marcopolo buses today circulate throughout Brazil and in more than 60 countries.

Our market leadership drives us to accept new challenges, and thanks to the talent and capacity of our technical staff, this once again became evident in 2000 with the launching of the highly successful "Geração 6" line of intercity buses. Sales of the Volare and Fratello minibuses also grew substantially.

Due to new product launchings and to the demand for our products during the first months of the year, we begin 2001 with optimism. Given current internal and external market conditions, we believe we will be able to achieve, and even surpass, our growth estimates of between 8% and 10%.

We are convinced that Brazil will continue growing in today's globalized economy, providing companies with the necessary tranquility to continue investing in search of new and better results.

Paulo Bellini

President

Highlights and Initial Considerations

Marcopolo is one of the world's largest bus body manufacturers. In 2000, in line with its Strategic Planning, the company undertook a series of major initiatives to consolidate its operations and leadership position in this sector. In May, it launched its new Senior microbus, as well as new Volare and Fratello models that expanded its line of Light Commercial Vehicles (LCVs). In August it introduced its GERAÇÃO 6 line of intercity buses, completing its project to modernize and redesign its entire product line. It expanded its presence abroad with strategic alliances in Mexico, South Africa and Colombia.

Consolidated net revenue totaled R\$833.5 million – 79.4% more than the R\$464.6 million posted in 1999. Net income came to R \$17.2 million or 70.7% more than the previous year. The value of preferred shares increased 12.6% and at the end of the year were quoted at R\$2.30 – 26.1% above the BOVESPA (São Paulo Stock Exchange) index.

Consolidated Data (R\$ Million)

Indicators/Years	2000	1999	Change (%)
Net revenues	833.5	464.6	79.4
Domestic sales	421.2	268.1	57.1
Oversea sales	412.3	196.5	109.8
Gross profit	163.8	91.1	79.8
Operating income before net financial result	50.4	19.1	163.5
EBITDA	63.5	34.4	84.3
EBITDA margin (% of net revenues)	7.6%	7.4%	0.2pp
Net income	17.2	10.1	70.7
Earnings per share (1)	0.228	0.142	60.6
Total Assets	592.0	488.9	1.1
Net financial liabilities	109.7	73.5	49.2
Stockholders' equity	212.6	202.9	4.8
Net financial liabilities/Stockholders' equity (%)	51.6	36.2	15.4pp
Investments	30.3	22.9	32.5

(1) Parent company result

Sector Performance

Brazil's economy recovered substantially in 2000, posting one of the best performances since the start of the Plano Real economic stabilization program. The bus body industry's growth, which resumed in the second half of 1999, continued throughout the year of 2000. A total of 17,001 units were produced, representing a 40.5% increase over the previous year's output.

Highlighting this growth was the export of 4,832 units – 94.2% more than in 1999. Demand on the domestic market grew 26.6%. It is important to note that production of urban bus bodies dropped during the last two fiscal years, while the output of microbuses and Light Commercial Vehicles (LCVs) increased significantly.

Brazilian Bus Body Production (Units)

Models/Years	2000	1999	1998	1997	1996
Intercity Buses	5,559	3,519	4,666	4,758	4,082
Urban Buses	8,302	7,384	13,054	12,140	13,860
Micro Buses	3,140	1,195	1,571	1,406	556
Total	17,001	12,098	19,291	18,304	18,498

Source: FABUS

Marcopolo Performance

In 2000, Marcopolo posted an excellent performance both on the domestic and foreign markets. Jointly, Marcopolo and Ciferal produced 8,317 units, representing a 49.6% increase over the previous year's figures. As a result of Marcopolo's performance, its market share went from 45.9% to 48.9%. Besides intercity, urban and microbus models, more than 2,934 Light Commercial Vehicles (LCVs) were produced, against the 1,084 LCVs made in 1999. As part of its strategy to diversify markets and consolidate its overseas presence, Marcopolo exported 2,927 units – 101.5% more than in 1999.

Marcopolo Production – Consolidated Data (Units)

Models/Years	Total		Marcopolo		Ciferal	
	2000	1999	2000	1999	2000	1999
Intercity Buses	2,643	1,646	2,643	1,646		
Urban Buses	4,113	3,235	2,641	2,861	1,472	374
Micro Buses	1,561	678	1,561	676		2
Total	8,317	5,559	6,845	5,183	1,472	376

Source: FABUS

Note: Ciferal: Production in 1999 totaled 1.050 units – 977 urban buses and 73 microbuses. The amounts indicated in the chart refer only to production as of July, after the company's merger with Marcopolo.

