ADMINISTRATION REPORT 2003

1. Initial Consideration

The uncertainties resulting from the new government's handling of the economy led to the emergence of negative expectations that accounted for the sluggish economic performance registered during most of the fiscal year. But a smooth transmission of power, coherent economic measures, conservative fiscal policies, a slow, yet progressive, reduction of interest rates and expectations of lower inflation and of progress in terms fiscal adjustments, brought signs of improvement on the economic scenario during the fourth quarter. Data available on the performance of several sectors indicate an apparent reversal of negative expectations and point to a moderate resumption of confidence among a significant number of economic agents. Improved economic and political conditions could very well transform what may have been a mere cyclical year-end recovery into a circle of sustainable growth.

2. Highlight in the Bus Body Sector

In October 2003, Busworld - Europe's most important bus fair - was held in Kortrijk, Belgium. Held every two years, the fair attracts the world's biggest bus manufacturers who exhibit their latest models. Marcopolo, which marked its presence with three models, won the Busbuilder of the Year 2004 title.

Despite the unfavorable economic and political scenario that negatively impacted the world economy in 2003, Brazil's bus output totaled 21,381 units - practically the same number registered in the 2001-2002 period. Production of intercity models fell 9.3%, reflecting diminished demand, mainly in Brazil where the concentration of public transportation companies and a drop in the number of passengers has had a negative impact on companies' fleet-renewal capacity. Production of urban buses shrunk 7.7%, due to a drop in the number of passengers and to the growing demand for smaller buses. Despite the difficulties faced during the year, the micro and mini bus segment, which had been growing substantially since 2000, once again posted positive results. Production in this segment was 18.7% higher than in 2002, confirming the trend marked by an increased demand for smaller vehicles. This performance is significant given the fact that the number of complete units - Volare type bus bodies and chassis (3,048 units produced in 2003 and 3,133 in 2002) - is not included in micro and mini bus production figures. The chart below contains Brazilian bus body production figures of the past five years.

Brazilian Bus Body/Bus Production - Number of Units

Products/Years [3]	2003	2002 [2]	2001	2000	1999
Intercity Buses	4,662	5,140	5,834	5,776	3,687
Urban Buses	10,643	11,528	11,758	8,923	7,894
Micro Buses	4,613	3,330	3,078	3,400	1,240
SUBTOTAL	19,918	19,998	20,670	18,099	12,821
Mini Buses (LCV) [1]	1,463	1,789	1,010	-	-
TOTAL	**21,381**	**21,787**	**21,680**	**18,099**	**12,821**

Source: FABUS and SIMEFRE

Notes: [1] Production figures of mini buses *(LCV - Light Commercial Vehicles)* do not include production of complete units like the Volare and Van model;

[2] Since FABUS reported 2002 Irisar production figures, which were not registered that year, Brazilian bus body production figures for 2002 were revised and updated in 2003;

[3] Production figures started to include exports of knocked down (KD) units as of 2001.

3. Marcopolo Highlights

In 2003, net income totaled R$ 1,288.5 million - 3.0% higher than the July 2003 revised forecast and 13.0% less than the figure posted in 2002. For a better understanding please see item 4.1.

Net profits came to R$ 80.9 million - 50.4% more than the R$ 53.8 million posted the previous year.

Adjusted EBITDA in 2003 was R$ 142.4 million against the R$ 125.1 million of the previous year - 11.1% and 8.4% of net income, respectively. For more details please see item 4.9.

The company's global production in 2003 totaled 14,362 units - 11,314 conventional bus bodies and 3,048 Volare models. In 2002 production came to 14,777 units (11,644 conventional bus bodies and 3,133 Volare models).

Dividends. On December 19, the Administrative Council approved the distribution of an additional R$ 31,016,021.36 as interest on capital, which was imputed to the dividends for the year. The total for the year, when considering the R$ 8,990,151.12 distributed in March comes to R$ 40,006,172.48, or R$ 0.356 per share. See item 8.3.

Economic and Financial Indicators

(In R$ million except for percentages and earnings per share)

CONSOLIDATED DATA	2003	2002	Variation (%)
Overall Performance			
Net Operating Income	1,288.5	1,481.6	(13.0%)
- Income from operations in Brazil	652.5	549.8	18.7%
- Income from operations overseas	636.0	931.8	(31.7%)
Net income	80.9	53.8	50.4%
Earnings per share	0.720	0.479	50.3%
Return on invested capital (1)	16.5%	45.2%	(28.7)pp
Return on equity (2)	23.8%	22.8%	1.0pp
Operational Performance			
Gross profit	249.8	372.2	(32.9%)
EBITDA (adjusted)	142.4	125.1	13.8%
Operational profit (before financial results)	77.9	212.7	(63.4%)
Investments in fixed assets	47.5	35.3	34.6%
Financial Position			
Cash and cash equivalents	383.2	392.1	(2.3%)
Total assets	1,084.8	1,057.0	2.6%
Short term financial liabilities	404.7	388.3	4.2%
Long term financial liabilities	103.7	213.7	(51.5%)
Net financial liabilities/Stockholders' equity	32.8%	61.7%	(28.9)pp
Stockholders' equity	381.1	340.2	12.0%
Net financial results	26.6	(122.0)	121.8%
Margins and Indexes			
Gross margin	19.4%	25.1%	(5.7)pp
Adjusted EBITDA margin (3)	11.1%	8.4%	2.7pp
Operating margin (before financial results)	6.0%	14.4%	(8.4)pp
Net margin	6.3%	3.6%	2.7pp

Notes: (1) ROIC *(Return on Invested Capital)* = EBIT (÷) Stocks (+) Clients (+) Fixed assets (-) Suppliers;
(2) ROE - *Return on Equity*;
(3) Adjusted EBITDA margin excludes gains or losses caused by exchange variations on investments and advances on exchange contracts;
p.p = percentage points.

