

ADMINISTRATION REPORT 2001

To our shareholders:

In accordance to legal and statutory provisions, the administration of Marcopolo S. A. is hereby submitting the Annual Report for the fiscal year that ended December 31, 2001. It includes the Financial Statements of the Parent and Consolidated Companies and the reports prepared by the Independent Auditors and the Fiscal Council.

1. Initial Considerations and Highlights

Founded in 1949, Marcopolo's main line of activity is the production of buses and bus bodies, a segment in which it continues being one of the largest companies of its kind in the world. Marcopolo operates three production units in Brazil – two in Caxias do Sul and one in Rio de Janeiro (Ciferal) – and another five overseas: Argentina, Colombia, Mexico, Portugal and South Africa. In Brazil, it also owns MVC, a high-tech plastic components factory.

The year of 2001, was a landmark in Marcopolo's history. Net consolidated revenue surpassed the 1 billion real figure, coming in at R\$ 1.056 billion – 26.8% more than the R\$ 833.5 million posted in 2000. Net profits, even after taking into account the effects of the Argentine crisis, totaled R\$ 40.1 million, or 133.1% more than in the previous fiscal year. This positive performance was the result of new sales, production and cost control records. These results did not go unnoticed by the capital markets. At the end of the fiscal year, the company's preferred shares were being traded at R\$ 3.24 – an increase of 40.9 % for the year, or 56.2% higher than the BOVESPA index.

Economic and Financial Indicators

Consolidated (R\$ million)	2001	2000	Var.(%)
Net operating income	1.056.6	833.5	26.8
Domestic Sales	457.7	421.2	8.7
Oversea Sales	598.9	412.3	45.3
Gross Profit	261.6	163.8	59.7
Operating income before financial result	98.3	50.4	95.0
EBITDA	119.9	63.5	88.8
EBITDA margin (% of net income)	11.3	7.6	3.7
Net Income	40.1	17.2	133.1
Earnings per Share ⁽¹⁾	0.511	0.228	124.1
Total Assets	842.5	592.0	44.2
Net Financial Liabilities	278.1	184.9	50.4
Stockholders' Equity	212.2	212.6	(0.2)
Net financial liabilities/Stockholders' equity (%)	131.1	87.0	44.1
Investments	55.1	39.4	39.8

(1) Parent Company Result

2. Sector Performance

The year began on a positive note, but over the months a series of worrisome external and internal events took place. The sector feared that these events, together with the cyclical nature of demand would have a negative impact on the segment's performance. But demand remained stable, as did production, at about 4,300 units per quarter. Production of Brazilian companies belonging to the National Association of Bus Body Manufacturers, or FABUS, totaled 17,174 units.

Brazilian Bus Body Production (Number of Units)

Models/Years	2001	2000	1999	1998	1997
<i>Intercity Buses</i>	5,350	5,559	3,519	4,666	4,758
<i>Urban Buses</i>	8,870	8,302	7,384	13,054	12,140
<i>Micro Buses</i>	2,345	3,140	1,195	1,571	1,406
<i>Mini Buses (LCV)⁽¹⁾</i>	609	-	-	-	-
TOTAL	17,174	17,001	12,098	19,291	18,304

Source: Fabus

(1) Production figures of mini buses (LCV – Light Commercial Vehicles) only began being reported as of 2001. These figures do not include production of complete units (chassis and body) like the Volare model.

1. Marcopolo's Performance

Thanks to the diversified mix of products and markets developed over the past few years, Marcopolo has been able to grow even during periods marked by economic volatility and political instability. Strategic actions, together with the recent modernization of its product line, cost controls and aggressive marketing actions - both in the country and abroad - resulted in the production of 9,815 units in Brazil (Marcopolo e Ciferal) – 18.0% more than in 2000.

Despite the modest growth registered in the market as a whole during this period, Marcopolo's market share, among Brazilian manufacturers associated to FABUS, increased from 48.9% to 57.2%. Besides the traditional models for the principal mass transportation segments that were included in the figures compiled by FABUS, another 2,197 complete units of the Volare model were produced – 737 less than in 2000.

