Marcopolo S.A.

Financial statements
December 31, 2003 and 2002

(A translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)

Marcopolo S.A.

Public Stock Corporation

Financial statements

December 2003 and 2002

Contents

Complementary information

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, 2003 and 2002 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. The financial statements of the subsidiary Marcopolo Latinoamérica S.A. and the indirect subsidiary Laureano S.A., for the years ended December 31, 2003 an 2003 were audited by other independent auditors and our opinion with respect to the values of the investments and the results from these subsidiaries, is based on the report issued by these independent auditors.

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.

In our opinion, based on our examinations and the reports of the other independent auditors with respect to the subsidiaries reported in the first paragraph, 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, 2003 and 2002, 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 principles generally accepted in Brazil.

Our examinations were performed with the objective of expressing an opinion on the financial statements taken as a whole. The statements of cash flows and added value 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, is presented fairly, in all material respects, in relation to the financial statements taken as a whole.

March 01, 2004

KPMG Auditores Independentes
CRC SP014428/F-RS

Wladimir Omiechuk
CRC RS041241/0-2

Marcopolo S.A.

Public Stock Corporation

Balance Sheets

December 31, 2003 and 2002

(In thousands of reais)

	Parent		Consolidated	
Assets	**2003**	**2002**	**2003**	**2002**
Current assets				
Bank and cash (Note 4)	7.098	6.964	29.910	41.833
Marketable securities (Note 4)	292.779	291.116	353.320	350.301
Trade accounts receivable (Note 5)	170.011	164.289	213.376	227.220
Inventories (Note 6)	71.315	55.774	159.605	116.983
Other receivables	4.804	5.582	18.314	9.171
Taxes recoverable	29.810	19.455	47.817	28.436
Deferred income tax and social contribution (Note 14)	15.148	-	20.399	-
	590.965	543.180	842.741	773.944
Non current assets				
Related parties (Note 10)	46.032	54.385	-	-
Deferred income tax and social contribution (Note 14)	-	8.040	15.098	25.196
Legal deposits (Note 12)	7.330	5.802	8.059	6.154
Trade accounts receivable (Note 5)	2.696	6.330	27.075	70.278
Other accounts receivable	440	889	650	1.512
	56.498	75.446	50.882	103.140
Permanent assets				
Investments (Note 7)	151.331	124.893	2.366	1.406
Property, plant and equipment (Note 8)	71.201	67.893	169.052	157.098
Deferred charges (Note 9)	58	158	19.751	21.410
	222.590	192.944	191.169	179.914
	870.053	811.570	1.084.792	1.056.998

	Parent		Consolidated	
Liabilities	**2003**	**2002**	**2003**	**2002**
Current liabilities				
Suppliers	48.221	45.457	62.609	80.119
Borrowings and financing (Note 11)	220.203	150.374	310.648	239.076
Salaries and vacation payable	27.747	26.808	35.124	32.559
Taxes and contributions payable	36.495	10.244	43.664	14.545
Related parties (Note 10)	1.607	6.881	-	-
Advances from clients	3.908	5.038	9.942	9.703
Commissioned representatives	11.972	16.089	22.387	29.112
Anticpated billings	2.970	3.158	3.278	3.960
Interest on own capital (Note 16)	27.906	19.456	27.906	19.456
Manangement participations	5.253	3.979	5.287	4.382
Other accounts payable	23.016	17.266	30.684	28.492
	409.298	304.750	551.529	461.404
Non current liabilities				
Borrowings and financing (Note 11)	51.488	138.381	103.655	213.726
Employee benefits (Note 13)	20.047	20.281	20.047	20.376
Other accounts payable	-	-	21.974	13.271
	71.535	158.662	145.676	247.373
Minority interest	-	-	6.474	8.038
Shareholders' capital				
Capital (Note 15)	226.000	225.455	226.000	225.455
Capital reserves (Note 15)	900	1.445	900	1.445
Revenue reserves (Note 15)	162.320	121.258	154.213	113.283
	389.220	348.158	381.113	340.183
	870.053	811.570	1.084.792	1.056.998

See the accompanying notes to the financial statements.

Marcopolo S.A.

Public Stock Corporation

Statements of income

Years ended December 31, 2003 and 2002

(In thousands of reais, except profit per share)

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
Gross operational income	1.067.733	1.069.084	1.468.121	1.631.466
Sales deductions				
Taxes and returns	(133.714)	(117.887)	(179.598)	(149.859)
Net sales income	934.019	951.197	1.288.523	1.481.607
Costs of goods sold and services provided	(786.967)	(695.772)	(1.038.703)	(1.109.386)
Gross profit	147.052	255.425	249.820	372.221
Other operational income (Expenses)				
Sales	(50.350)	(53.745)	(99.093)	(117.557)
Management remuneration	(5.562)	(4.305)	(6.706)	(5.049)
Administrative expenses	(32.421)	(32.145)	(59.632)	(61.879)
Financial expenses	(75.991)	(141.926)	(87.965)	(244.950)
Financial income	100.467	93.975	114.596	122.924
Equity interest in subsidiaries	12.249	(19.539)	-	-
Other operational income (expenses)	6.772	(6.706)	(6.494)	25.004
Operational profit	102.216	91.034	104.526	90.714
Non operational results	(267)	(389)	(488)	(374)
Profit before income tax, social contribution and statutory participations	101.949	90.645	104.038	90.340
Income tax and social contribution (note 14)	(15.628)	(29.798)	(17.304)	(30.984)
Management participation in profits	(5.253)	(3.979)	(5.287)	(4.606)
Profit for the year before minority interest	81.068	56.868	81.447	54.750
Minority interest	-	-	(511)	(941)
Net profit for the year	81.068	56.868	80.936	53.809
Profit per share - R$	0,721	0,506		
Equity value per share - R$	3,464	3,098		

See the accompanying notes to the financial statements.

