Caxias do Sul, February 17 de 2006.

MARCOPOLO S.A. - CONSOLIDATED

Results of the fiscal year of 2005

Brazilian corporate legislation

To our shareholders:

In accordance to corporate provisions, we are submitting the 2005 Administration Report of Marcopolo S.A.

1. Corporate Profile

Headquartered in Caxias do Sul, Rio Grande do Sul state, Marcopolo is a publicly traded corporation that manufactures bus bodies and components. It is the leading company of its kind in the Brazilian market, and one of the largest bus body manufacturers in the world. Founded August 6,1949, the company will commemorate its 57th anniversary of uninterrupted activities this year. By the end of 2005, it manufactured close to 160,000 units that are currently circulating in Brazil and in more than 80 other countries. By the end of the year the company, which has a production capacity of 110 buses a day, was employing 10,959 workers. In 2005, Marcopolo accounted for 42.8% of the bus bodies produced in Brazil and between 6.0% and 7.0% of those produced worldwide. Its product line - the most diversified in the market - includes the Paradiso, Viaggio and Andare intercity models; the Ideale, Viale and Torino urban bus models; the Senior micro bus; the Fratello and Mini buses and the Volare line, comprised of several models that are sold complete with chassis and bus body. Each one of these models is designed and developed in accordance to the needs of specific market niches. Marcopolo's products are manufactured in three units in Brazil - two in Caxias do Sul, Rio Grande do Sul state and one in Duque de Caxias, Rio de Janeiro state. Marcopolo's subsidiary, MVC - Componentes Plásticos Ltda that produces high tech plastic components is located in São José dos Pinhais, Paraná state. It has two production units in Brazil and one in Mexico. Overseas, the company owns factories in Mexico, Colombia, Portugal, South Africa and Argentina. The Argentine unit has been temporarily shut down.

Note: When reading the English version, the numbers in graphs, tables and Financial Statements, comas shall be read as periods and vice-versa.

2. Summary Table

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

CONSOLIDATED DATA	2005	2004	Variation (%)
Operational Performance			
Net operating income	1,709.1	1,605.4	6.5
- Income from operations in Brazil	760.8	758.8	0.3
- Income from operations overseas	948.3	846.6	12.0
Gross profit	257.2	273.4	(5.9)
Operational profit before financial results	81.8	116.9	(30.0)
EBITDA (adjusted) [(1)]	150.9	156.0	(3.2)
Net income	82.4	85.0	(3.1)
Earnings per share	0.739	0.757	(2.4)
Return on invested capital (ROIC) [(2)]	13.6%	21.3%	(7.7)pp
Return on equity (ROE) [(3)]	19.3%	22.3%	(3.0)pp
Investments in fixed assets	24.8	48.9	(49.3)
Financial Position			
Cash and cash equivalents	404.5	257.6	57.0
Short term financial liabilities	209.9	268.4	(21.8)
Long term financial liabilities	310.0	175.3	76.8
Net financial liabilities	115.4	186.1	(38.0)
Stockholders' equity	464.1	427.9	8.5
Net financial liabilities / Stockholders' equity	24.9%	43.5%	(18.6)pp
Net financial results	37.1	(2.2)	1,773.7
Margins and Indexes			
Gross margin	15.1%	17.0%	(1.9)pp
Adjusted EBITDA margin	8.8%	9.7%	(0.9)pp
Operating margin (before financial results)	4.8%	7.3%	(2.5)pp
Net margin	4.8%	5.3%	(0.5)pp

Notes [(1)] Adjusted EBITDA excludes gains or losses caused by exchange variations on investments and advances on exchange contracts;

[(2)] ROIC (Return on Invested Capital) = EBIT ÷ (stocks + clients + fixed assets - Ẋ suppliers); Ẋ = Average;

[(3)] ROE (Return on Equity);

p.p = percentage points.

3. Performance of the Bus Body Sector

The growth of Brazil's economy during 2003-2005 was largely due to exports associated to a vigorous foreign trade expansion, attractive commodity prices and elevated international liquidity levels. Despite the prevailing favorable conditions, the growth of Brazil's economy in 2005 was less than expected and lower than that of other emerging economies. Extremely high interest rates and an overvalued real discouraged investments and curbed consumption.

For the bus body sector, 2005 was less critical compared to other sectors of the Brazilian economy that were affected by other restrictive factors that impeded more substantial growth. Exports once again sustained the sector's performance. The 41.5% increase in the number of vehicles exported compensated the 12.3% drop in domestic demand. Production totaled 26,983 units, against 25,280 in 2004 - a 6.7% increase. If the Volare model were included in production figures then total output would come to 29,862 units - 5.6% more than the 28,268 manufactured in the previous year.

The sector's performance could also be considered reasonable when compared to the growth in Brazil's Gross Domestic Product and, especially, in view of the fact that production in 2004, the year that serves as a comparison base, was 18.2% higher than in 2003. Although the number of bus bodies produced in 2004 and 2005 was higher than the output registered in the 2002-2003 period, total production numbers remain unsatisfactory. Although the use of alternative transportation means like low-cost automobiles, vans, the subway and motorcycles has been growing rapidly, two factors should be taken into consideration: (i) in March 2004 the country's bus fleet was about 313,000 units (Source: RENAVAM - National Automotive Vehicle Registration Service) (ii) over the past few years, just 15,000 of the total number of units produced each year remain in Brazil, while the rest is exported. This means that Brazil's current bus fleet is growing old and is not being replaced as quickly as it should. If this trend remains unaltered, then in a few more years the average age of the fleet will reach the point where it will be impossible to meet the necessary passenger transportation safety levels. Marcopolo, is fully aware that the fleet's renewal depends on conditioning factors like infrastructure, financing resources, interest rates and adequate concession regulations, and while it cannot predict when this renewal will begin, it is still possible to forecast a future of attractive growth rates for the sector.

Each subgroup in the bus body industry has its own typical traits and different demand cycles. Intercity bus production in 2005 once again posted a positive performance - output was 11.8% higher than in 2004 when production was 34.1% higher than in 2003. But in 2005 the increases in demand came from a different direction. Compared to the previous year's figures, exports dropped 2.5% while domestic demand, which was 31.4% higher, accounted for the increase in demand for intercity buses. The increased number of passengers transported was the result of the economy's increased dynamism and in the growth of tourist flows.

The urban bus subgroup was the one that posted the highest growth rate in 2005. Output was 24.2% higher than in 2004. What makes this performance especially notable is the fact that in 2004 production was 19.6% higher than in 2003. There was also a turnaround in this subgroup in terms of market destination. After posting

excellent results in 2004, demand in the domestic market dropped 9.0%, while exports, which in 2004 had increased 12.1% soared 115.7%. The Transantiago project absorbed close to 1,600 units, while more than 400 units were shipped to Qatar. These two contracts help explain the excellent performance registered by the urban bus subgroup in 2005.
Growth rates of micro and mini buses, which as of 1999 had been posting surprisingly high growth rate levels, to the detriment of urban bus models, slowed down in 2004. The production of 4,190 units was 33.5% less than the 6,302 units produced in 2004. Nevertheless, it's worth highlighting the market's acceptance of micro and mini buses (including the Volare), given that in 2005 they accounted for 23.7% of total bus production. Difficulties in obtaining financing and some unresolved issues pertaining to public transportation in Sao Paulo impeded production of smaller buses from growing more. The tables that follow refer to Brazilian bus body production over the past five-year period.