In tune with its overseas market diversification and consolidation strategy, Marcopolo exported 4,124 units – 40.9% more than in 2000. Marcopolo's and Ciferal's joint production and market share figures are in the following charts:

Marcopolo Production
(Consolidated – in Units)

Models/Years	2001	2000	1999	1998	1997
<i>Intercity Buses</i>	2,957	2,643	1,646	2,434	2,391
<i>Urban Buses</i>	5,096	4,113	3,235	4,203	3,562
<i>Micro Buses</i>	1,412	1,561	678	935	946
<i>Mini Buses (LCV)⁽¹⁾</i>	350	-	-	-	-
TOTAL	9,815	8,317	5,559	7,572	6,899

Source: Fabus

(1) Production figures of mini buses (LCV – Light Commercial Vehicles) only began being reported as of 2001. These figures do not include production of complete units (chassis and body) like the Volare model.

Marcopolo – Share in Brazilian Bus Body Production
(Consolidated)

Models/Years	2001	2000	1999	1998	1997
	%	%	%	%	%
<i>Intercity Buses</i>	55.3	47.5	46.8	52.2	50.3
<i>Urban Buses</i>	57.5	49.5	43.8	32.2	29.3
<i>Micro Buses</i>	60.2	49.7	56.7	59.5	67.3
<i>Mini Buses (LCV)⁽¹⁾</i>	57.5	-	-	-	-
Total	57.2	48.9	45.9	39.3	37.7

Source: Fabus

4. Consolidated Results

Net consolidated income grew as a result of substantial increases in production and sales and the exchange rate, which benefited export revenue. The company's overseas operations, valued at R\$598.9 million, accounted for 56.7% of total income. The parent company's exports totaled US\$ 162.2 million – 26.4% more than in 2000.

Gross operating profit increased from 19.7% in 2000 to 24.8% in 2001. Net profit increased 133.1%, going from R\$17.2 million in 2000 to R\$40.1 million.

Despite all the measures taken by the administration to minimize losses caused by Argentina's economic instability, Marcopolo posted a R\$55.4 loss. Of this total, R\$12.0 million were entered as Allowance for Doubtful Debt Settlements and R\$ 43.4 million as Provision for Equity Losses that reflected the 1.00 to 1.70 devaluation of the Argentine peso.

As a result of another nonrecurring event the company, as the principal sponsor of the Marcoprev – Sociedade de Previdência pension fund, recognized its R\$20.0 million actuarial liability. This amount was entered as a rectification of Marcopolo's Equity in accordance to CVM decision No. 371, of December 31, 2000.

The fiscal year's results also included R\$20.9 million, R\$5.2 million of which from the sale of subsidiary Dinaço and R\$15.7 million in taxes to be refunded, which were

registered by subsidiary Ciferal and which will be compensated in the next fiscal years.

5. Cash Generation

Cash generation, as expressed in terms of EBITDA, totaled R\$119.9 million, or 88.8% higher than the R\$63.5 million registered in 2000. The EBITDA margin on net revenues was 11.3%, compared to 7.6% in the previous fiscal year. The coverage ratio (EBITDA/Financial Expenses) was 2.77. Investments consumed R\$55.1 million and loans another R\$129.3 million. As a result, the initial cash balance of R\$88.8 million in January/2001 rose to R\$123.4 million at the end of the year. Additional information on the management of financial resources is found in a specific chart in the Notes to Financial Statements.

6. Research and Development

To improve logistics, Marcopolo's Mexican unit, Polomex was transferred from Águas Calientes to Monterrey in the state of Nuevo Leon in 2001. This plant is now able to produce a wide gamut of models needed by the markets, which it serves. To this end, new Multego, Boxer and Andare bus models were designed and produced. A special Andare bus model was designed for Saudi Arabia. Construction of Superpolo's production unit was concluded in Colombia, where the new Temple and Listo models were tested. Besides the launching of the Geração 6 model, two modern intercity bus models were introduced - the Paradiso Double Decker-1800DD and the Paradiso Turis - 1200.

In compliance with the technical and technology transfer agreements signed with Iveco in May of 2001, an Urban Low Entry and Senior model were developed for China - Marcopolo's new market. Using its know-how and installed capacity, the company developed LCV products for other vehicle manufacturers.