Marcopolo S.A.

Public Stock Corporation

Statements of changes in shareholders' equity

Years ended December 31, 2003 and 2002

(In thousands of reais)

		Capital reserves		Revenue reserves					
	Capital	**Allocation for investments**	**Gain from sale of shares in treasury**	**Legal**	**For future capital increase**	**For payment of intermediary dividends**	**For purchase of own shares**	**Retained earnings**	**Total**
Balances at January 01, 2002	130.000	688	757	19.396	43.131	10.992	12.223	-	217.187
Capital increase									
Payment by third parties	95.455	-	-	-	-	-	-	-	95.455
Net profit for the year	-	-	-	-	-	-	-	56.868	56.868
Allocations:									
Legal reserve	-	-	-	2.843	-	-	-	(2.843)	-
Interest on own capital - Law 9.249/95	-	-	-	-	-	-	-	(21.352)	(21.352)
Reserve for future capital increase	-	-	-	-	22.871	-	-	(22.871)	-
Reserve for payment of dividend	-	-	-	-	-	4.901	-	(4.901)	-
Reserve for purchase of own shares	-	-	-	-	-	-	4.901	(4.901)	-
Balances at December 31, 2002	225.455	688	757	22.239	66.002	15.893	17.124	-	348.158
Incorporation to capital	545	-	(545)	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	81.068	81.068
Allocations:									
Legal reserve	-	-	-	4.053	-	-	-	(4.053)	-
Interest on own capital - Law 9.249/95	-	-	-	-	-	-	-	(40.006)	(40.006)
Reserve for future capital increase	-	-	-	-	25.981	-	-	(25.981)	-
Reserve for payment of dividend	-	-	-	-	-	5.552	-	(5.552)	-
Reserve for purchase of own shares	-	-	-	-	-	-	5.476	(5.476)	-
Balances at December 31, 200s	226.000	688	212	26.292	91.983	21.445	22.600	-	389.220

See the accompanying notes to the financial statements.

Marcopolo S.A.

Public Stock Corporation

Statements of changes in financial position

Years ended December 31, 2003 and 2002

(In thousands of reais)

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
Origin of funds				
From operations				
Net profit for the year	81.068	56.868	80.936	53.809
Items not affecting working capital				
Depreciation and amortization	10.403	9.853	24.623	24.983
Equity interest in subsidiaries	(12.249)	19.539	-	-
Cost of fixed assets and investments written off or sold	1.330	465	2.468	534
Foreign exchange variation on overseas subsidiaries	-	-	9.180	(14.178)
Minority interests	-	-	(1.564)	2.726
Funds originating from operations	80.552	86.725	115.643	67.874
From shareholders and third parties				
Dividends received	42	52	-	-
Capital payment	-	95.455	-	95.455
Decrease in long term assets	18.948	-	52.258	-
Increase in long term liabilities	-	29.552	-	77.114
	99.542	211.784	167.901	240.443
Applications of funds				
Permanent investments in other companies	14.250	57.600	1.250	85
Purchases of fixed assets	14.922	18.892	46.276	35.319
Non current assets	-	4.369	-	27.414
Interest on own capital - Law 9.249/95	40.006	21.352	40.006	21.352
Decrease in non current liabilities	87.127	-	101.697	-
	156.305	102.213	189.229	84.170
Increase (decrease) in net working capital	(56.763)	109.571	(21.328)	156.273
Statement of changes in net working capital				
At the start of the year	238.430	128.859	312.540	156.267
At the end of the year	181.667	238.430	291.212	312.540
Increase (decrease) in net working capital	(56.763)	109.571	(21.328)	156.273

See the accompanying notes to the financial statements.

Marcopolo S.A.

Public Stock Corporation

Notes to the financial statements

Years ended December 31 2003 and 2002

(In thousand of reais)

1 Operations

The Company manufactures and sells buses, vehicles, wagons, parts, agricultural and industrial machinery and imports and exports, and can also invest 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. Results

The results from operations are calculated on an accruals basis.

Sales income from products is recognized to results when all of the risks and benefits inherent to the product have been transferred to the buyer. Income from services provided is recognized to results when realized. Income is not recognized if there is significant uncertainty as to its recoverability.

b. Accounting estimates

The accounting estimates were based on objective and subjective factors, based on management's judgment for determining the appropriate amount to be registered in the financial statements. Significant items subject to these estimates and premises include the residual value of fixed assets, provision for doubtful debts, deferred income tax asset and inventories, provision for contingencies, valuation of derivative instruments and assets and liabilities related to employee benefits. The liquidation of transactions involving these estimates could result in significant differences given the inaccuracies inherent to the process for determining such. The Company reviews the estimates and premises at least once a year.

c. Foreign currency

Monetary assets and liabilities denominated in foreign currencies were translated into reais at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement. For the foreign companies, their non-monetary assets and liabilities, stated at their historical costs, were translated into reais at the foreign exchange rate ruling at the balance sheet date.

d. Current and non current assets

- **Marketable securities**

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

- **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.

- **Inventories**

  Inventories are stated at average purchase or production cost, which does not exceed market value.

  The cost of inventories includes expenditure incurred from acquiring the inventories, transport and storage. In the case of finished inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

- **Other current and non current assets**

  Stated at net realizable values.

e. Permanent assets

- **Investments**

  Investments in subsidiaries were valued using the equity method. The premium on the purchase of investments is being amortized based on the expected profitability of the investments. Other investments were valued at cost, less a provision for devaluation, when applicable.

