Marcopolo S.A.

Financial statements
December 31, 2001 and 2000

(A translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices derived from the Brazilian Corporation Law and rules of the Brazilian Securities Exchange Commission)

Marcopolo S.A.

Publicly-held company

Financial statements

December 31, 2001 and 2000

Contents

Independent auditors' report

To
The Board of Directors and Shareholders
Marcopolo S.A.
Caxias do Sul - RS

We have examined the balance sheets of Marcopolo S.A. and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2001 and 2000 and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

The information of investee companies Marcopolo Latinoamérica S.A. and Laureano S.A., for year ended on December 31, 2001 and 2000 were reviewed by other independent auditors, the reports of which were presented to us; thus, the result of our review, in respect to the investment values and results of those companies, is solely based on the reports prepared by such independent auditors.

In our opinion, based on our examinations and the opinion of other independent auditors, the aforementioned financial statements present fairly, in all material respects, the financial position of Marcopolo S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2001 and 2000, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the years then ended, in conformity with accounting practices derived from the Brazilian Corporation Law.

Our examinations were performed with the objective of expressing an opinion on the financial statements taken as a whole. The statements of added value and cash flows as of December 31, 2001 and 2000 are supplementary to the aforementioned financial statements, and have been included to facilitate additional analysis. This supplementary information was subject to the same audit procedures applied to the aforementioned financial statements and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements taken as a whole.

As reported in note 21-b, the Company reclassified credits denominated in US dollars due from clients located in Argentina, from current assets to non current assets. Realization of this accounts receivable, net of the provision, depends on the outcome of current negotiations with the clients and government bodies from Argentina and Brazil.

March 15, 2002

KPMG Auditores Independentes
CRC-SP-14.428“S”RS

Wladimir Omiechuk
Accountant CRC-RS-041241/0-2

Marcopolo S.A.

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Notes to the financial statements

Years ended December 31, 2001 and 2000

(In thousands of reais)

1 Operations

The Company manufactures and sells buses, cars, car bodies, car parts, industrial and agricultural machinery and implements, imports and exports related products, and also invests in other companies.

2 Presentation of the financial statements

The financial statements were prepared in accordance with accounting practices derived from the Brazilian Corporation Law and rules of the Brazilian Securities Exchange Commission.

Description of significant accounting policies

a. Foreign currency

Monetary assets and liabilities denominated in foreign currencies were translated into Brazilian reais at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities relating to foreign operations, are presented at their historical costs, translated into Brazilian reais at the foreign exchange rate ruling at the balance sheet date.

b. Derivative financial instruments

The Company uses derivative financial instruments, interest rate swaps, purchase and sale of options and future contracts to hedge its exposure to foreign exchange and price risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counter parties.

c. Cash and banks

Cash and cash equivalents comprise cash balances and call deposits.

d. Marketable securities

Marketable securities are recorded at cost plus income accrued to the balance sheet date, which does not exceed market value.

e. Provision for doubtful accounts

The provision for doubtful accounts is calculated at an amount considered adequate by management to cover any losses arising on collection of accounts receivable.

f. Inventories

Inventories are stated at the lower of average cost or market value.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

g. Investments

Investments in subsidiaries, associated companies and companies equivalent to associated companies were valued using the equity method. The premium paid on acquisition of equity is amortized over their expected period of profitability. All other investments were valued at cost, less a provision for devaluation.

h. Offshore corporate investments

The criteria used for assessment of the financial income statements of the offshore investee companies, when different from the accounting practices accepted in Brazil, were duly adjusted considering the relevance of the information. The conversion of these financial statements to domestic currency was made as per CVM Resolution No. 28/86.

i. Property, plant and equipment

Property, plant and equipment is recorded at the cost of acquisition, formation or construction. Depreciation is provided using the straight-line method at rates which take into account the estimated useful lives of the assets.

j. Deferred charges

Deferred charges are recorded at purchase and formation cost, less amortization, which is calculated by the straight-line method with rates that consider the useful life of the intangible assets. Deferred charges are recognized only when there is an increase in the economic benefits related to those assets.