7. The Environment

Demonstrating its commitment to comply with all of the rigorous environmental norms currently in place, Marcopolo chose 2001 as the "Year of Environmental Responsibility." The company's "Environmental Management System" is aimed at obtaining ISO 14000 certification. Special courses on environmental performance and residue recycling were given to all production supervisors and employees, and lectures were given at high schools. The Effluent and Solid Waste Treatment Stations were permanently monitored as were the Environmental Laboratory, the Triage Center, the final disposal of residues and the emission of pollutants. During the year, R\$980 were invested in this area. As a result of its activities, the company was awarded the "Troféu Distinção Ambiental 2001" (the 2001 Environmental Distinction Trophy) by the Companhia de Desenvolvimento de Caxias do Sul (the Caxias do Sul Development Company).

8. Corporate Governance

At the Annual Shareholders' Meeting held April 17, 2001, the company increased from three to six the number of members of the Administrative Council, which is now comprised of two internal, two external and two independent counselors, A Fiscal Council, composed of three members and three substitutes, was also created. These changes substantially improved the Company's performance and transparency.

9. Capital Markets

9.1 Capital Stock Structure

The company's capital stock of R\$130 million is comprised of 82.1 million shares – 38.5 million ordinary and 43.6 million preferred shares. Marcopolo has an ADR Level 1 program (American Depositary Receipts), which was introduced in the second half of 1996. Each ADR represents 10 preferred shares. This program gives the Company's shares held by foreign investors greater liquidity.

9.2 Performance of Marcopolo's Shares on the Bovespa

Items/Years	2001	2000	1999	1998	1997
<i>Number of transactions</i>	1,617	1,404	1,384	856	1.280
<i>Shares negotiated (millions)</i>	17.9	13.2	10.4	18.6	286.2
<i>Value of transactions (R\$ million)</i>	47.8	32.2	1.,7	30.7	55.1
<i>Market value (R\$ million) ⁽¹⁾</i>	266.0	188.8	174.9	90.3	108.3
<i>Existing shares (millions) ⁽²⁾</i>	82.1	82.1	82.1	82.1	820.7
<i>Per share book value</i>	2.59	2.59	2.47	2.40	2.24
<i>Quotation (R\$/ per preferred share) ⁽³⁾</i>	3.24	2.30	2.13	1.10	1.32

(1) The quotation value of the year's last transaction of preferred shares multiplied by the total number of ordinary and preferred shares at the end of each year was used to determine market value. (2) The company's total number of shares after the April 1998 reverse split (3) Preferred share quotation at the last trading session of the fiscal year.

9.3 Interest on Capital

On December 31, interest on capital credited to shareholders totaled R\$20,484,429.64 – R\$0.237 per ordinary share and R\$0.2607 per preferred share. The net value of this interest was imputed to mandatory dividend payments declared in advance of the fiscal year of 2001. Payment will begin on April 10 2002.

10. Participation and Performance of Subsidiaries

Either directly or indirectly, Marcopolo owns 100% of the capital stock of its subsidiaries, with the exception Polomex in which it has a 74% stake and Superpolo in which it has a 50% stake. A number of measures were taken during the fiscal year of 2001 to consolidate the company's presence in Brazil and abroad. As a result, its subsidiaries obtained a net revenue of R\$326.7 million – 23.1% more than in 2000. However, due to the specific conditions of each region in which they operate, not all of the company's units registered the same performance. The subsidiaries, with the exception of those based in Argentina, contributed to the Parent Company's overall results with R\$ 45.2 million. The losses incurred by the units in Argentina resulted in an equivalent net worth of minus R\$ 26.7 million.

Ciferal: In March 2001, Polo Investimentos Ltda., Marcopolo's fully-owned subsidiary, acquired the totality of shares held by RJ Administração e Participações S.A, giving it 99.99% of Ciferal's capital stock. Ciferal later incorporated Polo Investimentos and became a direct subsidiary of Marcopolo. The measures taken to increase production, sales and exports, as well the production startup of the Fratello, a light commercial vehicle (LCV), helped reverse the company's losses. Net revenues totaled R\$ 99.6 million – 75.9% more than in 2000. Expanded activities and the integration with the Parent Company's objectives should improve overall results.

Dinaço. In March of 2001, Polo Investimentos Ltda. and MVC Componentes Plásticos Ltda., subsidiaries of Marcopolo S. A. and the only quota holders of DINAÇO Indústria e Comércio de Ferro e Aço Ltda. (an indirect subsidiary of Marcopolo) sold their quotas in Dinaço's capital. As a result of this operation, Marcopolo increased its investments in its core business.