- **Overseas investment interests**

  The criteria for calculating the results from the financial statements of overseas investments, when different from the accounting practices adopted in Brazil, were adjusted, considering the relevance of the information. these financial statements were converted to national currency according to the terms of CVM Ruling 28/86.

- **Property, plant and equipment**

  Stated at purchase, formation or construction cost Depreciation is calculated using the straight line method at rates reported in note 8, which take into consideration the useful lives of the assets.

  The expenses arising from replacement of components for a fixed asset item which are recorded separately, including inspections and checks, are recorded to fixed assets. Other expenses are capitalized only when there is an increase in the economic benefit of these fixed asset items. All other types of expenses are recognized to results as expenses.

- **Deferred charges**

  Deferred charges are recorded at purchase and formation cost, less amortization, which is calculated using the straight-line method at 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 issued by an independent expert and is based on future expected profitability of the operations acquired. Amortization of the premium based on expected future profitability is being recorded based on the projection period, which is revised annually and does not exceed five years.

f. Current and non-current liabilities

Stated at known or calculable values, plus, when applicable, the related charges, monetary and / or foreign exchange variations incurred to the balance sheet date.

g. Provisions

A provision is recognized in the balance sheet when the Company has a legal or constituted obligation as a result of a past event, and it is probable that a financial charge will be required to settle the obligation. Provisions are recorded based on best estimates of the risk involved.

h. Pension plans and post employment benefits to employees

The costs from sponsoring the pension plan and benefits for employees are registered in accordance with CVM ruling 371 of December 13, 2000.

i. Income and social contribution taxes

Current and deferred income tax are calculated based on effective rates for income tax and social contribution on net profit and consider compensation of tax losses and the negative social contribution base, limited to 30% of adjusted profit.

The deferred tax assets resulting from tax losses, negative social contribution base and temporary differences were constituted in accordance with CVM Ruling 371 of June 27, 2002, and take into consideration past profitability and the expectation to generate future taxable profits based on a technical viability study.

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.

Deferred income tax and social contribution are presented as non current assets, as reported in note 14 to the financial statements.

j. Statements of cash flows

The Company has presented as supplementary the statements of cash flows prepared in accordance with NPC 20 - Statement of Cash Flows, issued by IBRACON - Brazilian Institute of Independent Accountants.

k. Statements of added value

The Company has presented the statements of added value, prepared in accordance with the Circular-Notice/CVM/SNC/SEP/01/00, the purpose of which is to demonstrate the added worth generated by the Company and the distribution between the elements that contributed to create such.

All of the information presented was obtained from the Company and its subsidiaries' registers. Certain information contained in the traditional statement of income was reclassified, since in the statements of added value it was treated as distribution of the added value generated.

(In thousand of reais)

3 Consolidated financial statements

The accounting policies have been consistently adopted by all of the consolidated companies 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:

	Investment interest			
	2003		2002	
	Direct	**Indirect**	**Direct**	**Indirect**
Marcopolo Distribuidora de Peças Ltda.	99.99	0.01	99.99	0.01
Marcopolo Trading S.A.	99.99	0.01	99.99	0.01
MVC Componentes Plásticos Ltda.	99.99	0.01	99.99	0.01
Marcopolo South Africa Pty Ltd (1)	-	100.00	-	100.00
Marcopolo International Corporation (1)	100.00	-	100.00	-
Ilmot International Corporation S.A. (1)	-	100.00	-	100.00
Marcopolo Indústria de Carroçarias S.A. (1)	-	100.00	-	100.00
Polo Serviços em Plásticos Ltda.	99.00	1.00	99.00	1.00
Marcopolo Latinoamérica S.A. (1)	99.99	0.01	99.99	0.01
Ciferal Industria de Ônibus Ltda.	99.99	0.01	99.99	0.01
Polomex S.A. de C.V. (1)	3.61	70.39	3.61	70.39
Laureano S.A. (1)	-	100.00	-	100.00
Superpolo S.A. (1)	-	50.00	-	50.00
Poloplast Componentes S.A. de C.V. (1)	-	100.00	-	-

(1) Overseas subsidiaries.

(In thousand 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; and

d. Unrealized losses are eliminated in the same way, but only when there is no evidence of recovering the related assets;

e. Elimination of tax charges on non realizable profit and presented as deferred taxes in the consolidated balance sheet; and

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

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

	Results		**Shareholders' equity**	
	2003	**2002**	**2003**	**2002**
Parent	81,068	56,868	389,220	348,158
Realization of income earned by the Parent Company in transactions with subsidiaries, net of income and social contribution taxes	7,975	4,916	-	-
Elimination of income earned by the Parent Company in transactions with subsidiaries, net of income and social contribution taxes	(8,107)	(7,975)	(8,107)	(7,975)
Consolidated	80,936	53,809	381,113	340,183

(In thousand of reais)

4 Bank and cash

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
Bank and cash	7,098	6,964	29,910	41,833
Marketable securities	292,779	291,116	353,320	350,301
	299,877	298,080	383,230	392,134

Marketable securities refer mainly to bank deposit certificates and fixed income funds, remunerated at rates that vary between 99% and 103% of CDIs, resulting in an average weighted rate of 102.58% of CDIs, and overseas marketable securities, remunerated at the average rate of 2.29% per year, plus foreign exchange variation based on the North American dollar.