The premium calculated is supported by a report prepared by independent experts, and is based on the expected future profitability from the operations acquired. Amortization of the premium, supported by expected future profitability, has been recorded based on the projection periods, which are reviewed annually and do not exceed five years.

k. Rights and obligations

Rights and obligations are price-level restated according to the exchange rates or indices and interest rates specified in the contracts in force, to reflect amounts accrued through the balance sheet date.

l. *Interest on loans and financing*

Interest on loans and financing are recorded in accordance with the term of the contracts utilizing the effective interest rate.

m. *Provisions*

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.

n. *Pension plans*

As required by the Deliberation CVM 371, which approved the NPC-26 from IBRACON - “Accounting for Employee Benefits”, the Company opted for recording at the end of fiscal year 2001, the plan actuarial deficit against retained earnings under the title “Prior year adjustments”.

o. *Income and social contribution taxes*

Income tax - Computed at the rate of 15% of taxable income, plus an additional of 10%.

Social contribution tax - Computed at the rate of 9% of adjusted taxable income.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized.

Income and social contribution taxes on temporary differences are classified as non current assets, as per Note 14.

p. Recognition of effects of inflation

The fixed asset and shareholders' equity accounts were price-level restated up to December 31, 1995, at which point monetary correction of the balance sheet was revoked from Brazilian Corporation Law in accordance with Law 9249/95.

q. Statements of cash flows

The Company, voluntarily, is presenting the statements of cash flows prepared in accordance to NPC 20 - Statement of Cash Flows, issued by IBRACON - Brazilian Institute of Independent Accountants.

r. Statements of added value

The Company, voluntarily, is presenting the statements of added value (DVA), prepared in accordance to the Circular-Notice/CVM/SNC/SEP/01/00.

(In thousands of reais)

3 Consolidated financial statements

The accounting policies have been consistently applied by the consolidating enterprises and are consistent with those used in the previous year.

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

	Ownership percentage	
	Direct	**Indirect**
Marcopolo Distribuidora de Peças Ltda.	99.99	0.01
Marcopolo Trading S.A.	99.99	0.01
MVC Componentes Plásticos Ltda.	99.99	0.01
Marcopolo South Africa Pty Ltd (1)	-	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)	99.99	0.01
Ciferal Industria de Ônibus Ltda.	99.99	0.01
Polomex S.A. de C.V. (1)	3.61	70.39
Laureano S.A. (1)	-	100.00
Superpolo S.A. (1)	-	50.00

(1) Foreign subsidiary

(In thousands of reais)

Description of main consolidation procedures

a. Elimination of intercompany asset and liability account balances;

b. Elimination of investment in the subsidiaries' capital, reserves and retained earnings;

c. Elimination of intercompany income and expense balances and unearned income arising from intercompany transactions.

d. Identification of minority interests in the consolidated financial statements.

A reconciliation of the results for the year and shareholders' equity is shown below:

	Results		**Shareholders' equity**	
	2001	**2000**	**2001**	**2000**
Parent Company	41,938	18,730	217,187	215,728
Realization of income by the subsidiaries in transactions with subsidiaries, net of income and social contribution taxes	3,117	1,591	-	-
Elimination of income earned by the Parent company in transactions with subsidiaries, net of income and social contribution taxes	(4,916)	(3,117)	(4,916)	(3,117)
Consolidated	40,139	17,204	212,271	212,611

(In thousands of reais)

4 Marketable securities

	Parent company		Consolidated	
	2001	**2000**	**2001**	**2000**
Domestic currency:				
Fixed Income Funds (*)	-	1,000	-	1,000
Time Deposits (*)	72,839	38,551	81,373	50,600
Foreign currency:				
Fixed Income	-	-	15,757	10,890
Others	1,257	-	1,257	5,926
	74,096	39,551	98,387	68,416

(*) Earnings are linked to at least 99% of the variation of the CDIs (Certificates of Interbank Deposits).

(In thousands of reais)

5 Trade accounts receivable

	Parent company		Consolidated	
	2001	**2000**	**2001**	**2000**
Current:				
Domestic customers	105,640	89,769	148,369	114,477
Foreign customers	121,113	77,150	237,924	193,530
Less:				
Trade bills discounted	(25,000)	(67,231)	(31,586)	(75,164)
Provision for doubtful accounts	(4,757)	(1,792)	(17,015)	(5,897)
	196,996	97,896	337,692	226,946
Long-term:				
Foreign customers	4,949	-	49,493	4,319
Less:				
Provision for doubtful accounts	-	-	(3,137)	-
	4,949	-	46,356	4,319
	201,945	97,896	384,048	231,265

(In thousands of reais)