Brazilian Bus Body Production (number of units)

Products [3]	2005 [2]	2004 [2]	2003 [2]	2002	2001
Intercity buses	6,989	6,251	4,662	5,140	5,834
Urban buses	15,804	12,727	10,643	11,528	11,758
Micro buses	3,473	5,074	4,613	3,330	3,078
SUBTOTAL	26,266	24,052	19,918	19,998	20,670
Mini buses (LCV) [1]	717	1,228	1,463	1,789	1,010
TOTAL	**26,983**	**25,280**	**21,381**	**21,787**	**21,680**

Sources: FABUS (Brazilian Association of Bus Coach Manufacturers) and SIMEFRE (Interstate Association of Rail and Highway Material and Equipment Industries).

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 Mascarello Carrocerias e Ônibus, a new manufacturer, associated itself to FABUS, 604 units produced in 2004 but not registered that year, were included as were 849 units produced in 2005. The 2002 production figures for Irisar that were not registered that year's were also adjusted in 2003;

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

Market Destination for Brazilian Bus Body Production

DOMESTIC MARKET (number of units)

Products	2005	2004	2003	2002	2001
Intercity buses	3,463	2,635	2,053	2,597	3,053
Urban buses	8,493	9,338	7,619	8,299	9,032
Micro buses	1,734	3,211	3,248	2,620	2,498
SUBTOTAL	13,690	15,184	12,920	13,516	14,583
Mini buses (LCV)	630	1,149	1,448	1,783	978
TOTAL	**14,320**	**16,333**	**14,368**	**15,299**	**15,561**

Sources: FABUS (Brazilian Association of Bus Coach Manufacturers) and SIMEFRE (Interstate Association of Rail and Highway Material and Equipment Industries).

Note: See - Brazilian Bus Body Production - TOTAL.

EXTERNAL MARKET (number of units)

Products	2005	2004	2003	2002	2001
Intercity buses	3,526	3,616	2,609	2,543	2,781
Urban buses	7,311	3,389	3,024	3,229	2,726
Micro buses	1,739	1,863	1,365	710	580
SUBTOTAL	12,576	8,868	6,998	6,482	6,087
Mini buses (LCV)	87	79	15	6	32
TOTAL	**12,663**	**8,947**	**7,013**	**6,488**	**6,119**

Sources: FABUS (Brazilian Association of Bus Coach Manufacturers) and SIMEFRE (Interstate Association of Rail and Highway Material and Equipment Industries).
Note: See - Brazilian Bus Body Production - TOTAL.

4. Marcopolo Highlights

Consolidated net income in 2005 totaled R$ 1,709. 4 million - 6.5% more than in 2004. For a better understanding of net income see items 5.1, 5.2 and 5.3.

Net profits came to R$ 82.4 million - 3.1% less than the R$ 85.0 million posted the previous year. See item 13.

Adjusted EBITDA in 2005 totaled R$ 150.9 million, against the R$ 156.0 million of the previous year - 8.8% and 9,7% of net income, respectively. For more details see item 11.

The company's **global production** in 2005 totaled 16,456 units - 13,577 conventional bus bodies and 2,879 Volare models. In 2004, production came to 15,938 units (12,950 conventional bus bodies and 2,988 Volare models). For more details see item 6.1.

Dividends/Interest on Capital. On December 16, 2005, the Administrative Council approved the distribution of R$ 42,399,217.82 as interest on capital, which was imputed for its net value to the dividends for the year. For more details see item 20.

5. Marcopolo's Performance (Consolidated Data)

Marcopolo's administration had hoped that the country's monetary policy would be less stringent in 2005 and that there would be greater availability of credit with declining interest rates. These factors would have created the environment needed for an increase in aggregate domestic demand and, consequently would have led to an increase in production, employment levels, real income and to a rise in the number of passengers transported. The positive effect of these variables would stimulate demand for buses in a scenario marked by low inflation rates. The continued expansion of the world economy and expectations for a slight recovery of the U.S. dollar during the year created a set of favorable expectations in terms of Marcopolo's exports and its overseas business operations.

Our production volume forecasts proved to be correct, but we were wrong to imagine there would be a large volume of funds available at compatible interest rates for financing of domestic sales. Another, absolutely incorrect, forecast involved the exchange rate, which had a strong impact on the year's income and net results. Our predictions at the time were based on the opinion of the majority of financial market professionals.

The company's global production conformed to the forecasts made. The 16,456 units produced (16,500 had been predicted), represented an increase of 3.3% over the output of 2004 when production had registered an 11.0% increase over the number of units produced in 2003. Of the total number of units produced, 7,311, or 44.4% were sold on the domestic market. The remaining 9,145, or 55.6% were either exported or sold by the company's overseas units. Given the volume of oversea business operations, the company could have posted an enviable economic-financial performance, but this did not materialize because of the constant losses posted by the U.S. dollar - losses that in the first and third quarters neutralized part of the measures adopted to recompose gross margin. Gross margin improved during the fourth quarter due to the exchange rate's relative stabilization, albeit at a low level. This slight improvement allowed the company's export pricing policies to take effect.

5.1 Consolidated Net Income

Consolidated net income totaled R$ 1.709.1 million - 6.5% higher than in 2004. The domestic market accounted for R$ 760.8 million, 0.3% higher than in 2004 and for 44.5% of total net income. Exports and oversea operations came to R$ 948.3 million, representing 55.5% of the year's income and a 12.0% increase over the results posted in 2004. The real's appreciation during the year penalized export revenue and other profitability indicators of the company.

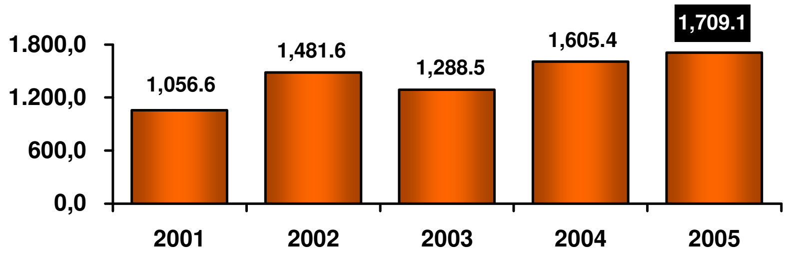
Income per product and market is listed in the table and chart below.