MVC. The company occupies a prominent position for its production process that involves RTM (Resin Transfer Molding), Vacuum Forming and Continuous Lamination technologies. It produces a wide range of products for the automobile, railroad, aircraft, telecommunications and visual communication sectors, among others. The expansion of its product line helped increase its revenues to R\$40.1 million – 62.1% more than in the previous year. New uses and markets for this technology are being developed.

Polomex. The installation of its own plant in Mexico and the joint venture with the Mercedes-Benz subsidiary in that country represent a major pillar of support for Marcopolo's overseas operations. Mexico continues being an excellent market through which Marcopolo hopes to establish its presence in the other NAFTA countries next year. The performance of this subsidiary, now in its second year of activities, was highly positive. Output increased 92.8% for a total of 1,423 units and net revenues came to R\$ 199.5 million – 115.4% more than in 2000. Production is expected to grow 20% in 2002 and by 2004 it could reach 4,000 units – 50% of the local market.

Marcopolo Latinoamerica S.A. e Laureano S.A. The difficult economic situation that Argentina has been facing over the past few years and the devaluation of the peso in late 2001 and early 2002, negatively impacted the activities and results of our subsidiary in that country. The effects of this are seen in the explanatory notes of

Financial Report of 12/31/02 and in item 04 of this report. The Administration is convinced Argentina's economy will recover slowly and gradually, helping these subsidiaries improve their performance.

Marcopolo Indústria de Carroçarias S.A. Located in Coimbra, Portugal, this unit continued performing its strategic role of keeping the parent company permanently updated on the technological and design innovations of European buses. Net revenue came in at R\$21.2 million – 7.1% more than in the previous year. The expansion of its activities in this market is currently being studied.

Superpolo S.A. The successful 2000 agreement to supply components and assemble buses led to the creation, in October 2001, of a joint venture with Superbus de Bogotá S.A., of Colombia's Grupo Fanalca. The objective is to build bodies for urban, micro and intercity buses. The first units were delivered in early 2002. The installations have an annual production capacity of 2,000 units. Marcopolo has a 50% stake in the new company. The unit, which covers Colombia, Venezuela, Peru, Ecuador and Panama, is expected to make a major contribution to Marcopolo's business.

Marcopolo South Africa Pty Limited. As part of its "Africa Project," Marcopolo built its own factory in Johannesburg, South Africa. The unit began operations in November of 2001 and in the short period before the end of the fiscal year, it posted a net income of R\$1.4 million. It has an annual production capacity of 700 urban and micro bus bodies. Still in force is the strategic alliance established in 2000 with Scania South Africa Pty. Ltd., that has a factory in the city of Pietersburg. Africa is becoming a major market for mass transportation vehicles and Marcopolo wants to consolidate its presence there, occupying a sizeable share of the market.

11. Investments / Fixed Assets

11.1 Investments in the Parent Company. During the fiscal year, R\$12.5 million were invested mainly in machinery, equipment, installations, tools, computer equipment and in the development of new products. The objective was the modernization of the units located in Caxias do Sul. Total consolidated investments came to R\$ 55.1 million.

11.2 Investments in Subsidiaries

A total of R\$42.6 million were invested in the subsidiaries to modernize their production facilities and introduce new assembly lines. Part of the investment also went to pay for the transfer of Polomex to Monterrey, Mexico, the purchase of the remaining shares of Ciferal and the installation of two units overseas - Superpolo S.A. in Colombia (October 2001) and Marcopolo South Africa Pty Limited in Johannesburg, South Africa (November 2001).

12. Social Balance

Marcopolo values its employees and prioritizes investments to improve their professional qualifications, quality of life and to stimulate them to exercise their rights and duties as citizens.

Number of Employees	2001	2000	1999
<i>Parent Company</i>	4,541	4,253	3,427
<i>Subsidiaries in Brazil</i>	1,890	1,838	1,642
<i>Subsidiaries Abroad</i>	678	568	331
Total	7,109	6,659	5,400
Turnover rate (%) ⁽¹⁾	0.63	0.69	1.09

(1) Parent Company.

Professional Training - Marcopolo held 2,495 training courses (1,035 in the previous fiscal year) focused on operational techniques and the development of managerial skills. A total of 1,102 scholarships were granted, covering high school, undergraduate and post-graduate courses.