6 Inventories

	Parent company		Consolidated	
	2001	**2000**	**2001**	**2000**
Finished goods	11,559	8,469	18,080	16,998
Work in process	4,798	3,442	11,285	8,156
Raw materials and auxiliaries	28,225	22,836	47,087	42,715
Merchandising	425	735	8,916	12,884
Advances to suppliers and other	1,268	2,499	2,619	4,063
	46,275	37,981	87,987	84,816

7 Investments

	Parent Company		Consolidated	
	2001	**2000**	**2001**	**2000**
In subsidiaries	85,953	69,211	-	-
Goodwill (discount)	-	-	-	1,178
Other investments	930	1,003	1,321	1,035
	86,883	70,214	1,321	2,213

Investments in subsidiaries are presented below:

(In thousands of reais)

	Marcopolo Distribuidora de Peças Ltda.	Marcopolo Trading S.A.	Marcopolo Latinoamérica S.A. (1)	Polo Investimentos Ltda.	Polo Serviços em Plástico Ltda.	Polomex S.A. de C.V. (1)	Marcopolo International Corporation (1)	Ciferal Industria de Ônibus Ltda.	MVC Componentes Plasticos Ltda.	Total 2001	Total 2000
Information on investments											
Capital	4,000	1,000	2,045	22,228	500	21,102	34,910	79,000	22,000		
Adjusted shareholder's equity	3,482	4,890	(30,623)	33,115	588	20,432	23,058	60,721	23,234		
Number of shares or quotas owned	1	3,450,103	2,878	1	1	3,011,659	50,000	499,953	1		
Interest %	99.999	99.995	99.999	99.951	99.000	3.610	100.000	99.999	99.999		
Income (loss) for the year	499	1,538	(30,370)	13,264	97	745	(29,941)	15,723	493		
Movement of investments											
Opening balances:											
By equity value	2,983	3,717	(366)	46,379	598	560	15,340	-	-	69,211	76,098
Prior year adjustment - pension plans	-	-	-	-	(111)	-	-	-	(126)	(237)	-
Addition	-	-	-	-	-	-	36,229	10,000	24,355	70,584	-
Dividends/profit received	-	(365)	-	-	-	-	-	-	-	(365)	(139)
Capital reduced	-	-	-	(26,538)	-	-	-	-	-	(26,538)	-
Equity in income of subsidiaries	499	1,537	(30,257)	13,278	96	178	(28,511)	17,600	(1,122)	(26,702)	(6,748)
Incorporation by Ciferal on June 01, 2001	-	-	-	(33,119)	-	-	-	33,119	-	-	-
Final balances:											
By equity value	3,482	4,889	(30,623)	-	583	738	23,058	60,719	23,107	85,953	69,211

(1) Foreign subsidiary

Corporate alterations:

a) On January 02, 2001 the indirect subsidiary Laureano González S.A. was incorporated by what is also an indirect subsidiary Laureano S.A.

b) On March 08, 2001 the investment in the indirect subsidiary Dinaço Indústria e Comércio de Ferro e Aço Ltda.was sold.

c) On March 26, 2001 the 100% control in the indirect subsidiary Ciferal Comércio Indústria e Participações S.A. was acquired. A premium of R$ 23,117 thousand was calculated on this acquisition, based on the prospect of future profits in the company, in accordance with a report prepared by independent evaluators.

d) On May 28, 2001 the indirect subsidiary Ciferal Comércio Indústria e Participações S.A altered its corporate name to Ciferal Indústria de Ônibus Ltda.

e) On May 31, 2001 Marcopolo S.A acquired, from Polo Investimentos Ltda, its investment in the indirect subsidiary MVC Componentes Plásticos Ltda.

f) On June 01, 2001 Ciferal Indústria de Ônibus Ltda incorporated Polo Investimentos Ltda, which became a direct subsidiary of Marcopolo S.A.

g) On July 31, 2001 Marcopolo S.A. made a capital increase of R$ 36,229 thousand in its subsidiary Marcopolo International Corporation.

h) On December 01, 2001 Marcopolo S.A. made a capital increase of R$ 10,000 thousand in its subsidiary Ciferal Indústria de Ônibus Ltda.