Total Consolidated Net Income - By Products and Markets (R$ Million)

Products [3]	2005		2004		Total	
	DM	EM	DM	EM	2005	2004
Intercity buses	239.564	354.208	218.070	416.517	593.772	634.587
Urban buses	180.033	362.517	195.452	206.236	542.550	401.688
Micro buses	20.213	66.014	49.446	57.723	86.227	107.169
Minis buses- LCV	6.776	20.003	12.418	10.142	26.779	22.560
Subtotal bus bodies	**446.586**	**802.742**	**475.386**	**690.618**	**1.249.328**	**1.166.004**
Volares and Vans [1]	227.780	22.368	202.044	43.089	250.148	245.133
Total b,bodies/Volare/Vans	**674.366**	**825.110**	**677.430**	**733.707**	**1.499.476**	**1.411.137**
Chassis [2]	4.225	48.018	6.229	37.943	52.243	44.172
Parts and others	82.179	75.180	75.173	74.963	157.359	150.136
Total chassis/parts/others	**86.404**	**123.198**	**81.402**	**112.906**	**209.602**	**194.308**
TOTAL	**760.770**	**948.308**	**758.832**	**846.613**	**1.709.078**	**1.605.445**

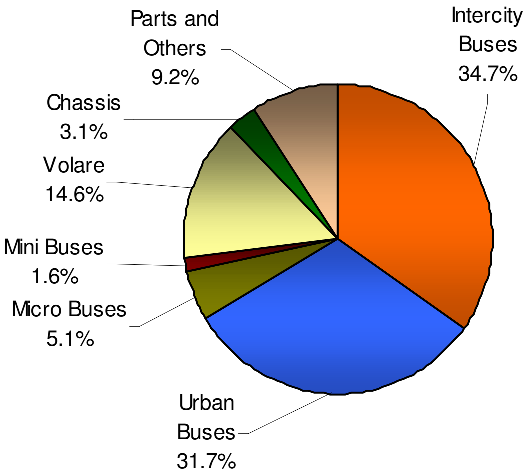
Notes: [1] Volare earnings include chassis;
[2] Earnings from chassis refer to other units sold, except Volare models;
[3] DM = Domestic Market; EM = External Market.

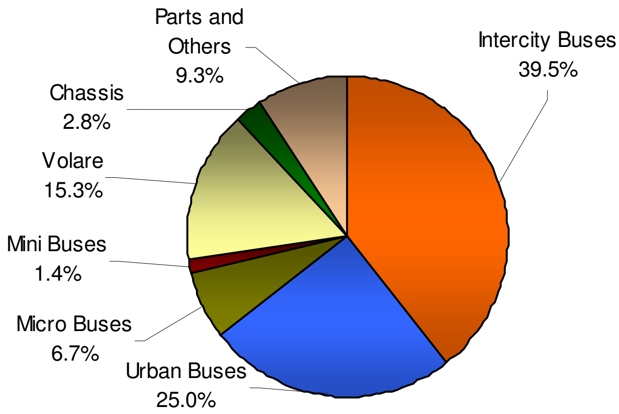
Net Income (R$ million)



5.2 Consolidated Net Income Breakdown (%)

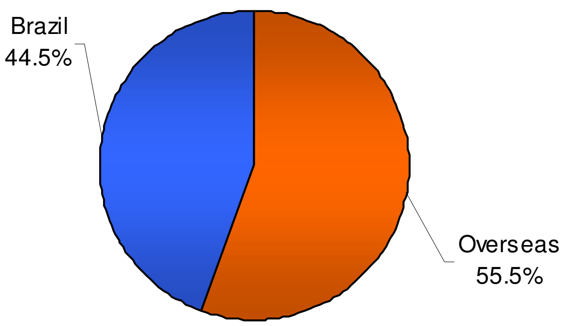
Of total consolidated net income in 2005, 87.7% came from bus body sales, 3.1% from the sale of chassis and 9.2% from the sale of parts and components.
The graphs below show consolidated income per product line (%).

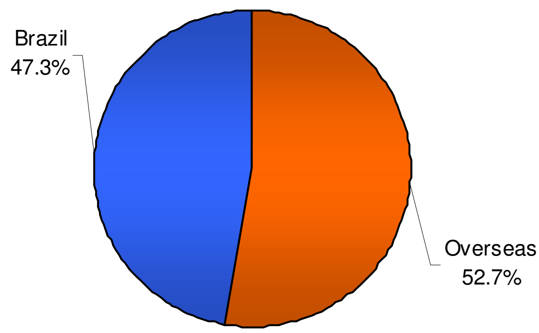




5.3 Domestic/Overseas Market Breakdown(%)

In 2005, revenue from exports and overseas operations accounted for 55.5% of net consolidated income, compared to the 52.7% of the previous year.





6. Production, Sales and Market Share

6.1 Production and Sales

In 2005,Marcopolo's global production was 3.3% higher than in 2004. For reasons mentioned in item 6.2, the drop in production of intercity, micro and mini buses was more than compensated for by the increased production of urban buses. The company produces only upon receipt of confirmed orders. The difference between production and sales is the result of the variation between the inventories at the beginning and end of each fiscal year. Global production is detailed in the charts below:

MARCOPOLO – Consolidated Global Production

By Company (units)

Companies	2005	2004	Variation (%)
BRAZIL			
Marcopolo [1]	11,301	11,494	(1.7)
Ciferal	3,123	3,085	1.2
SUBTOTAL	**14,424**	**14,579**	**(1.1)**
KD exports not included [2]	3,586	2,990	19.9
TOTAL IN BRAZIL	**10,838**	**11,589**	**(6.5)**
OVERSEAS			
Mexico	3,200	2,102	52.2
Portugal	224	176	27.3
South Africa	300	406	(26.1)
Colombia	1,894	1,665	13.7
TOTAL OVERSEAS	**5,618**	**4,349**	**29.2**
TOTAL	**16,456**	**15,938**	**3.3**

Notes: [1] Includes production of Volares and Van models;
[2] Partially or completely knocked down bus bodies.

MARCOPOLO – Consolidated Global Production

By Product and Market (units)

	2005			2004		
Products/Markets [1]	**DM**	**EM [2]**	**TOTAL**	**DM**	**EM [2]**	**TOTAL**
Intercity buses	1,559	1,925	**3,484**	1,608	2,065	**3,673**
Urban buses	2,809	4,689	**7,498**	3,451	2,567	**6,018**
Micro buses	347	1,576	**1,923**	1,115	1,478	**2,593**
Mini buses (LCV)	161	511	**672**	217	449	**666**
SUBTOTAL	4,876	8,701	**13,577**	6,391	6,559	**12,950**
Volare and Vans	2,435	444	**2,879**	2,498	490	**2,988**
TOTAL	**7,311**	**9,145**	**16,456**	**8,889**	**7,049**	**15,938**

Notes: [1] DM = Domestic Market; EM = External Market;
[2] External market production figures include KD units exported by the parent company. In 2005, 3,586 units were exported and 2,990 units were exported in 2004.

Production and Sales in Brazil – Marcopolo/Ciferal (units)

	2005			2004		
Products/Markets [1]	**DM**	**EM [3]**	**TOTAL**	**DM**	**EM [3]**	**TOTAL**
Intercity buses	1,559	1,739	**3,298**	1,608	1,921	**3,529**
Urban buses	2,809	4,419	**7,228**	3,451	2,685	**6,136**
Micro buses	347	473	**820**	1,115	579	**1,694**
Mini buses (LCV)	161	38	**199**	217	15	**232**
SUBTOTAL	4,876	6,669	**11,545**	6,391	5,200	**11,591**
Volare and Vans[2]	2,435	444	**2,879**	2,498	490	**2,988**
TOTAL PRODUCTION	**7,311**	**7,113**	**14,424**	**8,889**	**5,690**	**14,579**
TOTAL SALES	**7,224**	**7,056**	**14,280**	**9,142**	**5,606**	**14,748**

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 extensive 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 - 3,586 units in 2005 and 2,990 in 2004.