5 Trade accounts receivable

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
Current:				
Domestic	106,512	141,822	140,570	166,081
Overseas market	161,822	113,469	214,195	252,221
Less:				
Discounted foreign exchange	(91,553)	(84,725)	(94,024)	(149,190)
Provision for doubtful debts	(6,770)	(6,277)	(47,365)	(41,892)
	170,011	164,289	213,376	227,220
Non-current:				
Overseas market	2,696	6,330	32,034	75,055
Less:				
Provision for doubtful debts	-	-	(4,959)	(4,777)
	2,696	6,330	27,075	70,278
	172,707	170,619	240,451	297,498

(In thousand of reais)

6 Inventories

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
Finished goods	16,186	12,469	33,014	18,509
Work in progress	7,963	5,299	21,247	12,199
Auxiliary and raw materials	43,712	35,524	96,240	72,978
Goods	193	18	2,387	9,776
Advances to suppliers and other	3,261	2,464	6,717	3,521
	71,315	55,774	159,605	116,983

7 Investments

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
In subsidiaries	149,131	123,963	-	-
Other investments	2,200	930	2,366	1,406
	151,331	124,893	2,366	1,406

Notes to the financial statements

(In thousand of reais)

Investments in subsidiaries are presented below:

	Marcopolo Distribuidora de Peças Ltda.	Marcopolo Trading S.A.	Marcopolo Latinoamérica S.A. (1)	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 2003	Total 2002
Information on investments										
Capital	4,000	1,000	1,478	500	21,490	43,470	79,000	35,000		
Adjusted shareholders' equity	5,717	5,314	(687)	1,102	24,901	33,736	63,661	39,396		
Shares or quotas held	1	3,450,103	2,878	1	3,011,659	50,000	499,953	1		
% interest	99.999	99.995	99.999	99.000	3.610	100.000	99.999	99.999		
Net profit (loss) for the year	766	340	(736)	477	1,964	15,512	(876)	1,075		
Movement on investments										
Opening balances:										
At equity value	4,951	5,055	52	620	1,116	22,290	64,536	25,343	123,963	85,953
Capital payment	-	-	-	-	-	-	-	13,000	13,000	57,600
Dividends/profits received	-	(81)	-	-	-	-	-	-	(81)	(51)
Equity interest in subsidiaries	766	340	(737)	472	(215)	11,447	(876)	1,052	12,249	(19,539)
Closing balances:										
At equity value	5,717	5,314	(685)	1,092	901	33,737	63,660	39,395	149,131	123,963

(1) Overseas subsidiary

Corporate alterations: During 2003 Marcopolo S.A. made a capital increase of R$ 13,000 thousand in its subsidiary MVC Componentes Plásticos Ltda.

(In thousand of reais)

8 Property, plant and equipment

	Depreciation Rate (p.a.%)	Parent 2003	Parent 2002	Consolidated 2003	Consolidated 2002
Buildings	4	36,444	38,130	77,428	76,603
Machinery and equipment	10	61,440	59,641	124,386	113,963
Facilities	10	31,277	27,257	38,806	35,609
Fixtures and fittings	10	4,118	3,720	6,495	6,296
Vehicles	20	1,947	1,761	5,559	3,283
Computer equipment	20	13,985	12,605	16,225	13,836
Other fixed assets	10 a 20	1,409	1,247	2,938	4,551
Accumulated depreciation		(94,238)	(88,344)	(134,971)	(120,393)
Land		7,918	8,225	15,792	16,800
Projects in progress		4,741	3,457	14,234	6,275
Advances to suppliers		2,160	194	2,160	275
		71,201	67,893	169,052	157,098

(In thousand of reais)

9 Deferred charges

	Amortization rate (p.a.%)	Parent		Consolidated	
		2003	2002	2003	2002
Pre-operational expenses	20	632	632	16,080	11,942
Premium to amortize	20	-	-	24,172	24,172
Accumulated amortization		(574)	(474)	(20,501)	(14,704)
		58	158	19,751	21,410

a. Premium

During process to incorporate the investment interest in Polo Investimentos Ltda. by Ciferal Indústria de Ônibus Ltda., the balance for the premium, originally recorded to investments, was transferred to deferred charges and continues to be amortized over the period and extent of the profitability forecasts that determined such.

The value of the premium paid is being amortized over a maximum period of 5 years, based on the estimated future profitability of the aforementioned company.

b. Pre-operational expenses

The pre-operational expenses refer basically to the development and implantation of new units and are being deferred during the construction and development stages of the projects until these units start to operate normally. These expenses are being amortized over a period of five years.

(In thousand of reais)

10 Related parties

The main asset and liability balances at December 31, 2003 and the transactions that affected the results for the year, with respect to related party transactions, refer to transactions between the parent and its subsidiaries, which were undertaken under normal market conditions for the respective types of operations.

	Marco polo Distri buidora de Peças Ltda.	Marco polo Trading S.A.	MVC Compo nentes Plásticos Ltda.	Ilmot Interna tional Corpo ration S.A.	Lau reano S.A.	Superpolo S.A.	Marco polo Indús tria de Carro çarias S.A.	Polo Servi cos em Plásti cos Ltda.	Marco Polo Interna Tional Corpo- ration	Marco polo South África (Pty) Ltda	Polomex S.A. De C.V.	Ciferal Indus tria de Ônibus Ltda.	Marco polo Latino américa S.A.	Total	
														2003	2002
Asset (liability) balance from															
Loan and current account	(31)	46	9,110	(17)	659	89	-	(723)	36,128	-	-	(836)	-	44,425	47,504
Accounts receivable from sales	1	-	550	18,028	-	1,165	5,376	-	57,047	160	10,782	4,832	17,847	115,788	86,726
Accounts payable for purchases	-	-	416	-	-	-	-	1,002	-	-	-	37	-	1,455	1,581
Purchase of products and	225	-	16,589	-	-	-	-	13,906	-	-	-	239	787	31,746	35,251
Sales of products and services	4	3,426	2,079	33,699	-	7,942	5,576	-	209,327	1,389	19,025	23,852	160	306,479	350,215
Financial expenses	683	-	-	1	-	-	-	157	-	-	-	551	-	1,392	756
Financial income	-	873	499	-	-	4	-	-	1,608	-	-	29	24	3,037	3,571

Observations:

The current account balances are subject to monetary correction based on the variation

Sales, purchase of products and/or service transactions are performed under the same prices and terms as those with unrelated third parties.