(In thousands of reais)

8 Property, plant and equipment

	(Average) depreciation rate (p.a.) %	Parent company 2001	Parent company 2000	Consolidated 2001	Consolidated 2000
Buildings	4	33,115	32,202	60,666	62,815
Machinery and equipment	10	51,613	56,431	86,281	93,892
Facilities	10	27,314	26,229	34,508	31,148
Furniture and fixtures	10	3,307	3,629	5,238	5,988
Vehicles	20	1,607	1,718	2,591	2,950
Computer equipment	20	11,596	11,581	12,858	13,431
Others property, plant and equipment	10 a 20	1,462	1,457	3,320	11,760
Accumulated depreciation		(81,208)	(85,204)	(101,080)	(110,005)
Land		6,858	6,861	13,611	14,637
Work in progress		2,275	786	4,856	3,264
Advances to suppliers		1,282	1,334	1,282	1,334
		59,221	57,024	124,131	131,214

(In thousands of reais)

9 Deferred charges

	(Average) depreciation rate (p.a.) %	Parent company		Consolidated	
		2001	2000	2001	2000
Development and implantation of units	20	463	1,636	14,191	10,054
Premium to amortize	20	-	-	24,172	-
Accumulated amortization		(206)	(492)	(7,966)	(1,754)
		257	1,144	30,397	8,300

The value of the premium paid for the purchase of shares in the subsidiary Ciferal Indústria de Ônibus Ltda., will be amortized over a maximum period of 5 years, based on the estimated future profitability of this company.

(In thousands of reais)

10 Related parties

	Marcopolo Distribuidora de Peças Ltda.	Marcopolo Trading S.A.	MVC Componentes Plásticos Ltda.	Ilmot International Corporation S.A.	Polo Investimentos Ltda.	Dinaço Ind. e Com. de Ferro e Aço Ltda.	Marcopolo Indústria de Carroçarias S.A.	Polo Serviços em Plásticos Ltda.	Marcopolo International Corporation	Marcopolo South África (Pty) Ltd	Polomex S.A. de C.V.	Ciferal Industria de Ônibus Ltda.	Marcopolo Latinoamérica S.A.	Total 2001	Total 2000
Balance assets (liability) by:															
Loans and current account	1,674	1,720	(117)	29	-	-	-	(350)	24,690	-	-	(172)	30,217	57,691	37,865
Trade accounts receivables	144	17,221	-	16,671	-	-	74	-	30,980	-	2,769	3,700	16,971	88,530	31,420
Accounts payables purchase	2,095	-	215	-	-	-	-	904	-	-	-	-	-	3,214	1,177
Purchase of raw inventories															
Materials and services	5,202	3	11,720	-	-	1,700	-	10,516	-	-	-	6,877	-	36,018	28,220
Sales (inventories and services)	652	19,413	104	113,172	-	345	119	-	45,033	1,311	14,654	21,625	26,590	243,018	125,157
Financial expense	-	418	8	5	35	16	-	64	-	-	-	163	-	709	1,116
Financial income	204	27	8	-	599	-	-	-	1,884	-	3	169	504	3,398	3,893

Notes:

The current account balances are adjusted for inflation according to the variation of the CDI.

Sales and purchase of products and/or services are carried out under the same price and terms as in any arm's-length transaction with non-related parties.

(In thousands of reais)

11 Loans and financing

	Parent company		Consolidated	
	2001	**2000**	**2001**	**2000**
Local currency:				
Permanent assets:				
FINAME	2,618	3,156	5,545	11,851
Bank loans	81	-	3,085	4,712
Advances on exchange contracts	85,049	19,907	87,400	19,907
Foreign currency:				
Bank loans	9,462	1,727	136,200	80,986
Credit Facility for Pre-payment of exports	-	-	-	47,730
Advances on exchange contracts	137,641	31,633	137,641	33,334
	234,851	56,423	369,871	198,520
Current portion included in current liabilities	125,499	45,045	230,110	118,640
Noncurrent liabilities	109,352	11,378	139,761	79,880

Loans in domestic currency are payable up to February, 2006, and those in foreign currency up to May 2006. These loans are subject to the following charges:

a. Domestic currency loans are subject to interest rates up to 4.5% p.a., plus adjustment for inflation, calculated according to the variation of the URTJ, TJLP and UMBNDS;

b. Working capital loans in foreign currency are subject to interest rates that vary between 3.8% to 8.85% p.a.;

c. Advances on export contracts are subject to interest rates that vary between 3.2% to 9.9% p.a. plus exchange adjustment calculated according to the variation of the US dollar; and

d. Credit lines for pre-payment of exports incur interest of 1.5% p.a., plus LIBOR variation.