6.2 Market Share

Market share, by product group during the 2001/2005 period, is shown in the chart below. The figures show that in 2005 the company saw its market share drop. The main cause but not the only one, for this reduction was the adoption of a price policy aimed at ensuring the Marcopolo's sustainability and profitability. Since the fourth quarter of 2003, financial performance indicators started taking a beating due to the unpredictable price increases of inputs and to the overvaluation of the real, especially toward the end of the 2004. The adoption of a result-improving policy helped improve market share, albeit at levels less than those expected by the Administration. This slight improvement was the result of the excellent reputation of the products sold.

The intercity bus group includes large vehicles of the Double Decker type whose production requires a lot of time and, which for statistical reasons are considered as one model like the urban and micro bus. It should be pointed out that in 2002 and 2003, Marcopolo's market share in this segment increased substantially due to production drops of a competitor. Helped by an aggressive price policy this competitor gradually recovered in 2004 and 2005, recuperated some traditional clients and clinched several market share points.

Marcopolo's participation in the urban bus segment shrank as a result of the company's price policy and the appearance of a new competitor in the market. Nevertheless the company posted a market share that was on a par with the average registered during the five-year period. It is important to note that in 2005, a total of 411 articulated bus units were produced. This bus model is the equivalent of two conventional urban buses, but for statistical reasons it is considered a single unit.

The market share of the company's micro and mini buses went from 30.6% in 2004 to 24.3% in 2005. This performance is the result of fierce competition among traditional competitors and of the entry in the market of new manufacturers. The number of Volare micro and mini buses produced (2,879 units in 2005) is not included in overall production figures. If they had been included, Marcopolo's market share would rise to 55.1%.

Share in Brazilian Production – Marcopolo/Ciferal (%)

Products	2005	2004	2003	2002	2001
Intercity buses	47.2	56.4	64,9	64.9	50.7
Urban buses	45.7	48.2	44,9	46.5	43.3
Micro buses	23.6	33.4	38,5	40.9	45.9
Mini buses (LCV) [1]	27.8	18.9	31,7	43.8	34.7
TOTAL	**42.8**	**45.8**	**47,0**	**49.8**	**45.3**

Sources: FABUS and SIMEFRE

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

7. Operating Results: Cost of Products Sold and Gross Profits

In order to correctly evaluate performance, the analysis of the results of 2005 should be done on an individualized and quarterly basis and take into account the income originating markets. This will allow for a more detailed evaluation of the Company's future performance trends. Something that must be fully understood due the impact it has on the Company's financial performance in times of instability, is the fact that in the bus body industry the time between contract signing and billing could take up to 300 days, although the average is 150 days. Therefore, extraordinary events during such period could substantially modify expected results.

The first quarter of 2005 saw the continuance of the perverse combination of increased input prices and an overvalued local currency. The appreciation of the real diminished export revenue and net income. Meanwhile, the unpredictable and substantial rise in the prices of inputs purchased in the fourth quarter of 2004, had a severe impact on the cost of products manufactured in the first quarter of 2005.

Thanks to the increased stability of input prices, a gradual recovery of domestic market margins began in the second quarter. This recovery was buttressed by adjustments in the price list that stopped being undermined by the gap between contract signing and product delivery. The price stability of products exported did not lead to a significant recovery of gross margins in oversea operations. The dollar's persistent devaluation – always greater than imagined for the subsequent period – maintained its pernicious effect on export revenue and results.

Gross margin on domestic market income in the third quarter came very close to the historic levels aimed for by the Administration. The recovery was due to the stabilization and, in some cases, to the drop of input prices. Despite price stability, gross margin in exports remained below desired levels. The constant devaluation of the dollar during the period neutralized the increases incorporated to the price lists that were in force at contract signing time. The result of these readjustments on margins is neither absolute nor immediate.

Finally in the fourth quarter, gross margin reached the sought after level. During the period, cost-containment measures were implemented input prices remained constant and the exchange rate remained reasonably stable, thus allowing the Company's pricing methodology for its exports to take effect.

8. Sales Costs

In 2005, sales costs totaled R$ 96.3 million, or R$ 2.2 million more than the R$ 94.1 million disbursed in 2004. These figures represent 5.6% and 5.9% of each year's net income, respectively. The nominal increase of sales costs in 2005 was the result of increased revenue from exports where the commission paid to agents is higher.

9. General and Administrative Costs

In 2005, general and administrative costs totaled R$ 61.7 million, or 3.6% of net income. In 2004, these costs came to R$ 67.5 million, or 4.2% of net income. Savings in other accounts neutralized the impact of the mandatory payroll adjustments, resulting from collective work contracts, which were the result of the severe fixed cost containment plan enforced during the entire year.

10. Net Financial Results

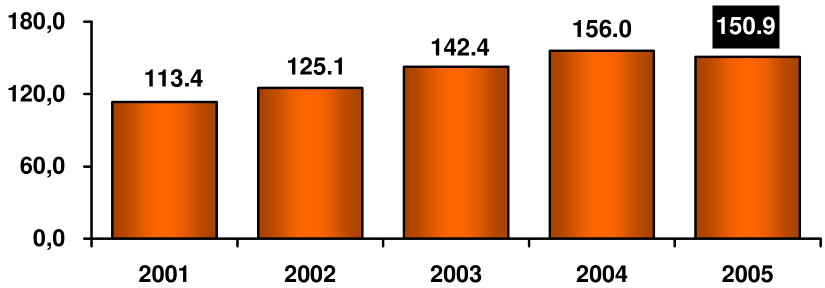
Net financial results in 2005 amounted to R$ 37.1 million, against a negative R$ 2,2 million posted in 2004. This favorable result is due to the fact that Marcopolo, a major exporter, is able to obtain foreign currency loans, without risk, thanks to its natural hedge based on its export revenue. These loans block export revenue and if at product-delivery time the real has appreciated the Company obtains a financial gain that has as a counterpart less income and gross margin. Additionally, loans strengthen cash flow and are invested at higher interest rates, generating results that complement those obtained by exports. In 2005, the results of these investments plus favorable exchange variations allowed the Company to cover all net financial liability costs and still generate a significant positive result.

To better understand Marcopolo's strategy, these comments should be read together with the following topic.

11. Operating Results and EBITDA (adjusted)

Adjusted EBITDA in 2005 came to R$ 150.9 million, against the R$ 156.0 million in 2004 – 8.8% and 9.7% of net income respectively. The indexes presented have been adjusted to avoid distortions in the traditional methodology that 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 income.