Marcopolo Corporate Education Center – This center, which was created in 2001, provided 104 staff members, managers and potential successors in strategic functions, a special, four-year post graduate program in Organizational Management. Developed jointly with the Business Administration School of São Paulo's Getúlio Vargas Foundation (EAESP), the program offers a holistic vision, focusing on the professional as an integral and technical individual. Implementation of the Value Added Management System continued during the year. This project, in which the EAESP is also involved - with the technical support of the Boston Consulting Group - is expected to improve the company's overall performance. In 2001, a total of R\$1.7 million were invested in employee education programs.

Quality of Life Program – The well-being of employees and their families is part of Marcopolo's philosophy. A selection of health care plans, restaurants, exclusive transportation lines, medical, dental and clinical assistance help keep employee satisfaction levels high. In-company surveys, conducted annually, verify these levels.

Marcoprev – At the end of the fiscal year, Marcopolo's private pension fund had total assets of R\$31.3 million – R\$6.1 million more than in the previous year. The fund provides all employees with benefits that supplement those offered by Brazil's social security system. As Marcoprev's principal sponsor, Marcopolo allocated R\$4.2 million to the fund in 2001.

Marcopolo Foundation and the Employees' Association – These two entities, which are managed by the employees themselves, provide financial aid and administer a store, a country club and sports and recreational areas.

Profit Sharing Program - The company disbursed R\$ 8.4 million to its employees in recognition of their efforts to meet goals established mutually at the beginning of the year.

13. Awards

In 2001, the company received several awards in recognition of its activities in several segments. These awards include:

- Third consecutive “As 100 Melhores Empresas para Você Trabalhar” (The 100 Best Companies to Work For) – by Exame Magazine;
- Prêmio “Top Cidadania” (Top Citizenship Award), sponsored by the ABRH-RS;
- Prêmio “Empresa Cidadã” (Citizen Company Award), sponsored by ARH Serrana;
- “Certificado de Responsabilidade Social” (Social Responsibility Certificate), awarded by the State Legislature of Rio Grande do Sul state;
- Fourth consecutive “Prêmio Exportação” (Export Award) – by the Brazilian Association of Sales Directors – for its performance on the foreign market;
- Fifth “Prêmio Distinção Indústria” (Industry Distinction Award) and the “Prêmio Qualidade RS” (RS Quality Award), both bestowed by FIERGS;
- “Encarçoadora do Ano”, (Vehicle Body Manufacturer of the Year) by Autodata magazine;
- “Destaque em Marketing” (Marketing Highlight), by the Brazilian Marketing Association.

14. The Segment and the Future

Marcopolo predicts that over the next few years, worldwide demand will grow in all segments. After the September terrorist attacks against the United States the public feels that highway transportation, which was in a slump since 1997, is safer. Demand for buses for urban transportation, which suffered from the activities of clandestine operators, should improve, judging from figures posted in the first quarter of this year. The reactivation of the market is also increasing the demand for micro buses that supplement the mass transportation system. The city governments of São Paulo, Rio de Janeiro and Belo Horizonte are rationalizing their transportation systems, legalizing alternative vehicles, investing in road infrastructure and planning integrated transportation systems.

Marcopolo has been working closely with trade associations like SIMEFRE, FABUS, ANTP ABRATI and NTU, in an effort to prioritize mass transportation over individual forms of transportation. It has also participated in the workshops and seminars held by the Special Department for Urban Development (SEDU) in an effort to elaborate a global urban transportation plan for the country. Only with massive investments in road infrastructure will urban traffic congestions be avoided and pollution and accident levels be reduced.

15. Outlook for 2002

In this fiscal year, the Administration will strive to consolidate the company's 2001 expansion and unify its bus operations in Brazil (Marcopolo e Ciferal). It will also focus its efforts on the recovery of deficit-ridden units and on the performance improvement of others. Brazil's bus market is expected to increase its demand by 5% and exports are also expected to grow. Marcopolo, which started the fiscal year of 2002 with a lot of optimism, sees its consolidated net revenue growing by at least 5% and expects to post real gains.

16. Acknowledgements

Marcopolo is privileged to have a staff that makes things happen. Its 7,100 employees efficiently faced the tough challenges that marked 2001. We are confident in our ability to surpass new goals. We wish to express our gratitude to every one of our employees, as well as to our shareholders for their confidence and to our clients, suppliers and financial institutions for their unconditional support during the past year.

Caxias do Sul, March 15, 2002.

The Administration.