(A free translation of the original in Portuguese)

Marcopolo S.A.
and Subsidiaries

Financial Statements
at December 31, 2008 and 2007
and Report of Independent Auditors

(A free translation of the original in Portuguese)

Report of Independent Auditors

To the Board of Directors and Stockholders
Marcopolo S.A.

1 We have audited the accompanying balance sheets of Marcopolo S.A. ("the Company") and the consolidated balance sheets of Marcopolo S.A. and its subsidiaries at December 31, 2008 and 2007 and the related statements of income, of changes in stockholders' equity, of cash flows and of value added of the Company and the related consolidated statements of income, of cash flows and of value added for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Company, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Marcopolo S.A. and Marcopolo S.A. and its subsidiaries at December 31, 2008 and 2007 and the results of operations, the changes in stockholders' equity, cash flows and the values added to the Company's operations, and the consolidated results of operations, cash flows and values added to the operations of the Company and its subsidiaries, for the year then ended, in accordance with accounting practices adopted in Brazil.

4 As mentioned in Note 2.1, in connection with the changes in the accounting practices adopted in Brazil during 2008, the financial statements for the previous year, presented for comparison purposes, were adjusted and have been restated as set forth in Accounting Standards and Procedures (NPC) No. 12 - Accounting Practices, Changes in Accounting Estimates and Correction of Errors.

5 Certain aspects of accounting practices adopted in Brazil differ from the International Financial Reporting Standards ("IFRS"). The nature of these differences and the corresponding impacts on stockholders' equity at December 31, 2008 and 2007 and the net results for the years then ended are presented in Note 27.

Caxias do Sul, March 2, 2009
Except for Note 27 which is dated
April 30, 2009

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RS

Carlos Biedermann
Contador CRC 1RS029321/O-4

Marcopolo S.A. and Subsidiaries

Balance Sheets at December 31

In thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
Assets	**2008**	**2007**	**2008**	**2007**
Current assets				
Cash and banks (Note 4)	54,713	53,212	87,831	146,879
Financial investments (Note 4)	146,296	254,926	346,520	348,646
Trade accounts receivable (Note 5)	419,193	286,596	687,299	549,613
Inventories (Note 6)	169,468	127,382	310,581	229,820
Taxes recoverable (Note 7)	146,092	130,075	173,497	147,817
Deferred income tax and social contribution (Note 17)	38,029	23,738	40,875	29,164
Dividends receivable		14,910		
Other accounts receivable	38,307	17,335	64,178	33,999
	1,012,098	908,174	1,710,781	1,485,938
Non-current assets				
Long-term receivables				
Financial investments (Note 4)			83	71,067
Related parties (Note 12)	1,278	25,469		
Taxes recoverable (Note 7)	1,004	905	2,940	943
Deferred income tax and social contribution (Note 17)	19,151	11,109	26,329	14,337
Judicial deposits (Note 15)	12,236	3,579	14,617	4,830
Trade accounts receivable (Note 5)		20	329,726	196,001
Other accounts receivable		237	291	674
	33,669	41,319	373,986	287,852
Investments (Note 8)	338,333	269,601	912	905
Property, plant and equipment (Note 9)	108,718	102,600	268,982	218,757
Intangible assets (Note 10)	65,764	43,523	68,794	44,259
Deferred charges (Note 11)			11,590	5,930
	512,815	415,724	350,278	269,851
Total assets	1,558,582	1,365,217	2,435,045	2,043,641

	Parent company		Consolidated	
Liabilities and stockholders' equity	**2008**	**2007**	**2008**	**2007**
Current liabilities				
Suppliers	105,372	141,279	188,833	197,195
Loans and financing (Note 14)	287,594	238,265	628,416	417,437
Salaries and vacation pay	50,813	49,108	62,506	59,383
Taxes and contributions payable	14,980	12,067	23,862	24,581
Related parties (Note 12)	1,415	18,353		5,726
Advances from customers	17,421	6,771	32,103	25,535
Commissioned representatives	14,253	7,449	22,937	15,983
Interest on own capital and dividends (Note 19)	59,810	75,020	59,810	75,020
Management profit sharing	7,074	6,561	7,074	6,561
Other accounts payable	38,911	34,424	92,386	75,319
	597,643	589,297	1,117,927	902,740
Non-current liabilities				
Loans and financing (Note 14)	216,294	136,068	551,703	473,059
Provision for contingencies (Note 15)	45,755	32,674	56,552	42,648
Benefits to employees (Note 16)	10,570	13,200	10,573	13,200
Other accounts payable	24		2,972	13,797
	272,643	181,942	621,800	542,704
Minority interest			11,809	7,836
Stockholders' equity				
Capital (Note 18)	450,000	450,000	450,000	450,000
Capital reserves	708	1,186	708	1,186
Revenue reserves	236,066	160,260	231,279	156,643
Treasury stock	(6,058)	(3,362)	(6,058)	(3,362)
Carrying value adjustments (Note 8)	7,580	(14,106)	7,580	(14,106)
	688,296	593,978	683,509	590,361
Total liabilities and stockholders' equity	1,558,582	1,365,217	2,435,045	2,043,641