Adjusted *EBITDA*
(R$ million)



***EBITDA* (R$ million)**	**2005**	**2004**	**2003**	**2002**	**2001**
Operating results	118.905	114.732	104.526	90.714	46.623
Financial results	(161.881)	(110.419)	(114.596)	(122.924)	(72.592)
Financial results	124.808	112.634	87.965	244.950	115.878
Depreciation/Amortization	29.413	28.928	24.623	24.983	21.549
EBITDA	111.245	145.875	102.518	237.723	111.458
Exchange variation on investments in subsidiaries	9.118	2.792	8.635	(37.545)	(3.555)
Exchange variations linked to exports	30.574	7.298	31.295	(75.078)	5.460
EBITDA (adjusted)	150.937	155.965	142.448	125.100	113.363

12. Other Operating Revenue and Expenses

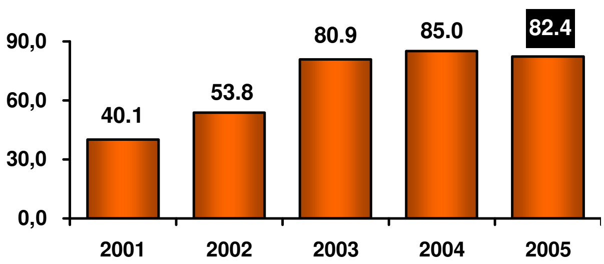
In 2005, the negative net balance of these accounts of R$ 18.3 million was due mainly to: (i) R$ 9.1 million in losses due to the effect of exchange variation on investments in overseas subsidiaries (without affecting cash flow); (ii) R$ 4.6 million in premium amortization (also without affecting cash flow) linked to the acquisition of Ciferal; (iii) R$ 4.6 million for tax and other operating expenses.

In 2004, the positive net balance of these accounts of R$ 5.2 million was due mainly to: (i) R$ 2.8 million in tax refunds; (ii) R$ 10.5 million obtained through the return of part of the reserves set aside for doubtful credits; (iii) R$ 2.8 million in losses due to the effect of exchange variation on investments in overseas subsidiaries (without affecting cash); (iv) R$ 4.9 million in premium amortization (also without affecting cash), linked to the acquisition of Ciferal; (v) R$ 0.4 million for tax and other operating expenses.

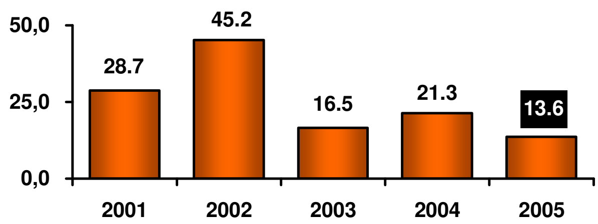
13. Net Profits / ROIC

Net profits in 2005 totaled R$ 82.4 million – 3.1% less than the R$ 85.0 million posted in 2004. Dollar denominated export revenue, converted to reais, was severely limited due to the substantial appreciation of the national currency, which affected income and net profits during the year. The return on invested capital (ROIC) was 13.6% in 2005 and 21.3% in 2004.

NET PROFITS (R$ million)



ROIC (%)



14. Cash Generation

Operating activities generated R$ 123.3 million in cash funds in 2005, against the R$ 31.9 million registered in 2004. Investments in fixed assets came to R$ 24.7 million, while financial activities generated R$ 46.4 million. As a result, the initial cash balance of R$ 257.6 increased to R$ 402.6 million at the end of the year. The cash flow statement can be found together with the other financial statements.

15.Performance of Subsidiaries

Subsidiaries play an important role in Marcopolo's growth strategy. They operate in an integrated fashion, resorting to all of the competitive advantages available in the markets in which they operate. The company has five plants abroad. Three of them are in the Americas: Mexico (Polomex), Colombia (Superpolo) and Argentina (Marcopolo Latinoamerica); one in Europe: Portugal (Marcopolo Indústria de Carroçarias); and one in South Africa (Marcopolo South Africa).

In 2005, oversea subsidiaries produced 5,618 units – 29.2% more than the 4,349 units manufactured during the previous year. This figure represented 34.1% of the Company's total production. Production of each subsidiary is detailed in the specific table in item 6.1. In Argentina, where its operations have been temporarily paralyzed, the Company has resumed direct exports to companies that pay in advance. Besides these subsidiaries in the bus segment, Marcopolo also controls MVC Componentes Plásticos, which is headquartered in the state of Paraná and with factories in Mexico and in the Brazilian states of Rio Grande do Sul and Goias. MVC uses modern technologies to produce plastic components, 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 output like bus, truck, farm equipment and furniture manufacturers.

Established to reduce the client's dependence on third party financing Banco MONEO S.A began its activities on July 1, 2005. By December 31, a total of 143 direct consumer credit, working capital and FINAME (a government fund that finances the purchase of machinery and equipment) operations had been contracted. These operations, which involved more than R$ 18 million, not only made the acquisition of Marcopolo products possible, they also resulted in a net profit of R$ 917,000.

16. Corporate Governance

16.1 Practices

Marcopolo was the first company in Brazil's industrial sector to adhere to the standards and rules of the Sao Paulo Stock Exchange's (BOVESPA) Level 2 of Corporate Governance. The Company is permanently committed to the best international good governance practices, to the principles of justice and to the interests of minority shareholders. Among other good corporate governance practices adopted by the Company are the 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. To avoid conflicts, the Company adhered to the rules of the BOVESPA's Market Arbitrage Chamber. It divulges its Financial Statements in accordance to USGAAP standards and the right of shareholders with preferred stock to vote in specific matters is guaranteed. To stimulate the liquidity of its securities, the Company committed itself to free-float at least 25.0% of its shares on the market and to the transparency of the stock transactions conducted by its administrators and controllers.

To ensure total transparency and a responsible rendering of accounts, rigorous accounting procedures are followed in the elaboration of financial statements.

At the beginning of each year, the Company divulges an annual calendar of corporate events and encourages the active participation of shareholders at stockholders' meetings. In 2005, the Company held meetings in the cities of Sao Paulo, Rio de Janeiro and Porto Alegre with the Association of Capital Market Investment Analysts and Professionals (APIMEC). It also held conference calls at the end of each quarter and participated in several *"small & mid cap day"* encounters organized by investment banks and institutions linked to the capital market. Investor Relations Division handles Marcopolo's relations with its shareholders. In 2005, the Company held meetings with Brazilian and foreign analysts and maintained numerous telephone contacts. The Company's Web site was overhauled, increasing and improving its content and the navigability of the Financial Statements, Relevant Facts and other information divulged by the Company. The company's Administrative Council is comprised of six members.

Controlling stockholders appoint two internal counselors and one external counselor, while minority shareholders, those with preferred stock and the controllers appoint one independent counselor each. The Fiscal Council is comprised of three members, most of whom represent minority shareholders and owners of preferred stock. The controllers appoint just one of the members.

16.2 Council of Heirs

In light of considerations made by the Brazilian Institute of Corporate Governance (IBGC), the Administrative Council, on May 20, 2005, approved the creation of Council if Heirs aimed at preparing the Company for the succession process.