Sureties were offered as guarantees for the borrowings and financing, together with chattel mortgages for the assets financed.

(In thousands of reais)

12 Provision for contingencies

The Company is disputing in court the constitutionality of certain taxes and validity of certain labor and civil claims. Provision has been established based on the opinion of the company's legal counsel.

The following table demonstrates the contingent risks, according to the opinion of the company's legal advisors:

Nature of contingent	Parent			Consolidated			Judicial	Deposit
Liability	Probable	Possible	Remote	Probable	Possible	Remote	Parent	Consolidated
a) Civil	1,883	1,122	458	1,928	1,122	458		-
b) Tax	429	24,924	12,521	429	28,722	12,521	2,235	2,562
c) Labor	589	499	333	1,046	1,307	333	291	552
d) Social security			1,904	-	2,027	1,904		-
Total :	2,901	26,545	15,216	3,403	33,178	15,216	2,526	3,114

a) Civil – indemnities calculated on future rescissions of service contracts;
b) Tax – represented mainly by state and federal assessments awaiting decision at STJ and STF level;
c) Labor – various types of labor processes that refer mainly to indemnity claims;
d) Social security – INSS assessments, being judeged at TFR, with favorable decisions given in the lower courts;

(In thousands of reais)

The statements containing information on contingent assets, in the opinion of the legal advisors, is presented below:

Nature of contingent	Parent			Consolidated		
Assets	**Probable**	**Possible**	**Remote**	**Probable**	**Possible**	**Remote**
a) Tax	26,416	53,925	186	26,416	53,925	186
b) Social security	400	11,800		400	11,800	
Total :	26,816	65,725	186	26,816	65,725	186

a) Tax – represented basically by state and federal actions that are in the process of being judged at the STJ and STF;

b) Social security - Education salary, employment accident insurance and INSS on self employed workers.

The Company has not recorded the probable gains, since it only records contingent assets when they materialize.

(In thousands of reais)

13 Pension plans and post-employment benefits to employees

The Company is the main sponsor of Marcoprev – Private Pension company, a non profit, civil company, constituted in December 1995, whose main objective is to provide benefits to complement the State Social security to all of the sponsors' employees: Marcopolo S.A. (the main sponsor), Marcopolo Distribuidora de Peças Ltda., Marcopolo Trading S.A., MVC Componentes Plásticos Ltda., Polo Serviços em Plásticos Ltda., Fundação Marcopolo e Associação dos Funcionários da Marcopolo. During the year, total contributions amounted to R$ 4,598 (R$ 2,168 in 2000). The costs and contributions to the plan are calculated using on the actuarial capitalization method. It is a mixed plan comprising "defined benefits", where the contributions are the exclusive responsibility of the sponsor, and "defined contributions", where the contributions are paid in by the sponsor and the participant, optionally. At December 31, 2001, the actuarial liability was R$ 31,283 (R$ 25,168 in 2000), which was calculated in accordance with the mathematical model established in the plan's technical note, based on a collective capitalization system, and is fully covered. Thus, there was no need for the sponsor to record a liability at December 31, 2001.

As required by the Deliberation CVM 371, which approved the NPC-26 from IBRACON - "Accounting for Employee Benefits", the Company opted for recording at the end of fiscal year 2001, the actuarial deficit of the plan against retained earnings under the title "Prior year adjustments", whose composition is showed as follows:

	2001	
	Parent	**Consolidated**
Actuarial liability		
Present value of funded obligations	(47,783)	(48,352)
Fair value of plan assets	28,025	28,357
Total charge to retained earnings	(19,758)	(19,995)

Main actuarial assumptions at the balance sheet date (expressed as weighted averages):

	%
Discount rate at 31 December	8.12
Expected return on plan assets at 31 December	8.12
Future salary increases	5.06

The fair value of plan assets were determined based on market parameters at the end of the fiscal year or, when applicable, by the projection of the future benefits derived from the utilization of the asset, discounted at present value.

The actuarial liability at the end of the fiscal year was determined based on the independent actuary calculations utilizing the projected unit credit method.

(In thousands of reais)

14 Deferred income and social contribution taxes

The deferred income and social contribution taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their book values. The carrying value of the deferred tax asset is reviewed annually and no adjustments arose as a result of this process at year end.