(In thousand of reais)

11 Borrowing and financing

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
National currency:				
FINAME – TJLP plus interest of 3.65% to 4.3% p.a.	886	1,642	886	1,643
Bank loans - Interest of 1.15% to 19% p.a.	34,468	51,425	43,014	55,169
"Special pre-embarkation" – TJLP plus interest of 1.8% to 3.0% p.a.	122,761	27,632	122,761	27,632
Foreign currency:				
Advances on foreign currency contracts of US$ 3.288mil – Interest of 2.04% to 7,10% p.a.	6,818	29,360	9,496	30,073
Pre payment of exports of US$ 23,000 thousand with Six monthly LIBOR, plus SPREAD of 2.5% to 3.75% p.a.	66,433	166,098	66,433	166,098
Financing of US$ 59,449 thousand with six monthly LIBOR plus SPREAD of 1.20% to 10.18% p.a.	40,325	12,598	171,713	172,187
	271,691	288,755	414,303	452,802
To amortize in the short term classified as Current liabilities	220,203	150,374	310,648	239,076
Non current liabilities	51,488	138,381	103,655	213,726

(In thousand of reais)

The installments are due as follows:

	Parent		Consolidated	
Year maturing:	**2003**	**2002**	**2003**	**2002**
2003	-	150,374	-	239,076
2004	220,203	122,196	310,648	159,772
2005	7,291	4,596	25,031	36,208
2006	6,740	11,589	15,966	17,746
2007 onwards	37,457	-	62,658	-
	271,691	288,755	414,303	452,802

The FINAME financing is guaranteed by chattel mortgages over the financed assets of R$ 886 (R$ 1,643 in 2002) and there is a mortgage guarantee of R$ 17,448 (R$ 13,172 in 2002) for the FINEP bank loan. The average weighted rate for loans was 7.98% p.a.

(In thousand of reais)

12 Provision for contingencies

The company is disputing in court the legality of certain tax, labor and/or civil claims.
A provision has been made for the estimated losses, and recorded to current liabilities and is based on the opinion of the Company's legal advisors, for the cases in which the loss is considered probable

The statement for the base date December 31, 2003, presenting the contingent risks according to the opinion of the legal advisors in presented below:

Nature of the contingent	Parent			Consolidated			Legal	deposit
Liability	Probable	Possible	Remote	Probable	Possible	Remote	Parent	Consolidated
a) Civil	2,351	1,593	612	2,555	1,752	674	-	-
b) tax	20,488	8,237	16,175	24,963	4,580	20,230	7,135	7,135
c) Labor	654	623	275	1,336	906	275	195	924
d) social security	-	-	2,650	2,581	1,122	2,780	-	-
Total :	23,493	10,453	19,712	31,435	8,360	23,959	7,330	8,059

a) civil - indemnities calculated on future agreements from service contracts;
b) Tax - refers basically to state and federal assessments that are being judged in the STJ and STF

c) Labor - various labor claims related mainly to a variety of indemnity claims;
d) Social security - assessments from INSS which are being judged in the TRF with favorable decisions given in the lower Courts.

(In thousand of reais)

The statement for the base date December 31, 2003 presenting the contingent assets according to the opinion of the legal advisors in presented below:

Nature of the contingent Liability	**Parent and Consolidated**		
	Probable	**Possible**	**Remote**
a) tax	16,060	66,050	5,460
b) social security	1,870	-	13,300
Total :	17,930	66,050	18,760

a) tax- refers basically to state and federal assessments that are being judged in the STJ and STF; and

b) social security - Education salary, employment accident insurance and self employed INSS.

The Company has not recorded the contingent gains, since it only records such at the time the process is judged or when funds are received

(In thousand of reais)

13 Pension plan and post employment benefits to employees

The Company is the main sponsor for Marcoprev - Sociedade de Previdência Privada, a civil, non profit making company, constituted in December 1995, whose main purpose is to offer benefits complementary to those offered by the Social Security System to all of the sponsors' employees: Marcopolo S.A. (principal), Marcopolo Distribuidora de Peças Ltda., Marcopolo Trading S.A., MVC Componentes Plásticos Ltda., Polo Serviços em Plásticos Ltda., and Fundação Marcopolo. During the year, at consolidation level, a total of R$ 3,611 (R$ 2,921 in 2002) was paid as contributions. The actuarial system for determining the costs and contributions to the plan is based on the capitalization method. It is a mixed plan, comprising "defined benefits" whereby the contributions are the exclusive responsibility of the sponsor, and "defined contribution", whereby the contributions are made by the sponsor and the participate, on an optional basis. At December 31, 2003, the actuarial liability was R$ 50,903 (R$ 37,291 in 2002), which was calculated in accordance with the mathematical model established in the technical note to the plan, which is based on a collective capitalization system and is fully covered, therefore there is no liability to be recorded by the sponsor at December 31, 2003.