17.Intangible Assets

Among the many competitive factors responsible for Marcopolo's performance, we must highlight the company's human capital - its employees, who because of their talent, experience, know-how, dedication and loyalty represent an extremely important competitive differential in an industry in which artisanship still plays an important role. The technological production processes developed internally – unique in the sector – complement the company's efficiency and production cost advantages. A vast network of representatives in Brazil and abroad and a market of more than 80 countries help explain the strength of the company's sales. The MARCOPOLO brand is an extremely valuable one thanks to the company's stability, leadership, internationalization, longevity and, especially, the guaranteed resale value of its products. Marcopolo detains several registered trademarks in Brazil and in the principal countries where it sells, or plans to sell its products. There are more than 200 registered trademarks and/or trademark registration requests in more than 20 countries. The company also has more than 40 patent registration and/or patent registration requests. The company's principal brands are: *Marcopolo, Volare, Ciferal, Paradiso, Viaggio, Andare, Ideale, Viale, Torino and Sênior.* These factors have a difficult-to-measure economic value and as such are not listed in the company's assets.

18. Independent Auditors

18.1 Change of Independent Auditors

On Dec. 17, 2004, the Administrative Council decided that as of 2005 *PRICE WATERHOUSE COOPERS* – Independent Auditors, with offices on Rua Mostardeiro, 800, 8th and 9th floors, Porto Alegre, Rio Grande do Sul state would be the Company's auditors. *PRICE WATERHOUSE COOPERS* replaced replacing KPMG Independent Auditors.

18.2 CVM Instruction 381/03

As required by CVM Instruction 381/03 – paragraphs I to IV of article 2 - Marcopolo states that is has signed no other contracts with its Independent Auditors unrelated to the auditing of the company's financial statements that are divulged and delivered to the CVM (Securities Exchange Commission). This practice is based on internationally accepted principles, according to which external auditors must not audit their own services, hold any kind of managerial position or promote the interests of the company.

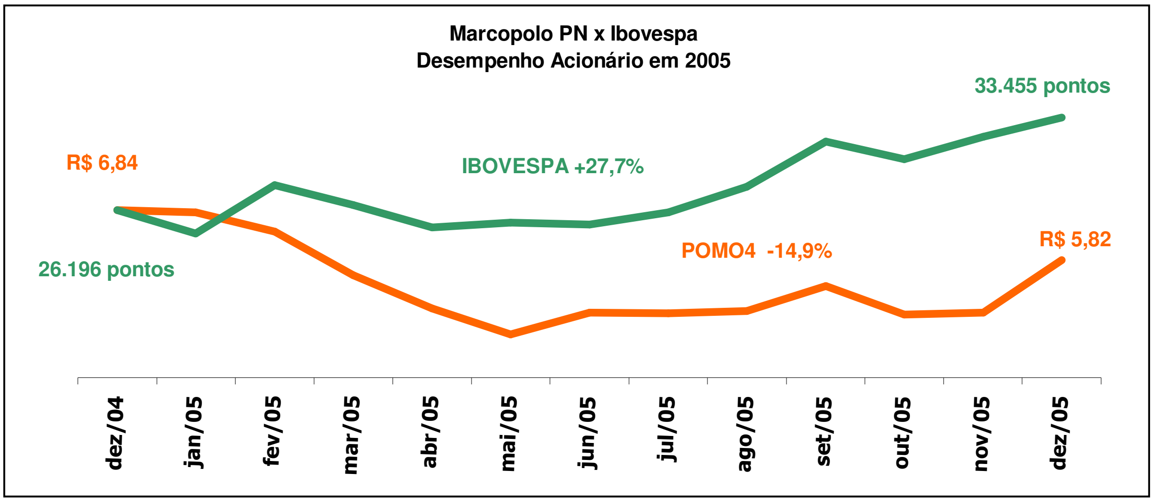
19. Capital Markets

19.1 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 nominative book-entry shares without nominal value.

19.2 Performance of Marcopolo's Shares on the Bovespa

Over the past year the number of transactions with the company's shares totaled 11,878. These involved 46.7 million shares - approximately 42.0% of capital stock and about 70.0% of the free float.
Additional information can be found in the chart below.



Indicators	2005	2004	2003	2002	2001
Number of transactions	11,878	11,057	13,300	3,082	1.617
Shares negotiated (millions)	46.7	45.2	57.2	26.8	17.9
Value of transactions (R$ million)	247.8	266.5	229.2	99.4	47.8
Market value (R$ million) (1)	654.0	768.7	539.4	476.5	266.0
Existing shares (million) (2)	112.4	112.4	112.4	112.4	82.1
Book value per share (R$)	4.18	3.88	3.46	3.10	2.59

Quotation (R$ /per preferred share) [3]	5.82	6.84	4.80	4.24	3.24
Interest on capital imputed to dividends (R$/per share)	0.380	0.340	0.356	0.190	0./250

Notes: [1] The quotation of the year's last transaction of preferred shares (PE) multiplied by the total number of ordinary and preferred shares (OE+PE) 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 of 2005. Of the total, 800,000 preferred shares are in treasury for reasons mentioned in item 19.3;

[3] Preferred share quotation at the last trading session of the fiscal year.

19.3 Repurchase of Shares

On May 23, 2005, the Administrative Council approved the repurchase, during a one-year-period, of up to 5.0% of the company's shares circulating in the market. The objective of this measure was to offer stock options to the company's administrators and employees and/or their cancellation. By December 31,2005, a total of 800,000 preferred nominative shares had been acquired and are in treasury

20. Dividends/Interest on Capital

The Administrative Council approved, on Dec. 16, 2005, an R$ 42,399,217.82 payment of interest on capital - R$ 0.38 (thirty eight cents) per share. The net value of R$ 38.529.963,18 was imputed to mandatory dividend payments. The value was entered in the individual accounts of each shareholder on Dec. 26, 2005 and payment will begin on March 27, 2006. The distribution was the equivalent to 46.8% of consolidated net income.

21. Investments / Fixed Assets

In adjusting to the new economic scenario, the company in 2005 significantly limited its funds earmarked for investments Of the R$ 24.7 million invested in the company's several units) R$ 23.6 million were was invested in machines and equipment as well as in a new layout and R$ 1,1 million was invested in industrial installations.

22. New Products

During the year of 2005, the company upgraded several bus body models, adapted product families to new chassis models and continued meeting the specific demands of clients. It also developed totally new products. In Brazil the following new products were launched: the **Ideale 770**, a new inter-municipal bus model, the **Senior Midi**, the tourism version of the **Senior** micro bus**,** and the Executive/VIP version of the **Volare W9**, that brand's largest model. At the Busworld 2005 Fair, held in October in the Belgian city of Kortrijk, the **Viaggio III** was launched on the European market. One of the new product's special characteristics is the vehicle's structure that is made of stainless steel instead of conventional steel. Also on display in the fair were two models produced by the Portuguese unit at Coimbra: the **Viale** urban bus and the **Senior** microbus**.**

23. Environmental Management

In the first maintenance auditing that took place August 2005, Marcopolo improved its Environmental Management System with the conversion of the ISO 14,001 certification, version 2004. This is yet another clear demonstration of the company's determination to continuously improve its environmental performance by always striving to achieve a sustainable balance between production and the environment. This certification proves that the company manages and controls all the processes that could have a significant impact on the environment. It is also helps maintain good relations with the community, satisfies the criteria of investors, improves access to capital and strengthens the company's image and market share.