The origin of deferred income and social contribution taxes is presented below:

	Parent company		**Consolidated**	
	2001	**2000**	**2001**	**2000**
Noncurrent assets:				
Provision for Technical Assistance	1,527	1,011	1,527	1,011
Provision for commission	813	385	1,027	385
Others Provisions	164	386	164	386
Corporate investment provision	233	-	233	-
Provision for labor indemnities	840	-	956	-
Provision for doubtful accounts	670	-	670	-
Provision for contingencies	959	681	2,413	681
Tax loss for income tax / negative social contribution base	-	-	15,710	-
	5,206	2,463	22,700	2,463

Deferred income tax and social contribution that refer to the tax loss originate from the subsidiary Ciferal Indústria de Ônibus Ltda. This deferment will be made over a period of up to five years, in accordance with profit forecasts.

(In thousands of reais)

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to net income is presented below:

	Parent company		Consolidated	
	2001	**2000**	**2001**	**2000**
Profit before income and social contribution taxes	76,544	35,675	64,645	28,541
Combined statutory rates	34%	34%	34%	34%
Income and social contribution taxes: calculated at the statutory rates	26,025	12,130	21,979	9,704
Permanent additions:				
Nondeductible expenses	5,185	889	12,846	4,241
Permanent exclusions:				
Interest on shareholders'equity	6,965	2,554	6,965	2,554
Effect from recognizing deferred income tax and social contribution from previous years in the subsidiary	-	-	15,710	-
Income and social contribution taxes charged to net income	24,245	10,465	12,150	11,391
Effective rate	31.67%	29.33%	18.79%	39.91%

15 Capital (Parent company)

The authorized capital, comprises 2,000,000,000 nominative shares with no par value, 800,000,000 of which are common shares and 1,200,000,000 preferred shares, no par value. On December 31, 2001 and 2000 subscribed and paid-in capital is represented by 82,073,858 book shares with no par value, 38,490,512 of which are common shares, no par value and 43,583,346 preferred shares, no par value. Preferred shares have no voting rights and have priority in the distribution of dividends, which are at least 10% (ten percent) higher than those paid on common shares, in accordance with paragraph I, article 17 of Law 6404/76, with the revised text established in Law 9457/97. The Company's articles call for a minimum dividend of 25% of net income for the year, adjusted in compliance with article 34 and article 202 of Law 6404/76, and formation of a reserve for future capital increase, payment of interim dividends and for acquisition of company capital shares, all for the purpose of assuring proper operation conditions and guarantee continuity of annual distribution of dividends.

16 Interest on shareholders' equity - Law 9249/95

In accordance with the option provided in Law 9249/95, the Company computed interest on shareholders' equity of R$ 20,484 (R$ 7,511 in 2000) by using the benchmark interest rate (TJLP) in effect for the year payable as from April 10, 2002, on the basis of R$ 0.237 per ordinary book share and R$ 0.2607 per preferred book share. This interest was recorded under financial expenses, as required by tax legislation. For purposes of these financial statements, this interest has been eliminated from financial expenses for the year and was charged to retained earnings and credited to current liabilities.

Income and social contribution taxes for the year were reduced by approximately R$ 6,965 (R$ 2,554 in 2000) as a result of the interest expense on shareholders' equity.

(In thousands of reais)

Demonstration of minimum mandatory dividend calculation:

	2001	2000
Net income for the year	41,938	18,730
(-) Legal reserve (5%)	(2,097)	(937)
(+) Depreciations of asset fixed reavaluated	209	209
Calculation basis for dividends	40,050	18,002
Proposed 25% minimum dividends	10,013	4,500
Interest on own equity imputed to dividends:		
Gross value	20,484	7,511
Withholding Income Tax (15%)	(3,073)	(1,127)
Withholding Income Tax - Suspended	956	432
Net value credited	18,367	6,816

The value of the referred interest shall be imputed to the mandatory dividend previously declared, on account of the current fiscal period, as per item V of CVM Resolution 207/96.