4. Marcopolo’s Performance - Consolidated Data

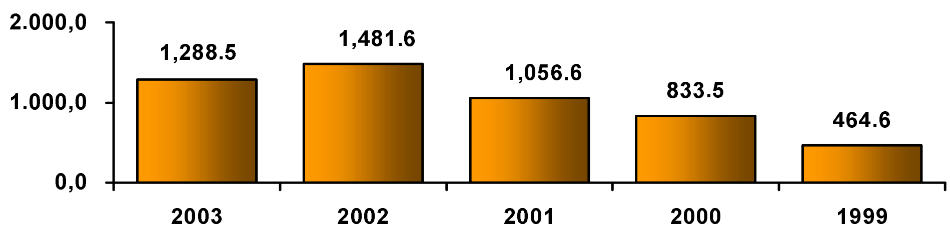
4.1 Consolidated net income in 2003, totaled R$ 1.288.5 million - 13.0% less than in 2002. Although sluggish through September, the domestic market accounted for R$ 652.5 million of the total -18.7% more than in the previous year. Export revenue dropped 31.7% as a result of the strengthening of the real vi-a-vis the dollar and of the failure to repeat the results obtained with the export of complete buses (chassis resales). Data on income per product and market, annual income for the past five years and a chart with income obtained in 2003 and 2002 are found in the charts below.

Total Consolidated Net Income - By Products and Market - R$ Million

Products [3]	2003		2002		Total	
	DM	EM	DM	EM	2003	2002
Intercity buses	163.468	298.672	146.951	403.800	462.140	550.751
Urban buses	144.233	180.698	149.215	212.367	324.931	361.582
Micro buses	60.061	34.763	36.768	23.447	94.824	60.215
Mini buses - LCV	14.570	9.522	18.600	5.510	24.092	24.110
Subtotal bus bodies	**382.332**	**523.655**	**351.534**	**645.124**	**905.987**	**996.658**
Volares and Vans [1]	181.774	13.706	173.436	17.157	195.480	190.593
Total b.bodies/Volare/Vans	**564.106**	**537.361**	**524.970**	**662.281**	**1,101.467**	**1,187.251**
Chassis [2]	4.718	27.250	7.898	117.595	31.968	125.493
Parts and others	83.687	71.401	16.932	151.931	155.088	168.863
Total chassis/parts/others	**88.405**	**98.651**	**24.830**	**269.526**	**187.056**	**294.356**
TOTAL	**652.511**	**636.012**	**549.800**	**931.807**	**1,288.523**	**1,481.607**

Notes: [1] Volare earnings include chassis;
[2] Earnings from chassis refer to other units sold, except Volare models;
[3] DM =Domestic Market; EM = External Market.

Net Income - R$ million



Net Income - R$ million	2003	2002	2001	2000	1999
Net Income	1,288.5	1,481.6	1,056.6	833.5	464.6

The chart below provides a better understanding of the net consolidated income obtained in 2003 and 2002, of the effect exchange variations had on income originally denominated in dollars and of the role played by chassis resales.

Consolidated Net Income (R$ thousand)	**2003**	**2002**
Net income	1,288.5	1,481.6
Exchange variation on the conversion of accumulated in come of overseas subsidiaries	22.3	(72.5)
Income from chassis resales	(32.0)	(125.5)
Adjusted net income	1,278.8	1,283.6
Variation % for the period	(0.4)	

Note: Dollar quotation Dec./02 - R$ 3.53; Dec./03 R$ 2.89

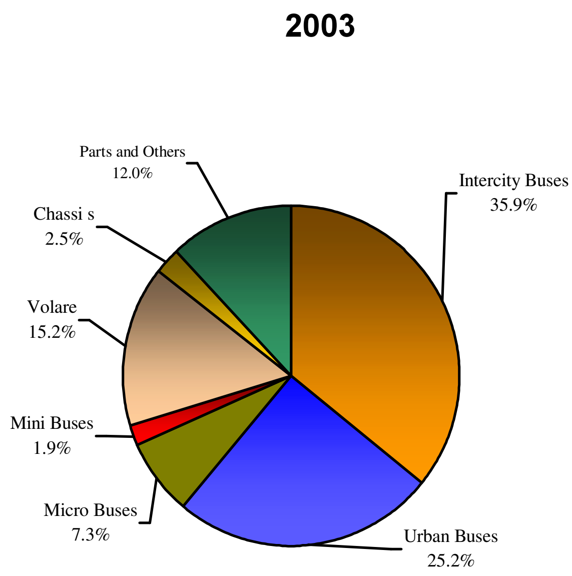
4.2 Consolidated Net Income (%)

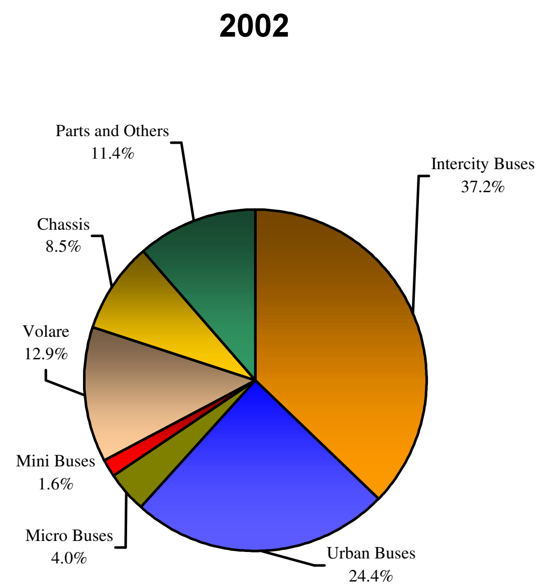
Of total consolidated net income in 2003, 85.5% came from bus body sales, 2.5% from chassis and 12.0% from parts and components.