The company received the 2005 Ecological Expression Award with the SUSTAINABILITY case – "The Search for a Balance Between Production and the Environment". The objective of this award is to divulge and share the best environmental practices adopted by companies committed to the protection of the environment.

24. Management of Value Added

With an eye on the sustainability and perpetuity of its activities the company emphasizes economic-financial results that add value to the enterprise and ensure return for shareholders. To monitor performance, the company adopted, in 2001, the Management of Value Added (MVA) methodology that focuses on operational actions that help improve financial performance. MVA was developed and implemented together with the Business Administration School of São Paulo's Getulio Vargas Foundation (EAE-SP).

The program trained personnel in the development and use of instruments that measure and monitor the achievement of goals, facilitating the simulation and analysis of the efficiency of working capital management and of the effects new investments have on the company's profitability. Marcopolo also adopted BSC (*Balanced Score Card*) concepts that translate each unit's strategy into objectives, goals and plans of action that are monitored and managed frequently. Besides being used to measure operational performance and strategy management efficiency, the MVA/BSC tools are the basis of the Variable Remuneration Plan for executives.

25. Risk Factor Management

The company's several units are exposed to a series of risks that are inevitably linked to their business operations:

25.1 Macroeconomic Factors

Instability has been one of the principal traits of the Brazilian economy and as such it is impossible to predict if this situation will improve or worsen. This instability that could have a negative impact on the company's performance has to do with the exchange rate, because a significant part of Marcopolo's operations is conducted with, or on the international market. For this reason, equity structure is exposed to exchange fluctuations, mainly in cash flow, accounts receivable, loans and foreign currency denominated operating results.

The company's several units are also exposed to variations in the prices of raw materials, parts and components purchased from third parties that could have a negative impact on costs and margins.

To reduce the risks of the political and economic variables existing in the markets in which it operates, the company adopted the following practices: (i) increase prices whenever justified by increased costs of inputs; (ii) prioritize global sourcing operations to minimize input costs; (iii) closely monitor the social, political and economic conditions of those markets with the highest risk levels; (iv) continue with the strict control of all cost and expense categories.

Adequate credit supplies are essential to the Company's sustainable growth. In Brazil, access credit has always been difficult. The availability of long-term financing for the purchase of goods produced by the Company is still critical and the benchmark interest rate established by the Central Bank continues extremely high. The Company cannot guarantee that the credit lines and financing facilities will be available in the future. If the amount of credit available drops, or if there is a significant increase in interest rates, demand for products could be affected. To reduce the eventual risk of reduced credit, the Company created Banco Moneo S.A. Details on this are found in item 15 of his report.

The Administration has been pursuing strategies aimed at minimizing the risks inherent in market concentration, especially the domestic market. Increased exports and the installation of production units in major economic centers are important market and client expansion mechanisms. Exports to more than 80 countries together with operations in markets in which the Company has production units have been accounting for more than 50.0% of net consolidated income.

The economic growth rates of Brazil and of the Company's principal overseas markets could have an impact on the demand for the products produced and sold by Marcopolo. The government exerts a strong influence on Brazil's economy and as such, changes in monetary, fiscal and tax policies could affect Marcopolo's business, financial condition and results. To reduce these possible impacts, the company has diversified its markets and clients so that none represents more than 5.0% of sales.

Because of their saturated installations and non-competitive costs, Brazilian ports - one of the bottlenecks of the country's infrastructure - are a real threat to exports.

25.2 Sectorial Factors

Urban, interstate and international public transportation services are subject to specific legislation. Keeping in mind that most of Marcopolo's clients provide public transportation services and are subject to legislation, eventual changes in the rules of the game could affect the demand for buses. In Brazil, reduced fees for students and free transportation for the elderly, police, and justice officers, among others account for 35.0% of bus occupancy rates. This reduces income and the investment capacity of public transportation operators.

25.3 Internal Factors

Marcopolo's operational efficiency is the result of the use of technologies, methods and processes developed by the Company itself. This know-how could be copied by competitors 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.

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 sells its products with lien securities, real guarantees 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 by client, are established. The client portfolio is diversified and, geographically very well distributed. There are provisions for doubtful debts, technical assistance for products sold and loss of stock.

Marcopolo also has insurance policies for its products, buildings, equipment and installations, product responsibility, as well as credit insurance.

25.4 Tax, Labor and Civil Risks

The Company and its subsidiaries are involved in legal actions of a tax, labor and civil nature. These actions, which are still pending a final court decision, represent ordinary and routine complaints. However, there is always a chance that the court could rule against the Company, which could mean additional costs and cash outflows. Marcopolo normally makes provisions for legal actions that could end unfavorably for the Company. The Administration believes that any disbursement resulting from these legal actions will not have a material or permanent effect on the Company's assets, finances or results.

25.5 General Risks

The Administration does not foresee any other risks that could threaten the Company's existence.

People Management

26.1 Employee Satisfaction

Since its foundation in 1949, Marcopolo's entrepreneurial vision has been firmly based on values that that not only determine the conduct of its personnel in all levels, but also the human resources management policies that focus on all employees in the Company's units in Brazil and abroad.

In 2005, Guia Exame included Marcopolo, for the seventh straight year, on its list of Best Companies to Work For in Brazil. The Company was selected from a list of 488 companies.

Marcopolo's organizational climate survey showed an employee satisfaction index of 80.0%. The survey's results as well as the employees' written comments serve as references for the elaboration of improvements.

One of this year's highlights was the implementation of Marcopolo's Code of Conduct (available on the www.marcopolo.com.br website – Investor Relations Menu)). This code was very well accepted by employees who see in it a wav to foster relationships based on respect, trust and transparency – attributes that are essential to ensure the perpetuity of the companies that form part of Marcopolo.

26.2 Education and Training

Marcopolo considers training and education as investments. Specific technical training programs for each activity are developed in the company's several units to ensure that employees are fully capable of performing their jobs. The Marcopolo Corporate Education Center (CEMEC) graduated the fourth group of students that concluded its post-graduate Organizational Management Course administered together with the Business Administration School of Sao Paulo's Getulio Vargas Foundation. Scholarships help employees improve their educational level, which in turn increases their chances of improving their personal and professional lives.

26.3 Career and Succession

The Company's career plan is structured to promote the professional growth of its employees through the gradual acquisition of new competencies and the mastering of new abilities. Employees receive detailed information on the plan, and career opportunities at kiosks located throughout the production units and on the company's Intranet. The company prioritizes its own employees for positions that become available, and to this end is uses its Internal Recruitment Program. A Succession Process that identifies, evaluates and prepares professionals with the potential to be promoted is used to fill strategic functions in all of Marcopolo's companies.