(In thousands of reais)

17 Financial instruments

In compliance with CVM Instruction 235/95, the carrying values and the fair values of the financial instruments included in the balance sheet on December 31, 2001 are stated below:

	Parent company		Consolidated	
Description	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Cash and banks	4,572	4,572	24,970	24,970
Marketable securities	74,096	74,096	98,387	98,387
Intercompany loans receivable	58,330	58,330	-	-
Recoverable taxes	25,958	25,958	39,071	39,071
Investments:				
Valued at cost:				
Unquoted	930	930	1,321	1,321
Valued by the net equity method:				
Unquoted	85,953	85,953	-	-
Loans and financing:				
Domestic currency	87,748	87,748	96,030	96,030
Foreign currency	147,103	147,083	273,841	273,781
Deferred taxes	5,206	5,206	22,700	22,700

Criteria, premises, and limitations used in calculating fair values

a. *Cash and banks and marketable securities*

   The fair values of balances held in current accounts in banks are identical to their carrying values.

b. *Intercompany loans receivable/payable*

   The fair values are identical to their carrying values since there are no similar instruments and since these transactions are carried out with subsidiaries and associated companies.

c. *Recoverable/deferred taxes*

   The fair values of these instruments are the same as their carrying values since recoverable taxes correspond to short-term prepayments and deferred taxes are essentially credits for future compensation resulting from temporary non deductible provisions and tax losses from the subsidiary.

d. *Investments*

   The fair values for all other investments are the same as their carrying values since there are no market quotations for these investments.

e. Loans and financing

The fair values of loans were calculated on the basis of their present value, determined by means of future cash flows, and by using interest rates applicable to instruments of a similar nature involving similar terms and risks; alternatively, they were based on market quotations for these securities.

The fair values for BNDES/FINAME loans are identical to their carrying values since there are no similar instruments with comparable due dates and interest rates.

f. Derivatives

It is Marcopolo S.A.'s policy to eliminate market risks by avoiding assuming positions exposed to variations in market values and by operating only with instruments which allow control of risks. The majority of derivative contracts are for swaps; all are registered with the BM&F and involve pre-fixed rates. The futures dollars contracts with the BM&F are used mainly as hedge instruments for advances on foreign exchange contracts. The Company does not expect to incur any losses on these operations.

g. Limitations

The fair values were estimated at a specific time, based on relevant market information. Changes in the premises could significantly affect the estimates presented.

18 Insurance coverage

On December 31, 2001, the Company had insurance coverage against fire and various risks on its fixed assets and inventories, for amounts deemed sufficient to cover possible losses.

19 Endorsements, securities and guarantees

As of December 31, 2001, the company was liable for guarantees and/or securities offered to banks in customer financing transactions in the amount of R$ 43,765 (R$ 67,022 in 2000), which are guaranteed by the assets object of the credit facility.

20 Employees' Profit Sharing Plan

In the fiscal year 2001, according to the provisions of Law No. 10.101 of December 19, 2000, the Management Company opted for half-year payments having paid one installment in August, 2001, and the balance during fiscal year 2002.

Employees' profit share was calculated as stipulated in the Marcopolo-EFIMAR Goals and Productivity Program Agreement, dated March 09, 2001 and ratified by the Union of the company's employees.

21 Devaluation of the Argentine Peso

a) The financial statements of subsidiaries located in Argentina, used for applying the equity method and for consolidation (Notes 3 and 7), were adjusted for the effects of the "pesification" and devaluation against the US dollar. Consequently, a loss of R$ 29,005 was considered at the end of 2001, which was recorded in the subsidiaries as a financial expense and also R$ 14,425 from the loss on company investments in these subsidiaries. This provision was calculated based on a 70% devaluation of the Argentine peso against the US dollar and the Brazilian real.

b) Accounts receivable from clients located in Argentine territory:

	Subsidiaries in Argentina	Parent And subsidiaries outside of Argentina
Short term accounts receivable	31,903	-
Long term accounts receivable	7,933	37,696
Provision for doubtful debts	(11,040)	(3,137)
	28,796	34,559

The provision for doubtful debts was calculated during 2001, and represents management's best estimate for recovery of accounts receivable from clients and subsidiaries located in Argentina. The Company is currently renegotiating the method, amount and terms to recover these amounts from clients, and is discussing, with the Argentine and Brazilian Governments, a means of compensating the losses incurred from converting the amounts in dollars to Argentine pesos, after the devaluation of the peso against the North American dollar. These renegotiations should be concluded by the end of the first semester of 2002, and given that at the moment it is not possible to determine the maturity period for the credits in US dollars, management decided to reclassify them from current assets to non current assets.

c) Marcopolo management is preparing a restructuring plan of the Argentine subsidiaries aimed to maintain the operational continuity of its investments. This action plan includes:

- Capitalization of resources;
- Operational restructuring to reduce costs;
- Corporate reorganization.