The R$ 93.3 million drop in income from chassis sales can be explained by the failure to repeat, in 2003, an export operation to the Middle East that took place in 2002. This failure was due to the fact that shipments to the region had to be rescheduled because of the war in Iraq. Net income was also affected by the strengthening of the real, as mentioned in item 4.1.

The charts below show income per product line (%).

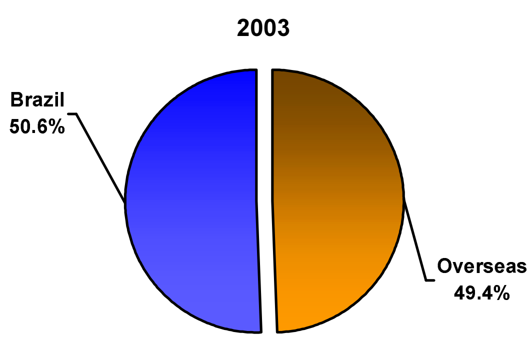
Net Income Breakdown - R$ million	**2003**	**2002**
Intercity	462.1	550.7
Urban buses	324.9	361.6
Micro buses	94.8	60.2
Mini buses – LCV	24.1	24.1
Volares and Vans	195.5	190.6
Chassis	32.0	125.5
Parts and others	155.1	168.9
TOTAL	**1,288.5**	**1,481.6**

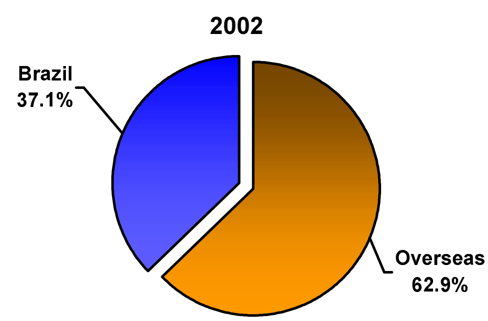




4.3 Domestic/Overseas Market Breakdown (%)

In 2003, export revenue accounted for 49.4% of total income, compared to 62.9% in 2002.





Net Income - R$ million	2003	2002
Income in Brazil	652.5	549.8
Income from exports and overseas	636.0	931.8
TOTAL	**1,288.5**	**1,481.6**

4.4 Production, Sales and Market Share

4.4.1 In terms of physical units, consolidated global production in 2003 registered a 2.8% drop. This result was mainly due to: (i) reprogramming of shipments to the Middle East; (ii) failure to repeat the same kind of operations done in 2002, like the sale of 500 mini buses in Sao Paulo; (iii) lower demand in Mexico and the slowdown registered in the American economy. Production of the Volare mini bus remained the same as in 2002.

Data on Marcopolo's production in Brazil and in the world are in the charts below:

PRODUCTION AND SALES IN BRAZIL - Marcopolo/Ciferal - Units

Years	2003			2002		
Products/Markets [1]	**DM**	**EM** [3]	**TOTAL**	**DM**	**EM** [3]	**TOTAL**
Intercity buses	1,352	1,676	**3,028**	1,469	1,866	**3,335**
Urban buses	2,586	2,189	**4,775**	3,060	2,307	**5,367**
Micro buses	1,399	377	**1,776**	966	395	**1,361**
Mini buses (LCV)	452	12	**464**	779	5	**784**
SUBTOTAL	5,789	4,254	**10,043**	6,274	4,573	**10,847**
Volare and Vans [2]	2,903	145	**3,048**	2,875	258	**3,133**
TOTAL PRODUCTION	**8,692**	**4,399**	**13,091**	**9,149**	**4,831**	**13,980**
TOTAL SALES	**8,447**	**4,409**	**12,856**	**9,348**	**4,858**	**14,206**

Notes: [1] DM = Domestic Market, EM = External Market;

[2] Volare and Van (LCV) units are included in Marcopolo's production charts to provide a better understanding of the company's ample production line, production capacity and because they have been entered as part of net earnings. Production of these vehicles are not included in SIMEFRE and FABUS figures, nor in Marcopolo's market share figures or the sector's production figures;

[3] External market production figures include KD exports - 2,409 units in 2003 and 2,601 in 2002.

MARCOPOLO - CONSOLIDATED GLOBAL PRODUCTION

(By Company- Units)

Companies	Production	
	2003	**2002**
BRAZIL		
Marcopolo [1]	10,723	11,350
Ciferal	2,368	2,630
SUBTOTAL	**13,091**	**13,980**
KD exports not included [2]	2,409	2,601
TOTAL IN BRAZIL	**10,682**	**11,379**

OVERSEAS		
Mexico	1,687	1,964
Portugal	119	96
Argentina	-	-
South Africa	399	204
Colombia	1,475	1,134
TOTAL OVERSEAS	**3,680**	**3,398**
TOTAL	**14,362**	**14,777**

Notes: (1) Includes production of the Volare and Van models;
(2) Partially or completely knocked down bus bodies.