26.4 Remuneration and Recognition

Up to a certain level, the wage system is composed by one part that is fixed and linked to competencies and abilities. Another part of the system is variable and is determined by the achievement of goals established in the Company's Profit Sharing Program. Periodic wage surveys are conducted to evaluate if salaries are aligned to regional standards, thus ensuring the company's competitiveness on the job market. The Merit of Honor Award (that recognizes the amount of time an employee has worked for Marcopolo), Employee Day (in honor of all professions), Father's Day and Mother's Day are ways of rewarding and recognizing the contribution of all employees. At the overseas units, local traditions are followed like the Olympics held by Superpolo (Colombia).

26.5 Stock Option and Share Subscription Plan

An extraordinary stockholders' assembly held Dec.22, 2005 approved the Stock Option Plan in accordance to the regulations that are available in the www.marcopolo.com.br, www.cvm.gov.br and www.bovespa.com.br websites.

The main objectives of the plan, whose participants are the executives of the Company and its subsidiaries and non-controlling statutory directors are: (i) align the interests of the participants with those of the shareholders; (ii) commit the participants to the Company's short, medium and long-term results; (iii) motivate and stimulate the participants' sense of property and commitment and (iv) attract and retain talents. The Administrative Council will monitor the Plan.

26.6 Quality of Life & Citizenship

In each Marcopolo unit there are specific programs aimed at improving the health and well being of its employees and their families. In Africa, for example there are AIDS prevention programs. In Brazil, the Programa Vida (Life Program), which is present in schools and the community, teaches the dangers of using drugs. The Marcopolo Foundation offers several leisure, sports and cultural activities that help improve quality of life. In the cities where the Company has industrial units, Marcopolo sponsors a series of activities aimed at fostering the social inclusion of children and teenagers in underprivileged communities.

26.7 Personnel

Number of Employees	2005	2004	2003	2002
Parent company	5,549	5,460	4,969	5,055
Subsidiaries in Brazil	3,015	2,882	2,428	2,092
Subsidiaries abroad	2,395	2,214	1.982	1,711
Total	**10,959**	**10,556**	**9,379**	**8,858**
Turnover rate (%) [1]	1.08	0.84	0.77	0.77

Note: [1] Parent Company.

27. Certifications

Marcopolo has the certifications of the norms that comprise the Integrated Management System, ISO 9.001, OHSAS 18.001, SA 8.000 and ISO 14.001.

28. Outlook for 2006

In view of the enormous challenges that had to be overcome during 2005, the Administration considers that it was a very encouraging year, despite the fact that not all expectations were met and that there is still a lot of room for improvements, which we will continue to pursue because our daily actions are guided by our slogan: "Think Ahead and Create the Future." As a result of the extremely adverse foreign exchange situation, Marcopolo had to adjust many of its traditional processes in order to end the year as a reinvigorated and strong company. As such it will continue to focus on the development and production of excellent bus bodies, comprising a complete line of vehicles manufactured with advanced technologies – light vehicles with greater resistance and durability, with more attractive designs and with permanent technical assistance. These factors will continue ensuring Marcopolo products the best possible resale value guaranteed by 56 uninterrupted years of activity. Considering the probable economic and political scenario of 2006 and the expectations in terms of exports and oversea business operations, the Administration approved a Consolidated Annual Budget that calls for the production of 16,500 units. This output that should result in a gross income of R$ 2.1 billion income and a net income of R$ 1.8 billion – 5.3% more than in 2005.

Net income and profitability in the first quarter of 2006 could be slightly less than the figures registered for the fourth quarter of 2005. This is due to the greater focus on the production of models with less added value and to chassis delivery irregularities. Greater exchange stability allowed the Company to finally reverse the trend marked by a drop in margins. The permanence of this condition together with the necessary and unavoidable price adjustments carried out during 2005 without the counterpart of increased costs, allows the Company to forecast a gradual improvement in results starting with the second quarter. To ensure its competitiveness, the Company will redouble its cost control and management efforts. Marcopolo is also rethinking and revising its industrial logic, especially in terms of purchases and production in its several oversea production units. An overvalued local currency makes it less expensive to produce overseas the parts and components used by the subsidiaries. Should the current situation remain unaltered, the Company will start importing several of the components needed by its factories in Brazil.

Marcopolo began the year with a solid portfolio of orders that was larger than historical levels but compromised, as already mentioned, by irregular deliveries of chassis. There is a cautious optimism on the domestic front due to expectations that the Central Bank will accelerate it reductions in the country’s benchmark interest rate and to an expected, though small, increase in demand. Demand is expected to remain stable overseas. Marcopolo continues studying new markets for its products in important regions of the world. Exports and mainly overseas business operations, the Company’s main pillars of its internationalization process, are the strategies that Marcopolo chose to consolidate its growth. In this respect it is worth underscoring that the current internationalization model calls for the increased manufacturing of components in each production site.

The Administration counts on the motivation and mobilization of its personnel to contribute to the Company’s growth in each locale and to the expansion of its overseas operations. It also knows it can count on this motivation to improve performance and, through the disciplined application of the Management of Value Added (MVA) philosophy, ensure a growing and sustainable return to shareholders.

It is important to underscore that over the past years, the growth of Brazilian exports was strongly influenced by the floating exchange rate policy implemented in early 1999. The attractive exchange rate that prevailed until the third quarter of 2004 helped reduce the uncertainties caused by economic instability on the domestic market, and stimulated investments and the search for new markets overseas. For Marcopolo it has always been clear that the success of its exports and of its efforts to conquer new markets depended on investments in human resources, as well as capital investments. But the viability of these investments requires a relative stability in the foreign exchange.

The economic policy's current configuration of inflationary targets and an unswerving commitment to stability based on high interest rates and the use of the exchange rate to control inflation could, in the medium term, lead to a sharp drop in exports of manufactured goods and to reduced domestic demand. If the government continues to allow the exchange rate to be determined exclusively by the free movement of capital in a scenario characterized by elevated international liquidity levels, (which could turn out to be temporary) facilitating the entry of speculative capital attracted by high interest rates, then the country will find it difficult to increase its exports of high added value products and as such will discourage new investments.

Among the relevant themes that require constant monitoring, the most important are: (i) the exchange rate factor that will determine export efforts; (ii) the unpredictability of the performance of the domestic economy that could be influenced by the general elections of 2006.; (iii) the availability of financing resources and repayment deadlines; (iv) increased public expenditures that inhibit investments in infrastructure projects; (v) the growing tax burden. The performance of capital good manufacturers, including those in the bus body sector, is very sensitive to these variables. Brazil has the highest interest rates in the world, a fact that inhibits the productive sector and dampens the dynamism of the business segment. This said, if the government fails to come up with economic policies that take the industrial sector into consideration, the country could become, in the near future, a big producer/exporter of commodities. This possibility is what validates the Company's growth strategy via its internationalization without the use of Brazilian raw materials, parts and components.

29. Acknowledgements

The company thanks its entire staff for its efforts, dedication and commitment that in 2005 once again served as the main pillar of support for the reversal of results and the continued success of the Company. It also wishes to thank its clients and shareholders for their choice, fidelity and confidence, and its suppliers, financial institutions, authorities and the community for their support.

The Administration.