As required by CVM Ruling 371, of December 13, 2000, the Company opted, based on an actuarial report, to record at the end of 2001 the actuarial deficit (excess) from the plan against retained earnings, to the account "prior year adjustments". The composition of the actuarial liability is presented below:

	2003	
	Parent	**Consolidated**
Actuarial liability		
Present value of actuarial liability	(62,158)	(62,158)
Fair value of plan's assets	45,499	45,499
Net value of losses (gains) not recognized in the balance sheet	(3,388)	(3,388)
Net liability in the balance sheet	(20,047)	(20,047)

(In thousand of reais)

The movements in the net liability recognized in the balance sheet are demonstrated below:

	Parent	Consolidated
(Liability) at 31/12/2002	(20,281)	(20,376)
Expenses for 2003	(3,766)	(3,977)
Companies' contributions in 2003	3,149	3,611
Effect from reduction in subsidiary	851	695
Net liability in the balance sheet	(20,047)	(20,047)

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

	%
Discount rate at December 31	11.30
Expected return from assets in the plan at December	13.40
Future salary increases	8.15
Inflation	5.00

The fair values of the plan's assets were calculated based on market parameters existing at the balance sheet date or, when applicable, by projections of the future benefits derived from use of the assets, discounted to present value.

The actuarial liability at the end of the year was determined based on calculations prepared by an independent actuary, using the projected credit unit method.

(In thousand of reais)

14 Deferred income tax and social contribution

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.

In accordance with CVM ruling 371, of June 27, 2002, the Company, based on expected future taxable profits, which were calculated based on a technical study approved by Management, also recognized the tax credits on tax losses and negative social contribution base from previous periods, which do not have a limitation period, with compensation limited to 30% of annual taxable profits. The accounting value of the deferred tax asset is revised annually by the Company and any adjustments have not been significant when compared to the management's original forecasts.

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

	Parent		**Consolidated**	
	2003	**2002**	**2003**	**2002**
Non current assets:				
Provision for technical assistance	5,348	4,104	5,443	4,104
Provision for commissions	1,544	2,411	1,806	2,625
Provision for labor indemnities	1,022	962	1,134	995
Provision for doubtful debts	-	-	169	-
Provision for contingencies	6,966	146	9,258	2,320
Provision for foreign exchange variation realizable	(3,257)	-	(3,257)	-
Provision on sureties	2,499	-	2,499	-
Other provisions	1,026	417	1,034	417
Tax loss for income tax / Negative base for social contribution	-	-	17,411	14,735
	15,148	8,040	35,497	25,196

(In thousand of reais)

Based on a technical study of forecast taxable results calculated in accordance with CVM Ruling 371, the Company estimates to recover its tax credits in the following years:

	Parent	Consolidated
2004	15,148	20,399
2005	-	5,422
2006	-	3,335
2007	-	3,835
2008	-	2,506

The estimates for recoverable tax credits were based on forecasts of taxable profits taking into consideration various financial and business premises considered at the end of the year. Consequently, the estimates may not be realized in the future given the uncertainties inherent to these forecasts.

The deferred income tax and social contribution tied to the tax losses originate from the subsidiary Ciferal Indústria de Ônibus Ltda. This deferment will be realized over a period of up to 5 years, consistent with the projections for taxable profits approved by the Board and Statutory Audit Committee, under the terms of CVM Instruction 371.

(In thousand of reais)

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

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
Accounting profit before income tax and Social contribution	101,949	90,645	104,038	90,340
Combined tax rate	34%	34%	34%	34%
Income tax and Social contribution:				
At the combined tax rate	34,663	30,819	35,373	30,716
Permanent additions:				
Non deductible expenses	120	6,239	230	7,528
Permanent exclusions:				
Interest on own capital	13,602	7,260	13,602	7,260
Equity in income of subsidiaries	4,165	-	-	-
Tax incentives	918	-	934	-
Non taxable income	470	-	3,763	-
Income tax and social contribution on the results for the year	15,628	29,798	17,304	30,984
Effective rate	15.33%	32.87%	16.63%	34.30%

15 Shareholders' equity (Parent)

a. Capital

The authorized capital comprises 2,000,000,000 shares, being 800,000,000 ordinary shares and 1,200,000,000 preference shares, nominative, with no par value. At December 31, 2003, capital, subscribed and paid in, was represented by 112,376,889 (112,376,889 in 2002) nominative shares, being 42,703,218 ordinary and 69,673,671 preference, with no par value.

b. Reserves

- *Legal reserve*

  Constituted at the rate of 5% of net profit reported for each year, under the terms of article 193 of Law 6.404/76, up to a limit of 20% of capital.

- ***Statutory reserve***

  a. A minimum of 25% (twenty five percent) of the balance, to pay the dividend on all of the Company's shares, as compulsory dividends;

  b. The remaining balance for net profit will be allocated, in full, to form the following reserves:

  Reserve for future capital increase, to be used for future capital increases, to be made up of 70% of the remaining balance from net profit for the year, and can not exceed 60% of capital;

  Reserve to pay interim dividends, to be used to pay interim dividends provided under Paragraph 1 of Article 33 of the Statutes, to be formed by 15% of the remaining balance for net profit for each year, and cannot exceed 10% of capital;

Reserve to purchase own shares, to be used to purchase shares issued by the Company, for cancellation, remaining in treasury and/or respective sale, to be formed by 15% of the remaining balance for net profit for each year, and cannot exceed 10% of capital.

16 Interest on own capital - Law 9.249/95

In accordance with the option available in Law 9.249/95, the Company calculated interest on own capital based on the Long Term Interest Rate (TJLP) in force during the year, of R$ 40,006 (R$ 21,352 in 2002). A payment of R$ 8,990 was made as from June 30, 2003, at the rate of R$ 0.08 for each share and R$ 31,016 is to be paid as from March 29, 2004, at the rate of R$ 0.276 for each share, for both registered ordinary shares and registered preferential shares. This interest was recorded as financial expenses, as required under tax legislation. For purposes of these financial statements, this interest was eliminated from financial expenses for the year and has been included in retained earnings as the corresponding entry for the current liability.