Marcopolo – Share in Brazilian Bus Body Production (Consolidated Data)

Models/Years	2000 (%)	1999 (%)	1998 (%)	1997 (%)	1996 (%)
Intercity Buses	47.5	46.8	52.2	50.1	52.8
Urban Buses	49.5	43.8	32.2	29.3	25.4
Micro Buses	49.7	56.7	59.5	67.3	65.8
Total	48.9	45.9	39.3	37.7	32.7

Source: FABUS

Consolidated Results

The substantially higher production levels and sale volumes registered by almost all of Marcopolo's units resulted in a net consolidated revenue of R\$833.5 million, an exceptional increase of 79.4% over the results posted in 1999. Exports accounted for 49.5% of net consolidated revenue, against 42.3% in 1999.

Gross profit, equivalent to 19.7% of net income, was practically the same as in 1999 (19.6%). Several reasons explain why this result did not correspond to the growth in revenue. To begin with, the parent company did not fully neutralize the impact of higher costs of material with internal measures, or by adding these costs to the final prices, which continue repressed. In second place, the margins posted by some subsidiaries were less than those of the parent company. Examples of this are Ciferal, which basically produces urban bus bodies with low added value; Polomex whose margins were determined by the parent company's marketing strategy; and Laureano because of the difficulties currently afflicting Argentina's economy.

The parent company's administrative and selling expenses went from R\$49.7 million to R\$67.2 million – a nominal increase of 35.2% between 1999 and 2000. During the same period, these expenses at the subsidiaries rose from R\$21.6 million to R\$42.7 million, mainly as a result of the inclusion, as of January, of the expenses of new subsidiaries Laureano S.A., Laureano Gonzales S.A. and Polomex. Meanwhile, the relation between consolidated administrative and selling expenses and net revenue decreased from 15.3% to 13.2%.

The negative net financial result of R\$22.7 million in 2000 (R\$11.4 million in 1999) was due to the rise in net financial liabilities that went from R\$73.5 million at the end of 1999 to R\$109.7 million in 12/31/2000. This R\$36.2 million increase was prompted by a rise in bank liabilities, resulting from new investments. Thus, net financial debt at the end of the year was 51.2% of stockholders' equity, compared to 36.2% in 1999.

The company's net income of R\$17.2 million was 70.7% higher than the R\$10.1 million reported in 1999.

Cash Generation

Cash generation, as expressed in terms of EBITDA, totaled R\$63.5 million, or 84.3% higher than the R\$34.4 million registered in 1999. The EBITDA margin was 7.6% compared to 7.4% in 1999. Investments consumed R\$33.4 million and loans another R\$2.5 million. As a result the initial cash balance of R\$127.5 million in January 1, stood at R\$88.8 million at the end of the year.

Research, Development and New Products

At Marcopolo, investments in research and development are a priority. Over the past two years, the company installed itself in Mexico, South Africa and Colombia, reflecting its experience and managerial boldness. At the same time, Marcopolo's research and development personnel focused their efforts on new products.

Between 1999 and 2000, expenditures with the development and launching of new products totaled R\$8 million. As a result of these investments, the company introduced, in May, its Senior 2000 model and its spin-offs that expanded the range of Light Commercial Vehicle (LCV) options like the Volare A-8 and Fratello. In August, the company replaced its highly successful Geração V model – of which more than 43,000 units were produced – with the new, differentiated and innovative Geração 6 line of intercity buses.

The company also took its innovations overseas. In November's Madrid Fair, Marcopolo introduced its Senior microbus, the first bus made in Brazil for the European market. The development and implementation of projects in Colombia and South Africa were concluded in partnership with local companies. Marcopolo is convinced these projects will be just as successful as others that preceded them, representing a substantial contribution to the company's future expansion and performance.

Administrative Changes

The company proceeded with its administrative reorganization to take full advantage of new marketing opportunities and support its expansion in the country and overseas. In the third quarter, Mr. José Rubens De La Rosa was appointed as General Director, a position he will hold jointly with that of Administrative and Financial Director. Mr. Carlos Zignani was put in charge of the strategic actions adopted by the corporate board of directors. Mr. Carlos Casiraghi was named general manager at Polomex.

Capital Markets

Performance of Marcopolo's Shares in Bovespa

Indicators/Years	2000	1999	1998	1997	1996
Number of Transactions	1,404	1,384	856	1,280	641
Shares Negotiated (million)	13.2	10.4	18.6	286.2	121.2
Value of Transactions (US\$ million)	17.6	10.1	26.6	51.3	23.2
Market Value (US\$ million)	96.6	98.7	74.8	92.1	140.3
Outstanding Shares (million)	82.1	82.1	82.1 ⁽¹⁾	820.7	820.7
Quotation (R\$ per preferred share)	2.30	2.13	1.10	1.32	1.74

Note: The quotation value of the year's last transaction of preferred shares, out of a total of ordinary and preferred shares at the end of each year, was used to determine market value. The resulting value was converted to US\$ according to the official purchase exchange rate on December 31.