MARCOPOLO - CONSOLIDATED GLOBAL PRODUCTION

- By Products and Markets - (Units)

Years	**2003**			**2002**		
Products/Markets (1)	**DM**	**EM** (2)	**TOTAL**	**DM**	**EM** (2)	**TOTAL**
Intercity buses	1,352	1,654	**3,006**	1,469	1,856	**3,325**
Urban buses	2,586	2,209	**4,795**	3,060	2,238	**5,298**
Micro buses	1,399	1,104	**2,503**	966	780	**1,746**
Mini buses (LCV)	452	558	**1,010**	779	496	**1,275**
SUBTOTAL	5,789	5,525	**11,314**	6,274	5,370	**11,644**
Volare and Vans	2,903	145	**3,048**	2,875	258	**3,133**
TOTAL PRODUCTION	**8,692**	**5,670**	**14,362**	**9,149**	**5,628**	**14,777**

Notes: (1) DM = Domestic Market; EM = External Market;
(2) External market production figures include KD units exported by the parent company. In 2003, 2409 units were exported and 2,601 units were exported in 2002.

4.4.2 Market Share

Marcopolo manufactures 65 of every 100 intercity buses produced in the country. The company maintained its market share in 2003 despite the fact that scheduled deliveries to the Middle East did not take place.

Marcopolo enjoys a substantial market share in the urban, micro and mini (LCV) segments, and is the uncontested leader in the segment of complete minibuses (Volares). The chart below shows the company's Brazilian production share.

SHARE IN BRAZILIAN PRODUCTION - Marcopolo/Ciferal - %

Products/Years	2003	2002	2001	2000	1999
Intercity buses	64.9	64.9	50.7	45.8	44.6
Urban buses	44.9	46.5	43.3	46.1	41.0
Micro buses	38.5	40.9	45.9	45.9	54.7
Mini buses (LCV) [1]	31.7	43.8	34.7	-	-
TOTAL	**47.0**	**49.8**	**45.3**	**46.0**	**43.4**

Sources: FABUS and SIMEFRE

Note: [1] Volare and Vans are not included in market share figures.

4.5 Operating Results

The substantial devaluation of the country's currency in 2002 benefited export margins - that represented more than 50.0% of the company's income - and provided an uncommon operating result (EBITDA). This performance could not be repeated in 2003 due to the strengthening of the real. Operating results in 2003 and 2002, measured by EBITDA (adjusted), were R$ 142.4 million and R$ 125.1 million, or 11.1% and 8.4% of net income, respectively. For more details see item 4.9. Besides a reduction in export revenue, the strengthening of the real caused disarrangement between prices charged on the domestic and external markets. This was due to non-linear increases in prices of the principal components, which led to a lack of balance in cost structures. Costs came under more pressure in May because of payroll increases that resulted in a 21.0% wage hike. These increases were partially compensated by cost cutting measures and increases in bus body prices that helped increase net operating results from 6.1% in 2002 to 8.1% in 2003. Increased scales of production, more cost-cutting programs, higher prices and an expected weakening of the real have made Marcopolo's administration confident that gross margins and operating results will improve in 2004.

4.6 Sales Costs

In 2003, sales costs totaled R$ 99.1 million - R$ 18.5 million less than the R$ 117.6 million registered in 2002. Part of these savings came from the reduction of commissions in the external market due to lower export revenue. In 2003, the Reserve for Doubtful Credits received R$ 17.8 million, compared to the R$ 27.6 million set aside in 2002. Excluding this supplementary reserve, sales costs would have totaled R$ 81.3 million and R$ 90.0 million, respectively and would have represented 6.3% and 6.1% of net income in 2003 and 2002.

4.7 General and Administrative Costs

General and administrative costs in 2003 came to R$ 66.3 million (R$ 66.9 million in 2002) and despite cost increases and a 13.0% drop in sales they represented just 5.2% of net income, against 4.5% in 2002.

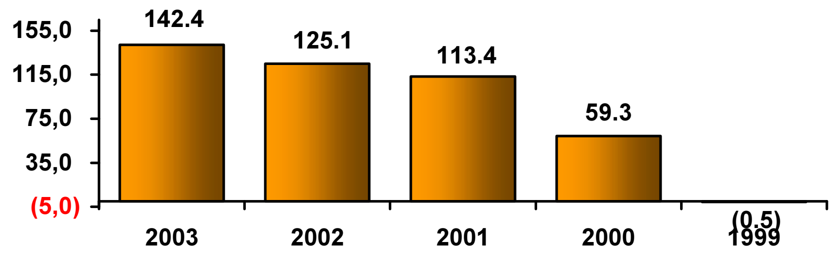
4.8 Financial Results

The company's net financial results of R$ 26.6 million at the end of 2003, contributed significantly to the results posted during the fiscal year. The net financial result at the end of 2002 was minus R$ 122.0 million. The difference between the two years was due to: (i) the strengthening of the real that reduced dollar-pegged liabilities; (ii) the devaluation of the Argentine peso that in 2002 had a negative impact on net financial results worth R$ 65.8 million and the valorization in 2003 that led to a positive result of R$ 6.9 million; (iii) a reduction in the company's net indebtedness and lower interest rates on dollar-denominated loans. Marcopolo has a policy of achieving a balance between dollar denominated liabilities and existing or realizable dollar denominated assets. The objective is to minimize exposure to volatility and to constant exchange oscillations.

4.9 Operating Result and EBITDA

Adjusted EBITDA came to R$ 142.4 million, against R$ 125.1 million in 2002- 11.1% and 8.4% of net income respectively.
The indexes take into consideration the adjustment aimed at correcting the calculation of the EBITDA. The traditional methodology does not properly reflect operating results in economies marked by high exchange volatility and, mainly, in companies in which exports and overseas operations account for a significant share of their revenue. In Marcopolo's case, the strengthening of the real in 2003 and the devaluation in 2002 makes comparing the two periods a difficult task due to the exchange variations. In operations involving the hard currency financing of production and subsequent exports, gains are achieved when the real strengthens. Since these gains are entered as financial income, the operating margin and EBITDA drop. On the other hand, when the real is devalued, there is a financial loss, but the operating margin and EBITDA improve because the effect of the devaluation is entered as sales income. As a result of the real's strengthening in 2003, we were able to compensate the drop in sales and in the EBITDA with substantial financial results despite the fact that the company operated with a negative net cash flow. The chart below shows the evolution of this index and its adjustment.