This interest on own capital was deducted from income tax and social contribution for the year, which, consequently, decreased by approximately R$ 13,602 (R$ 7,260 in 2002).

(In thousand of reais)

Statement of minimum dividend calculation:

	2003	**2002**
Net profit for the year	81,068	56,868
Legal reserve (5%)	(4,053)	(2,843)
Depreciation of revalued assets	209	209
Calculation base for the dividends	77,224	54,234
Value of minimum compulsory dividends (25%)	19,306	13,559
Interest on own capital included in dividend:		
Gross value	40,006	21,352
Withholding tax (15%)	(6,001)	(3,203)
Withholding tax - Suspended retention	2,014	1,269
Net value credited	36,019	19,418

This interest was included as part of the compulsory dividend declared in advance, for the current year, in accordance with item V of CVM Ruling 207/96.

17 Financial instruments

The estimated realizable values of the Company's financial assets and liabilities were determined based on information available on the market and appropriate evaluation methodologies. However, considerable judgment was required to interpret the market data to produce the most appropriate estimated realizable value. Consequently, the following estimates do not necessarily indicate the amounts that could be realized on the current exchange market. The use of different market methodologies could have a material effect on the estimated realizable values.

These instruments are managed by means of operational strategies aimed at liquidity, profitability and security. The control policy consists of accompanying, on a permanent basis, the rates contracted versus those in force on the market. The Company and its subsidiaries do not invest in derivatives or other risk asset of a speculative nature.

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(In thousand of reais)

a. Composition of balances

In accordance with CVM Instruction 235/95, the accounting balances and market values of the financial instruments included in the balance sheet at December 31, 2003, are identified as follows:

	Parent		Consolidated	
Description	**Accounting balance**	**Market value**	**Accounting balance**	**Market value**
Bank and cash	7,098	7,098	29,910	29,910
Marketable securities	292,779	292,779	353,320	353,320
Loans receivable	46,032	46,032	-	-
Taxes recoverable	29,810	29,810	47,817	47,817
Investments:				
Valued at cost:				
Without exchange quotation	2,200	2,200	2,366	2,366
Valued at MEP:				
Without exchange quotation	149,131	149,131	-	-
Borrowings and financing :				
In national currency	158,115	158,115	166,661	166,661
In foreign currency	113,576	113,485	247,642	247,550
Deferred taxes	15,148	15,148	35,497	35,497

b. 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 and marketable securities are identical to their carrying values.

b. 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.

c. Recoverable/deferred taxes

Stated at carrying values since there are no parameters to determine their market values.

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. Borrowings and financing

The fair values of financing were calculated on the basis of their present value, determined by means of future cash flows, 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 the Company'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. BM&F dollar futures contracts are used mainly as a hedge against financing rates. 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 affect the estimates presented.

c. Credit risk

The sales policies of the Company and its subsidiaries are subordinated to the credit policies determined by management and aim to minimize any problems arising from defaults by clients. This objective is achieved by management by means of careful selection of the client portfolio which considers the ability to pay (credit analysis) and diversification of sales (spreading risk). The Company also has a provision for doubtful debts of R$ 6,770 thousand (Parent) and R$ 52,324 thousand (Consolidated) (2002 - R$ 6,277 thousand and R$ 46,669 thousand) representing 2.5% and 13.5%, respectively, of the trade accounts receivable balance for the Parent and Consolidated outstanding (2002 – 2.4% and 9.5%), to cover credit risk.

d. *Foreign exchange rate risk*

The results of the Company and its subsidiaries may be subject to significant variations, since their liabilities are tied to the movement in the foreign exchange rate, mainly the North American dollar, which during 2003, reported a negative variation of 18.2%.

As a strategy to prevent and reduce the effects from fluctuations in the foreign exchange rate, management has adopted a policy of natural hedges maintaining tied assets, also susceptible to the foreign exchange variation, as presented below:

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
A. Borrowings/financing in US$ thousand	41,915	60,380	48,682	65,194
B. Assets in US$ thousand	43,139	33,619	49,350	39,866
C. Financial "Swap" operations in US$ thousand	5,000	25,000	5,000	25,000
D. (Excess) deficit calculated (A-B-C) in US$ thousand	(6,224)	1,761	(5,668)	382

The financial derivative operations (swaps) undertaken throughout the year have been summarized as follows:

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
Value - US$ thousand	5,000	25,000	5,000	25,000
Bank and cash balance recorded to current assets	-	20,293	-	20,293
Balance in other accounts payable recorded to current liabilities	4,568	297	4,568	297
Net financial (expenses) income	**(18,863)**	**17,794**	**(18,863)**	**17,794**

e. *Price risk*

Given that exports are equivalent to 48.3% of the parent and subsidiaries' income forecast for 2004, any fluctuations in the foreign exchange rate represents a real price risk, which could affect Management's planned results.

f. *Risk from interest rates*

The results of the Company and those of its subsidiaries may be subject to significant variations resulting from financing and borrowing operations contracted with floating exchange rates.

The Company and its subsidiaries use financial derivative instruments to protect or reduce the financial costs from financing operations.

The objective of contracting financial derivative operations, such as swaps, is to minimize the risks from foreign currency financing and investment operations. Consistent with its financial polices, the Company has not undertaken operations involving financial instruments of a speculative nature.

(In thousand of reais)

18 Insurance coverage

At December 31, 2003, the Company had insurance coverage against fire and various risks on its fixed assets and inventories, for amounts deemed sufficient to cover possible losses.