(1) After the reverse split in April 1998.

Interest on shareholders' equity

On December 26, payment of interest on capital totaled R\$7,511,393.37 – R\$0.0869 per ordinary share and R\$0.0956 per preferred share. This interest was imputed to mandatory dividend payments declared in advance in the fiscal year of 2000. Payment began on March 2001.

Shareholding Structure

The company's capital stock of R\$130 million is composed of 82.1 million shares – 38.5 million ordinary and 43.6 million preferred shares. Marcopolo maintain a Level 1 ADR (American Depositary Receipts) program launched in the second half of 1996. Each ADR represents 10 preferred shares. This program provides foreign investors with greater liquidity for their shares in the company.

Participation and Results of Subsidiaries

Either directly or indirectly, Marcopolo owns 100% of the capital stock of its subsidiaries, with the exception of Ciferal in which its has a 50% stake. As of Jan.1, 2001, when its association with Mercedes-Benz Mexico went into effect, Marcopolo owns a 74% share of Polomex.

A number of measures were taken during the fiscal year of 2000 aimed at consolidating the company's presence in Brazil and abroad. As a result, its subsidiaries obtained a net revenue of R\$265.5 million – 162.6% more than in 1999. However due to different fields of activity and to the specific conditions of each region in which they operate, not all of the company's units registered the same performance, and as a whole they posted a net loss of R\$6.7 million.

Ciferal – Despite increased sales, this subsidiary posted a negative result due to its almost exclusive production of urban buses with low added value. To better use its installed capacity and improve its performance, Ciferal began manufacturing, in August, the Fratello, an LCV.

MVC – This subsidiary has achieved international recognition for its products made with Resin Transfer Molding (RTM) technology. It produces a wide range of products for the automobile, railroad, aircraft and visual communication sectors. The expansion of its product line contributed to its increased sales.

Dinaco * - Benefited by the growing demand from the automobile, metallurgical and furniture sectors, this subsidiary continued to register positive results.

*This unit was sold on March 8, 2001.

Polomex – Located in Mexico, this subsidiary met all of the parent company's expectations during its first full year of operations and demonstrated the excellent potential of the local market. The main contribution of this unit is the substantial leverage it provides to the parent company's exports. Its current order portfolio and the association with Mercedes Benz permit us to forecast significant business growth in 2001.

Marcopolo Latinoamerica – Amid the continued economic slowdown of the Argentine economy, this unit continued consolidating its presence in that country, where it accounts for 33% of the production of urban buses. Marcopolo hopes its subsidiary will begin posting positive results as soon as economic growth resumes in Argentina.

Laureano S.A. and Laureano Gonzales S.A. - These two companies were purchased in January 2000 to provide strategic support to Marcopolo Latinoamerica. However, due to Argentina's economic crisis, results failed to meet expectations.

Marcopolo Indústria de Carroçarias - Located in Coimbra, Portugal, this unit continued performing its strategic role of keeping the parent company permanently updated on Europe's technological and design innovations.

Strategic Alliances - In June, Marcopolo, in partnership with Scania South Africa Pty.Ltd, began assembling the Torino intercity bus in the city of Pietersburg. The success of the first units circulating in the Northern Province will allow Marcopolo to continue with this project. Another important agreement was the one signed with the Superbus Company of Bogota, Colombia to supply and jointly assemble the Viale articulated bus. The agreement is part of the Transmilenio Project that will renovate the mass transportation system of the Colombian capital. Production of the Viale could be increased in order to export it to the other countries of the Andean pact and to Panama.

Investments/Fixed Assets

Consolidated investments of R\$39.4 million were made during the fiscal year. Of this total, R\$14.3 million were invested in the parent company and R\$25.1 million in its subsidiaries. The funds were mainly used for the acquisition of machines and equipment, buildings, tools and computer equipment.

Through its fully owned subsidiary, ILMOT International Corporation, Marcopolo concluded, in January of 2000, its US\$4.2 million purchase of the net assets of Laureano Gonzales S.A. and Laureano S.A., two Argentine companies located in the city of Rosario, Santa Fé Province. Part of the US\$4.2 million was financed through August 2002. The strategic objective of the purchase of these two companies, which are exclusive Mercedes-Benz concessionaires, is to guarantee the supply of bus chassis to Marcopolo Latinoamerica.