EBITDA (adjusted) - R$ Million



EBITDA - R$ million	2003	2002	2001	2000	1999
Operating results	104.526	90.714	46.623	27.662	7.757
Financial results	(114.596)	(122.924)	(72.592)	(24.838)	(69.647)
Financial expenses	87.965	244.950	115.878	47.587	81.020
Depreciation / Amortization	24.623	24.983	21.549	19.256	15.310
EBITDA	102.518	237.723	111.458	69.667	34.440
Exchange variation without investments in subsidiaries	8.635	(37.545)	(3.555)	(6.215)	-
Exchange variation on advances on export contracts (ACCs)	31.295	(75.078)	5.460	(4.107)	(34.933)
EBITDA (adjusted)	142.448	125.100	113.363	59.345	(493)

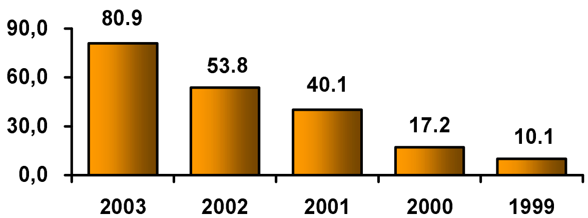
4.10 Other Operating Revenue and Expenses

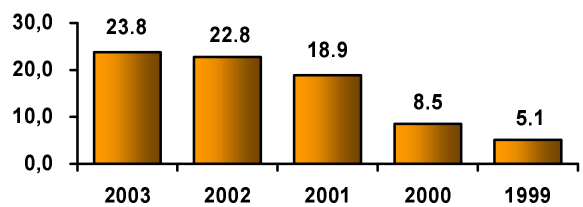
The negative R$ 6.5 million result of these accounts was the result of: (i) R$ 7.9 million in tax refunds; (ii) R$ 8.6 million in losses due to the effect of exchange variations on investments in overseas subsidiaries (without affecting cash); (iii) R$ 4.9 million in premium amortization (also without affecting cash) linked to the acquisition of Ciferal; (iv) R$ 0.9 million from tax and other expenses.

4.11 Net Profits /ROE

Net profits in 2003 totaled R$ 80.9 million - 50.4% more than the R$ 53.8 million posted at the end of 2002. These figures correspond to 6.3% and 3.6% of annual net income, respectively. Return on equity increased from 22.8% in 2002 to 23.8% in 2003.

NET PROFITS - R$ MILLION **ROE (%)**





	2003	2002	2001	2000	1999
Net profits (R$ million)	80.9	53.8	40.1	17.2	10.1
ROE (%) (1)	23.8	22.8	18.9	8.5	5.1

Note: (1) ROE = Return on equity.

4.12 Cash Generation

Operating activities generated R$ 109.6 million in 2003, compared to the R$ 84.8 million registered in 2002. Investments in fixed assets came to R$ 47.5 million, while financial activities consumed R$ 71.0 million in loan and interest payments. As a result, the initial cash balance of R$ 392.1 million at the start of the fiscal year dropped to R$ 383.2 million at the end of the year. Additional information on the management of financial resources can be found in the Cash Flow Statement.

5. Performance of Subsidiaries

Marcopolo's subsidiaries play an important strategic role in the company's internationalization. They operate in an integrated manner, assembling buses from components manufactured in Brazil and making full use of local competitive advantages, thus making operations in different parts of the world viable.
The company has five plants abroad - Mexico (Polomex), Colombia (Superpolo), Argentina (Marcopolo Latinoamerica - where activities have been paralyzed) Portugal (Marcopolo Indústria de Carroçarias) and South Africa (Marcopolo South Africa). In 2003, a total of 3,680 bus bodies were assembled overseas - corresponding to approximately 26.0% of the company's total production, as mentioned in item 4.41. Of this total, 46.0% were assembled in Mexico, 40.0 % in Colombia, 10.0% in South Africa and 4.0% in Portugal. Besides these subsidiaries that operate in the bus segment, Marcopolo also controls MVC Componentes Plásticos, headquartered in the state of Paraná and with factories in Mexico, Rio de Janeiro, Caxias do Sul and Catalão, Goiás state. MVC use modern plastic technologies like RTM - Resin Transfer Molding, Vacuum Forming and Continuous Lamination that give the company a competitive edge in the automotive, civil construction, urban furniture and multimedia areas, among others. These processes are ideal for industries that use a large variety of components and have a moderate production output like bus, truck, farm equipment and furniture manufacturers.

6. Operations in Argentina

Production at subsidiaries Mapla and Laureano have been paralyzed and will remain so until the Argentine economy and that country's bus segment show solid signs of recovery. At the end of 2003, Marcopolo resumed its exports to its Argentine clients. A total of 130 buses, worth US$ 9.5 million, were delivered and payment was made in advance.