The main insurance coverage is presented below:

	Risk covered	2003	2002
Inventories and warehouse	Fire and various risks	251,300	92,831
Buildings and contents	Fire and various risks	200,157	134,479
Vehicles	Collision and civil liability	1,302	694
		452,759	228,004

19 Sureties and Guarantees

At December 31, 2003, the Company had sureties and /or guarantees, including vendor operations, in which it participates as intermediary guarantor conceded to banks for financing operations with clients, amounting to R$ 104,350 (R$ 111,886 in 2002), with the corresponding entry being the guarantee for the financed assets.

(In thousand of reais)

20 Employees' participation in the profits and results

During 2002, in accordance with the ruling in law 10.101 of December 19, 2000, management decided to make six monthly payments, and in August 2003 it paid the first installment, with the balance being paid in February 2004.

The employees' participation was calculated in accordance with that established in the Marcopolo-EFIMAR Instrument for the Agreement for the Efficacy Goals Program, dated April 08, 2003, homologated by the union for the professional category.

The amounts have been classified to the results for the year as follows:

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
Cost of products and services sold	6,338	5,975	7,419	7,043
Sales expenses	2,346	1,460	2,453	1,721
Administrative expenses	1,787	1,211	1,923	1,428
	10,471	8,646	11,795	10,192

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Complementary information

Cashflow statements - Indirect method

Years ended December 31, 2003 and 2002

(In thousands of reais)

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
Cashflows from operational activities				
Results for the year	81.068	56.868	80.936	53.809
Adjustments to reconcile the results to the bank and cash generated by operational activities:				
Depreciation and amortization	10.403	9.853	24.623	24.983
Results from the sale of permanent assets	1.330	465	2.468	534
Equity interest in subsidiaries	(12.249)	19.539	-	-
Provision for credit risks	1.169	1.520	17.803	27.584
Deferred income tax and contributions	(7.108)	(2.834)	(10.301)	(2.496)
Interest and variations appropriated	(898)	56.579	(22.657)	76.634
Foreign exchange variation from overseas subsidiaries	-	-	9.180	(14.178)
Minority interest	-	-	(1.564)	2.726
Profits and dividends received from subsidiaries	42	52	-	-
Variations in assets and liabilities				
(Increase) in trade accounts receivable	(10.040)	(29.919)	94.410	(57.571)
(Increase) decrease in other receivables	(11.150)	17.170	(29.567)	22.195
(Increase) in inventories	(15.541)	(9.499)	(42.622)	(28.996)
Increase (decrease) in suppliers	2.765	10.583	(17.510)	(28.371)
Increase (decrease) in accounts payable and provisions	28.714	23.126	35.987	28.264
Reduction in interest on own capital	(31.556)	(20.292)	(31.556)	(20.292)
Net bank and cash generated from (invested in) operational activities	36.949	133.211	109.630	84.825
Cashflows from investment activities				
(Increase) in capital in subsidiaries	(14.250)	(57.600)	(1.250)	(85)
Fixed asset purchases	(14.922)	(18.891)	(46.276)	(35.319)
Net bank and cash generated from (invested in) investment activities	(29.172)	(76.491)	(47.526)	(35.404)
Cashflows from financing activities				
(Increase) decrease in related parties	3.358	10.187	-	-
Borrowings obtained	417.487	375.731	499.138	546.031
Payment of borrowings	(349.498)	(303.668)	(482.908)	(396.099)
Interest paid on borrowings	(77.327)	(15.013)	(87.238)	(26.031)
Capital payments	-	95.455	-	95.455
Net bank and cash generated from (invested in) financing activities	(5.980)	162.692	(71.008)	219.356
Statement of increase (decrease) in bank and cash				
At the start of the year	298.080	78.668	392.134	123.357
At the end of the year	299.877	298.080	383.230	392.134
Increase (decrease) in bank and cash	1.797	219.412	(8.904)	268.777

Complementary information

Statements of added value

Years ended December 31, 2003 and 2002

(In thousands of reais)

	Parent		Consolidated	
	2003	**2002**	**2003**	**2002**
1. Income				
1.1. Sales of goods and services	1.023.548	1.040.676	1.411.733	1.550.155
1.2. Provision for doubtful debts	(1.169)	(1.520)	(17.803)	(27.584)
1.3. Non operations	(267)	76	(488)	3.793
	1.022.112	1.039.232	1.393.442	1.526.364
2. Supplies purchased from third parties (including ICMS and IPI)				
2.1 Raw materials consumed	686.994	597.959	823.147	922.330
2.2. Materials, energy, third party services and others	98.418	104.496	195.610	130.299
	785.412	702.455	1.018.757	1.052.629
3. Gross added value (1-2)	236.700	336.777	374.685	473.735
4. Retentions				
4.1. Depreciation and amortization	10.403	9.853	24.623	24.983
5. Net added value produced by the Company (3-4)	226.297	326.924	350.062	448.752
6. Added value received in transfer				
6.1. Equity interest in subsidiaries	12.249	(19.539)	-	-
6.2. Financial income	100.467	93.975	114.596	122.926
	112.716	74.436	114.596	122.926
7. Total added value to distribute (5+6)	339.013	401.360	464.658	571.678
8. Distribution of added value				
8.1. Personnel and charges	154.121	112.950	246.604	187.936
8.2. Taxes and contributions	36.874	73.784	59.039	108.054
8.3. Interest and rents	66.950	157.758	78.079	221.879
8.4. Interest on own capital and dividends	40.006	21.352	40.006	21.352
8.5. Retained earnings	41.062	35.516	40.930	32.457
	339.013	401.360	464.658	571.678