On September 26,2000, Marcopolo and Mercedes-Benz Mexico de C.V. – of the DaimlerChrysler AG Group - signed an Association and Cooperation agreement involving Polomex S.A de C.V., a Marcopolo subsidiary. At the time, a US\$6.2 million capital increase in Polomex was done through ILMOT International Corporation. As of January 2001, Mercedes Benz Mexico held 26% of Polomex’s capital stock thanks to a US\$2.2 million capital increase. Polomex will assemble buses with Marcopolo bodies and chassis produced principally by Mercedes-Benz. Polomex’s installations were transferred from Aguascalientes to Monterrey, next to the Mercedes-Benz factory in the state of Nuevo Leon.

Human Resources

Number of Employees	2000	1999	1998
Parent Company	4,253	3,427	3,755
Subsidiaries in Brazil	1,838	1,642	1,048
Subsidiaries Abroad	568	331	325
Total	6,659	5,400	5,128
Turnover Rate(%) (1)	0.69	1.09	0.81

(1) Refers to the parent company

During the year, Marcopolo invested in a number of human resources programs aimed at improving its employees’ professional qualifications and their quality of life.

Professional Training - To improve the professional qualifications of its staff, Marcopolo held 1,035 training courses focused on operational techniques and the development of managerial skills. A total of 608 education-incentive scholarships were granted, covering all levels, from primary school to post-graduate courses. These programs absorbed investments amounting to R\$1.2 million.

Profit Sharing Program – Company employees received R\$5.1 million through the profit sharing program, which not only helps improve their performance and earnings but also gives them a real sense of partnership in the business.

Marcopolo Foundation and Employee Association - Managed by the employees themselves, these two organizations provide their associates with loans and a series of other benefits like a company store, a club in the countryside and leisure, recreational and sports facilities.

Marcoprev - At the end of the fiscal year, Marcopolo's private pension fund had total assets of R\$25.2 million - R\$3.1 million more than in the previous year. The funds provides all employees benefits that supplement those offered by Brazil's social security system. As Marcoprev's principal sponsor, Marcopolo allocated R\$2.2 million to the fund in 2000.

Medical and Health Benefits - Permanently concerned with the quality of life and well being of its employees, Marcopolo maintains a comprehensive medical and dental assistance program, which during the last fiscal year attended to 30,000 cases. The company also provides its employees with private health plans, free transportation services and meals.

The scope and quality of these activities have earned Marcopolo widespread recognition as attested by its ranking among the "Best Companies to Work for in Brazil."

The Bus Body Segment and the Future

The future performance of the bus body segment in Brazil and of the entire industrial chain associated to it will depend on the adoption of immediate measures that include:

- Clearly-defined urban transportation policies
- A solution to the problem of illegal transportation services
- Investments in highway and urban transportation infrastructure
- Greater access to credit lines from FINAME (the government's machinery and equipment financing agency) and the BNDES (Brazil's National Development Bank)
- The prioritization of mass transportation over individual forms of transportation.

In regard to the above measures, the activities of trade associations like FABUS, ABRATI, NTU, ANTP, SEDU AND SIMEFRE deserve special mention.

Aware of the problems facing the sector, the federal government has asked the Urban Development Secretariat to draw up a plan aimed at implementing an efficient urban transportation system in the country. Marcopolo is actively involved in this task whose main objective is to prioritize mass transportation.

Outlook for 2001

During the current fiscal year, the Administration will focus its efforts on consolidating the company's expansion achieved in 2000, the recovery of the units that posted losses and on improving the performance of other units. The demand for buses on the Brazilian market is expected to be between 5% and 10% higher than in 2000, while exports are also expected to continue growing. Marcopolo began the year of 2001 full of optimism amid expectations of a possible 8% to 10% growth in the company's net consolidated revenue and of increased results.

Marcopolo Companies

Ana Rech Unit

Located in the Ana Rech district of Caxias do Sul, Rio Grande do Sul state, it is Marcopolo's main factory. Intercity and urban buses are produced in this 60,000 square meter plant built on 305,000 square meters of land.

Planalto Unit

Located in the Planalto district of Caxias do Sul, this 38,000 square meter factory produces minibuses and light commercial vehicles (LCVs).

Together, the two Marcopolo factories in Caxias do Sul have an installed capacity for the annual production of 13,500 buses.

Ciferal Comércio, Indústria e Participações S.A.

This 70,000 square meter factory, built on 193,000 square meters of land, is located in the Xerem district of Duque de Caxias, Rio de Janeiro state. With an installed capacity for the production of 3,000 units a year, it is situated near chassis-manufacturing plants and Brazil's biggest markets for buses.