7. Corporate Governance

Marcopolo's Corporate Governance policies have helped improve the company's performance, especially in terms of the liquidity and increased value of its shares, which since 2002, are part of the Sao Paulo Stock Exchange's (BOVESPA) Level 2 of Corporate Governance. With this initiative, the company confirmed its commitment to the following good corporate governance practices: Tag Along of 100% for minority shareholders with ordinary shares and of 80.0% for shareholders with preferred stock in the event of the sale of the controlling stake; the right to vote in specific matters for shareholders with preferred stock; divulge an annual calendar of events, agreements with shareholders, option programs, and contracts with the same economic group; ensure transparency in the transaction of shares by company administrators and controllers; free-float at least 2.0% of its shares on the market; maintain an Administrative Council composed of at least five members with a one-year mandate; adherence to Bovespa's Market Arbitrage Chamber Regulation.

The company's Administrative Council is comprised of six members. Controlling stockholders appoint two internal and two external counselors, while minority shareholders and those with preferred stock appoint one independent counselor each. Marcopolo was the first company in Brazil's industrial sector to adopt the corporate management standards and rules required by Bovespa's Level 2 of Corporate Governance. In Feb. 2003, the National Association of Capital Market Investors awarded the company its "Selo ANIMEC Companhia Aberta - 2002 - a seal of approval given to publicly traded companies.

7.1 CVM Instruction 381/03

As required by CVM Instruction 381/03, the company states that it did not contract KPMG Independent Auditors nor did it benefit from its services unrelated to external auditing. The company's policies are based on internationally accepted principles that state that external auditors must not audit their own services, cannot exercise management functions nor promote the company's interests.

8. Capital Markets

8.1 Capital Stock

The company's current capital totals R$ 226.0 million and is composed of 112,376,889 shares - 42,703,218 ordinary shares (38.0%) and 69,673,671 preferential shares (62.0%) - all normative and book-entry shares without nominal value.

8.2 Performance of Marcopolo's Shares on the Bovespa

Over the past year, the performance indicators of Marcopolo's shares have been impressive. The number of transactions involving the company's shares rose from 3,082 in 2002 to 13,300 in 2003, while the number of shares traded went from 26.8 million to 57.2 million, representing an increase of 113.4% and 51.0% of the company's shares. The value of the transactions in 2003 rose 130.6%. Additional information can be found in the chart below.

Items/Years	2003	2002	2001	2000	1999
Number of transactions	13,300	3,082	1,617	1,404	1,384
Shares negotiated (millions)	57.2	26.8	17.9	13.2	10.4
Value of transactions (R$ million)	229.2	99.4	47.8	32.2	17.7
Market value (R$ million) (1)	539.4	476.5	266.0	188.8	174.9
Existing shares (millions) (2)	112.4	112.4	82.1	82.1	82.1
Book value per share (R$)	3.46	3.10	2.59	2.59	2.47
Quotation (R$/per preferred share) (3)	4.80	4.24	3.24	2.30	2.13
Interest on capital, imputed to dividends (R$/per share)	0.356	0.190	0.250	0.092	0.047

Notes: (1) The quotation of the year's last transaction of preferred shares multiplied by the total number of ordinary and preferred shares at the end of the fiscal year was used to determine market value;

(2) The company's total number of shares at the end of the fiscal year;

(3) Preferred share quotation at the last trading session of the fiscal year.

8.3 Interest on Capital

On account of the profits posted in 2003, the Administrative Council approved, on March 31, 2003, an R$ 8,990,151.12 payment of interest on capital. The council approved an additional such payment - R$ 31,016,021.36 - on December 19. The total payment of interest on capital came to R$ 40,006,172.48, or R$ 0.356 per share. The net value of R$ 36,019,504.52, which was imputed to mandatory dividend payments, represented 44.4% of the parent company's net profits.

9. ADR Level I

In June 2003, the company announced the cancellation of the ADR, Level I (American Depositary Receipts) Program with the Securities and Exchange Commission (SEC) of the United States. The cancellation went into effect June 10, 2003, when Banco Itaú S.A., as Custodian, stopped emissions of the ADRs. On December 5, 2003, Citibank Na., as Depositary, began the conversion of the ADRs into shares.

10. Investments/Fixed Assets

In 2002, the company invested R$ 47.5 million in several of its units. The investments were: (i) R$ 19.5 million in production equipment and machines and in a new layout; (ii) R$ 6.0 million in industrial installations; (iii) R$ 7.5 million in software systems, company holdings, vehicles, other fixed assets and development of new products; (iv) R$ 4.5 million in buildings and land; (v) R$ 10.0 million in the Ana Rech unit for a new assembly line to further improve product quality, safety, work environment, productivity and environmental protection standards. These investments involved the elaboration of the new layout of the assembly lines, construction of an access tunnel, a new natural lighting system, and modern painting cabins and dryers. The aim of all these investments is the production of technologically advanced vehicles. The Ana Rech unit, which is the company's largest in terms of production capacity, is also one of the most modern in terms of bus production technology and processes.

A modern testing track was built at the Ana Rech (Caxias do Sul) unit in accordance to international standards. It is the only track of its kind in the country and one of the best equipped in the world. Its circuit was designed to simulate all kinds of traffic conditions in Brazil and abroad.

During the fiscal year, Marcopolo acquired a 40.0% stake in Webasto, with capital composed entirely of ordinary shares. Located in Caxias do Sul - Rio Grande do Sul state, the company manufactures air conditioning equipment for vehicles. The objective of this operation was to allow Marcopolo to include this kind of equipment in its buses. Websato is a subsidiary of Webasto Klimatechnik GMBH, which is based in Stockdorf - Germany.