The accompanying notes are an integral part of these financial statements.

Marcopolo S.A. and Subsidiaries

Statements of Income
Years Ended December 31
In thousands of reais, unless otherwise indicated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Gross sales and service revenues	1,906,889	1,649,901	3,024,210	2,467,020
Sales deductions				
Taxes on sales	(222,352)	(262,391)	(492,047)	(365,925)
Net sales and service revenues	1,684,537	1,387,510	2,532,163	2,101,095
Cost of sales and services	(1,384,395)	(1,209,987)	(2,058,094)	(1,758,510)
Gross profit	300,142	177,523	474,069	342,585
Operating expenses (income)				
Selling expenses	81,037	73,311	146,196	129,042
Management fees	8,330	7,600	8,330	7,600
Administrative expenses	43,583	35,867	92,120	71,805
Other operating expenses (income), net	(210)	7,632	(4,863)	(3,895)
Operating profit before equity results and financial income (expenses)	167,402	53,113	232,286	138,033
Results from investments				
Equity in the results of investees (Note 8)	31,016	56,238		
Amortization of goodwill	(6,645)	(2,989)	(6,645)	(2,989)
Financial result				
Financial expenses (Note 24)	(150,515)	(106,276)	(209,884)	(132,067)
Financial income (Note 24)	119,913	171,805	171,022	198,771
Income before taxation and profit sharing	161,171	171,891	186,779	201,748
Income tax and social contribution (Note 17)				
For the year	(56,499)	(37,079)	(84,920)	(66,287)
Deferred	38,018	16,241	40,605	19,407
Management profit sharing	(7,074)	(6,561)	(7,074)	(6,561)
Minority interest			(944)	(1,782)
Net income for the year	135,616	144,492	134,446	146,525
Net income per share - R$	0.608	0.646	0.603	0.655

The accompanying notes are an integral part of these financial statements.

Marcopolo S.A.

Statements of Changes in Stockholders' Equity

In thousands of reais (A free translation of the original in Portuguese)

		Capital reserves		Revenue reserves							
	Capital	**Investment subsidies**	**Gain on sales of treasury stock**	**Legal**	**For future capital increase**	**For payment of interim dividends**	**For purchase of own shares**	**Carrying value adjustments**	**Retained earnings (accumulated deficit)**	**Treasury stock**	**Total**
At December 31, 2006 (originally presented)	450,000	688	368	6,026	45,249	32,212	9,612			(2,524)	541,631
									(2,311)		(2,311)
At December 31, 2006 (adjusted)	450,000	688	368	6,026	45,249	32,212	9,612		(2,311)	(2,524)	539,320
Sale of treasury stock			130							1,642	1,772
Purchase of shares										(2,480)	(2,480)
Net income for the year											
Originally presented									130,262		130,262
Adjustments introduced by Law No. 11638/07 (Note 2.1)								(14,106)	14,230		124
Net income for 2007 (adjusted)								(14,106)	144,492		130,386
Appropriations:											
Legal reserve				6,514					(6,514)		
Interest on own capital and dividends											
Common shares - R$ 0.1543 per share									(13,178)		(13,178)
Preferred shares - R$ 0.1543 per share									(21,345)		(21,345)
Proposed dividends											
Common shares - R$ 0.1810 per share									(15,459)		(15,459)
Preferred shares - R$ 0.1810 per share									(25,038)		(25,038)
Reserve for future capital increase					34,110				(34,110)		
Reserve for payment of dividends						7,309			(7,309)		
Reserve for purchase of own shares							7,309		(7,309)		
Additional appropriation due to adjustments introduced by Law No. Law 11638/07				596	7,927	1,698	1,698		(11,919)		
At December 31, 2007 (adjusted)	450,000	688	498	13,136	87,286	41,219	18,619	(14,106)		(3,362)	593,978

Marcopolo S.A.