Marcopolo Latinoamerica S.A.

This 12,000 square meter factory is located in the city of Rio Cuarto in the Argentine province of Cordoba. It has an annual production capacity for 1,250 urban and minibuses that are sold on the domestic market and exported to neighboring countries.

Polomex S.A. de CV

Polomex is the result of an association with Mercedes-Benz. Its new plant in Monterrey, Mexico has an annual production capacity for 4,000 buses that are sold in the North American, Central American and Caribbean markets.

MVC – Componentes Plásticos Ltda

Located in São Jose dos Pinhais, Paraná state, this factory uses high tech RTM Light, Vacuum Forming and Fiberprint processes. Its products, geared to the aircraft, automobile, refrigeration, and telephony industries, and used for visual communication and advertising purposes have received the Normas Embraer, ISO9002, VDA6 (Germany) and the Pôle de Plasturgie de l'Est (France) certificates.

Marcopolo Indústria de Carroçarias S.A.

Strategically located in the city of Coimbra, Portugal, this factory has an annual production capacity for 250 units. Its principal markets are the countries of the European Union, which purchased 132 buses in 2000.

Marcopolo Products – Brazil

Factory	Long Distance	Intercity	Urban	Microbus	LCV
Ana Rech	Paradiso 1200 Paradiso 1350 Paradiso LD 1550 Paradiso DD1800 Viaggio 1050	Andare Allegro	Torino Torino Low Entry Torino Articulated Torino Bi-Articulated Viale Viale Low Entry Viale Articulated Viale Hybrid Viale Hybrid Articulated Trolleybus Articulated Trolleybus VLP		
Planalto				Senior	Volare Fratello
CIFERAL			Turquesa Torino Viale		Fratello

Marcopolo Products – Overseas

Factory	Long Distance	Intercity	Urban	Microbus
Mexico	MP 120 MP 105	Andare Allegro	Torino Viale	
Argentina			Torino Torino Low Entry Viale Viale Low Entry	Senior
Portugal	ViaggioII	Allegro		Allegro SE
Colombia			Viale Viale Articulated	
South Africa			Torino	

www.marcopolo.com.br/ri

Administration

Marcopolo S.A.

Administrative Council

Paulo Bellini – President

Nestor Antonio Perottoni – Board Member

Dilson Sampaio da Fonseca – Board Member

Corporate Board of Directors

Paulo Bellini – President

Jose Antonio F. Martins – Corporate Vice President

Valter Gomes Pinto – Corporate Director

Raul Tessari – Corporate Director

Carlos Zignani – Investor Relations Director

Executive Directors

Jose Rubens De La Rosa – General Director

Moacir V. Moroni – Industrial Operations Director

Ruben A. Bisi – Director for Strategy and Development

James E. Bellini – International Operations Director

Nelson Gehrke – Director for Commercial Operations, Brazil

Marcopolo Ind. De Carrocarias S. A.

Paulo R.C. Carvalho – President

MCV – Componentes Plasticos Ltda.

Gilmar Lima – General Manager

Marcopolo Latinoamerica S. A

Gilmar Nunes – General Manager

Polomex S.A. de C.V.

Carlos A . Casiraghi – General Director

Ciferal Comércio, Indústria e Participações S.A.

Gilson Mansur – General Manager

Marcopolo Distribuidora de Peças Ltda.

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Brazilian Stock Exchange: Bolsa de Valores de São Paulo (Bovespa)

Ticker: Ordinary shares: POM03

Preferred Shares: POM04

ADR System

Depository Bank: Citibank, NA –NY (U.S.A.)

Custodian Bank: Banco Itaú S/A – SP (Brazil)

Overseas Stock Exchange: OTC – New York

ADR Ticker: MCPOY

Independent Auditors

KPMG Auditores Independentes

Newspapers for Public Announcements

Diário Oficial do Estado do Rio Grande do Sul

Pioneiro – Caxias do Sul –RS

Gazeta Mercantil – National Edition

Addresses

Marcopolo S.A.

Planalto Unit

Corporate Board of Directors and Manufacturing

Ana Rech Unit

General Administration and Product Assembly

Polomex S.A. de C.V.

Ciferal Com., Indústria e Participações S.A.

Marcopolo Latinoamerica S. A.

Laureano S.A.

Marcopolo Indústria de Carroçarias S.A

MVC – Componentes Plásticos Ltda.

Credits

Graphic and Editorial Project
CORPzb Design Editorial e Corporativo

Photolithography
Ponto&Meio

Photographs of Products
Photo Traço

Printing
Editora São Miguel