11. New Products

To meet the specific demands of clients both in Brazil and abroad, approximately 30 new bus models were developed during the fiscal year of 2003. One of the highlights was the new version of the “ANDARE” intercity bus, which was displayed at the “Busworld,” the world’s largest bus fair held in Kortrijk - Belgium. This new version was designed to transport athletes and tourists during the 2004 Olympics in Athens. Four new intercity models were developed for the Mexican market, as well as several new micro bus versions for the domestic and external market. New versions of the Torino, Viale, Gran Viale and CITMAX models were launched for the urban bus market. Ciferal used new structural and construction concepts to make the CITMAX a more competitive vehicle. Since its launching, about 1,500 units have been sold, thus guaranteeing the product’s success.
In 2003, MVC developed the “Wall-System,” a set of structural panels made with reinforced plastic and fiberglass that led to the launching of the MVC - Practical House. In January of 2004, the project received the technical and financing approval of the Caixa Econômica Federal (Federal Loan and Savings Bank), which will allow sales of the product to begin in 2004.

12. Environmental Management

For Marcopolo, sustainable development obtained through an ideal balance between production and environmental preservation is of fundamental importance. The success of its environmental management programs, mainly the reuse of discarded matter, encouraged the company to divulge its experience in a September 2003 Environmental Management and the Industry seminar. Marcopolo’s presentation, entitled “The Best Practices Lead to the Differential of Sustainability”, was aimed at its suppliers and employees.

13. Management for Value Added

The company adopted the Value Based Management (GVA) philosophy in 2001. The objective, as the name of this concept implies, is to add value to the enterprise and its products. The GVA system, which was developed together with the Business Administration School of São Paulo’s Getulio Vargas Foundation (EAESP), includes the training of personnel in the use of development instruments and in the measurement and monitoring of the achievement of goals established by it’s long range strategic plans. It facilitates the simulation and analysis of the efficiency of the management of working capital and of the effects of new investments on the company’s profitability. The variable remuneration system used by the company also uses the GVA methodology to evaluate employee performance.

14. Risk Factor Management

14.1 Macroeconomic Factors

Over the past few years, Brazil's economy has been marked by a lot of instability and it is impossible to predict if this situation will improve or worsen. This instability can have a negative impact on the company's performance for it affects the availability of the credit and financing needed to purchase products made by the company and determines the interest rates established by the government. It is impossible for the company to guarantee that credit lines and financing will continue to be available in the future. Should credit availability be reduced and interest rates rise significantly, demand for our products could suffer a negative impact.

Economic growth rates in Brazil and abroad could affect the demand for the products made and sold by Marcopolo. Income and consolidated results could be significantly affected by exchange fluctuations in markets where it is present.

The Brazilian government's influence on the country's economy has been a predominant one and frequent alterations in monetary, fiscal and tax policies could affect Marcopolo's business, financial conditions and results.

Meanwhile possible government support for a fleet renewal program, (ModerBus), similar to one adopted for the agricultural sector, could become an important tool to foster sales on the domestic market.

To minimize the risks of dependence, the company has adopted strategies and policies to attenuate the effects such dependence may have on results. These strategies involve a focus on exports and the installation of production units in important economic centers. Exports to these centers and the activities developed there represent more than 50% of the company's income and of an even greater percentage of the results.

14.2 Sectorial Factors

Urban, interstate and international public transportation services are subject to specific legislation. Keeping in mind that part of Marcopolo's client companies provides public transportation services and is subject to legislation, eventual changes in the rules of the game could affect the demand for buses.

The company's operational efficiency is the result of the use of its own technology, among other factors. The technology developed internally could be copied by the competitions and consequently affect its competitiveness and results. Aware of this risk, the company has constantly been developing new security processes and systems to protect its technology.

14.3 Internal Factors

Marcopolo's swap operations protect it against the effects exchange variations have on dollar-denominated liabilities. These operations are administered according to a pre-established strategy and are monitored by control systems. Swap contracts are done with top-of-the-line institutions. To limit credit risks involved in the financing offered to the client (seller operations), the company resorts to the fiduciary alienation of the product sold and of the assets and personal sureties of the client. The company guarantees its export operations with letters of credit and/or other guarantees that ensure the operation's liquidity.

Besides the guarantees provided by the client, credit limits, both by country and individualized, are established. The company always has in store a series of provisions for just about any kind of action that could have an unfavorable result - provisions for doubtful debts, technical assistance for products in the market and loss of stock. Marcopolo also has insurance policies for its products, buildings, equipment and installations, loss of profit, and product responsibility, as well as credit insurance.

15. People Management

15.1 Human Resources Policy

Since its foundation nearly 55 years ago, Marcopolo's concern with the human being has been a constant. This concern is evident in the principles, policies and practices that form the company's management of its human resources in its several units in Brazil and abroad.

Through its Organizational Climate Survey, conducted every two years, the company tries to measure employee satisfaction with several aspects that contribute to a good working environment. In December of 2003 Marcopolo (Caxias do Sul and Sao Paulo units) obtained an employee satisfaction index of 84.0%, which proved the efficiency of its several programs and policies.

15.2 Remuneration and Career

The company's remuneration system encourages the acquisition of skills and abilities for horizontal and vertical growth. Career maps are available in the industrial units an on the Internet, and human resources professionals provide employees with personalized orientation.

Career opportunities are posted on murals and on the Internet and job vacancies are filled through internal recruitment in recognition of the value of the professionals who are already part of the company's staff. A Sucessory Process that identifies, evaluates and prepares professionals with the potential to be promoted within three years is used to fill strategic functions.

15.3 Recognition and Reward

A variable remuneration system is used to reward employees' contributions to the achievement of the company's results. At the start of each year employee representatives and the company define the goals to be achieved. These goals are then ratified by the Worker's Union and evaluated on a monthly basis through the Efficiency Program (EFIMAR).

The Merit of Honor Award that recognizes the amount of time dedicated to the group and the Marcopolo Employee Day that recognizes the importance of the role all professions play in the company's development are ways of rewarding the contribution of all employees to the success of the company.

15.4 Education and Training

Marcopolo strongly believes that education and training are responsibilities to be shared by the company labor and business leaders and by the employees themselves. Besides technical courses needed for the execution of several activities, the company grants scholarships through its Education Incentive Program that involves all educational levels, including post-graduate courses and foreign languages.

The Marcopolo Center of Corporate Education (CEMEC) - fosters the dissemination of the company's culture among executives and participants of the Sucessory Process. In 2003, through an agreement with the Getulio Vargas Foundation, close to 150 professionals from several of the company's units participated in post-graduate and Organizational Management Extension courses in Brazil and Mexico.

The Overseas Trainees Program, that began in the first half of 2003, has as its main objective the inclusion in the company's internationalization process of professionals who show potential. This objective is achieved through the sharing of the values and culture of Marcopolo in Brazil with those that exist in other countries.

15.5 Social Responsibility

Through the Marcopolo Citizenship Program, the company and its more than 200 employees/volunteers developed and/or supported several projects in a number of institutions in areas near the industrial units. These projects benefited more than 2,000 people. Special mention must be made of the "Projeto Escolas" (Schools Project), which helps schools in underprivileged communities. This project benefited 1,200 students and teachers with activities developed by professionals who volunteered their services. The motto "Nossos Esforços se Projetam na Vida" (Our Efforts Are Projected in Life) guide our activities aimed at improving the quality of life of children and teenagers in a socially vulnerable situation. The Marcopolo Vocation and Training School that offers professionalizing courses, scholarships, first jobs and career opportunities in three schools in the cities of

Caxias do Sul (Rio Grande do Sul state) and Duque de Caxias (Rio de Janeiro state), has trained more than 250 youths since its foundation in 1991. Quality of life programs are geared to company employees and their families. Highlighting these programs are the "Projeto Todos na Escola" (Everyone in School Project) and the "Concurso Aluno Nota 10" (Top Student Contest). The company's social actions have been recognized by the State Assembly of the State of Rio Grande do Sul that awarded Marcopolo the "Empresa Modelo de Responsabilidade Social 2003 - Categoria Grande Porte" (Model Social Responsibility Company 2003 - Large Company Category)

15.6 Nothing Replaces People

Respecting the value of the human being is one of Marcopolo's strongest principles. Marcopolo's fourth place in Guia Exame's 2003 ranking of the "100 Best Companies to Work For in Brazil" exemplifies the recognition it has earned from employees and the community. It was the fifth consecutive year that Marcopolo was ranked among the top 100 best companies to work for and the second year it was listed among the 10 best companies.

Another major achievement was the Social Accountability Norm SA 8000 certification that establishes standards of social responsibility in the company's relations with its employees and with other interested parties (suppliers, clients, representatives, government, shareholders and the community as a whole). These standards are based on international and national legislation.

Number of Employees

Number of Employees	**2003**	**2002**	**2001**
Parent Company	4,969	5,055	4,541
Subsidiaries in Brazil	2,428	2,092	1,890
Subsidiaries Abroad	1.982	1,711	1,245
Total	**9,379**	**8,858**	**7,676**
Turnover Rate (%) (1)	0.77	0.77	0.63

Note: (1) Parent Company.

16. Awards and Certificates

In 2003, Marcopolo received a large number of prizes and awards. Some of the most important ones are: **"Busbuilder of The Year 2004"** awarded by the Federation of Belgian Coach and Bus Owners - FBAA) at the 17th Busworld in Kortrijk, Belgium - the most important bus industry fair in the world; **Largest Exporter and the Company in the Bus Building Sector With the Largest Export Growth in the South** - Expressão Magazine; **ADVB Export Award -** Brazilian Association of Sales Directors for the volume of exports in 2002. For the fifth consecutive year, Exame Magazine ranked Marcopolo among the **"100 Best Companies to Work For."** For the second straight year it was listed among the "10 best companies," and in 2003 it was ranked fourth. Considering that these rankings reflect the personal opinions of employees, the Administration views the "Best Company to Work For" distinction as one of the most important. Since Marcopolo is a labor-intensive industry, whose employees have specialized, artisan-like skills, its continued success must be attributed, to a large degree, to the high level of satisfaction of its employees.

17. Outlook for 2004

Recently conducted surveys reveal that confidence levels of Brazilian businessmen are increasing. There are positive expectations of a more flexible monetary policy, of a drop in inflation rates and of greater fund availability for financing at lower interest rates. These factors and the upcoming municipal elections should help create a favorable scenario that will be reflected in an increased demand for buses, especially urban, micro and mini buses. These conditions could transform the cyclical recovery seen at the end of the year into a scenario of sustainable economic growth in 2004.

The company, whose risk management policies take into consideration the effects of globalization, will continue pursuing its growth objectives by using an internationalization strategy to develop new business opportunities, increase its exports and generate more revenue in those regions where its industrial units are located. The outlook for the current fiscal year is one of reasonable increases in its scales of production. Contracts already signed, estimates for increases in demand from traditional markets in Latin America and the Middle East, and perspectives for Argentina's recovery indicate that in 2004 the company's output could reach 14,500 units - an increase of approximately 8% - and that its net income could total R$ 1.450 billion - 12.5% more than in 2003.

18. Acknowledgements

The company extends its gratitude to its entire staff for its motivation, dedication and commitment to the achievement of the goals established for 2003. It also wishes to thank its shareholders for their confidence in the administration and its clients, suppliers, governments and financial institutions for their support.

Caxias do Sul, March 1, 2004.

The Administration.