Statements of Changes in Stockholders' Equity

In thousands of reais (A free translation of the original in Portuguese)

		Capital reserves		Revenue reserves							
	Capital	**Investment subsidies**	**Gain on sales of treasury stock**	**Legal**	**For future capital increase**	**For payment of interim dividends**	**For purchase of own shares**	**Carrying value adjustments**	**Retained earnings (accumulated deficit)**	**Treasury stock**	**Total**
At December 31, 2007 (adjusted)	450,000	688	498	13,136	87,286	41,219	18,619	(14,106)		(3,362)	593,978
Sale of treasury stock			(478)							2,408	1,930
Purchase of shares										(5,104)	(5,104)
Exchange variation of investments abroad								21,686			21,686
Net income for the year									135,616		135,616
Appropriations:											
Legal reserve				6,780					(6,780)		
Interest on own capital											
Common shares - R$ 0.1543 per share									(14,280)		(14,280)
Preferred shares - R$ 0.1543 per share									(22,979)		(22,979)
Proposed dividends											
Common shares - R$ 0.1810 per share									(5,680)		(5,680)
Preferred shares - R$ 0.1810 per share									(9,139)		(9,139)
Complementary proposed dividends											
Common shares - R$ 0.0347 per share									(2,963)		(2,963)
Preferred shares - R$ 0.0347 per share									(4,769)		(4,769)
Reserve for future capital increase					53,731				(53,731)		
Reserve for payment of dividends						3,781			(3,781)		
Reserve for purchase of own shares							11,514		(11,514)		
At December 31, 2008	450,000	688	20	19,916	141,017	45,000	30,133	7,580		(6,058)	688,296

The accompanying notes are an integral part of these financial statements.

Marcopolo S.A. and Subsidiaries

Statements of Cash Flows – Indirect Method
Years Ended December 31
In thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Cash flows from operating activities				
Net income for the year	135,616	144,492	134,446	146,525
Adjustments to reconcile net income with cash generated by (used in) operating activities:				
Depreciation and amortization	29,981	19,639	47,869	33,409
Cost of permanent asset sales	8,379	743	13,797	5,699
Equity in the results of investees	(31,016)	(56,238)		
Allowance for doubtful accounts	5,764	6,842	14,267	1,306
Deferred income tax and social contribution	(38,018)	(16,421)	(40,605)	(19,407)
Interest and appropriated exchange variations	45,931	21,698	166,809	14,884
Cumulative translation adjustments			21,686	(14,106)
Exchange variation of subsidiaries abroad			(9,912)	3,587
Minority interest			3,973	541
Changes in assets and liabilities				
(Increase) decrease in trade accounts receivable	(138,341)	(49,252)	(276,678)	(310,062)
(Increase) decrease in other accounts receivable	(6,256)	(43,294)	(49,569)	(25,920)
(Increase) decrease in inventories	(42,086)	(27,547)	(80,761)	(36,514)
Increase (decrease) in suppliers	(35,907)	63,272	(8,362)	80,733
Increase (decrease) in accounts payable and provisions	13,680	64,897	8,959	100,753
Net cash provided by (used in) operating activities	(52,273)	128,831	(54,081)	(18,572)
Cash flows from investing activities				
Investments	(37,174)	(53,169)	(14,384)	(5,557)
Related parties	7,253	9,669	(5,726)	5,726
Dividends from subsidiaries	13,163	14,910		
Reversed dividends		(1,570)		
Purchases of property, plant and equipment	(58,738)	(38,456)	(110,322)	(105,007)
Pre-operating expenses in new units			(7,475)	
Non-current financial investment			70,984	(71,067)
Net cash used in investing activities	(75,496)	(68,616)	(66,923)	(175,905)
Cash flows from financing activities				
Loans and financing	530,503	566,192	1,114,379	1,057,384
Payment of loans and interest	(446,879)	(598,530)	(991,565)	(734,656)
Payment of dividends and interest on own capital	(59,810)	(75,020)	(59,810)	(75,020)
Treasury stock	(3,174)	(708)	(3,174)	(708)
Net cash provided by (used in) financing activities	20,640	(108,066)	59,830	247,000
Cash and cash equivalents at the beginning of the year	308,138	355,989	495,525	443,002
Cash and cash equivalents at the end of the year	201,009	308,138	434,351	495,525
Net increase (decrease) in cash and cash equivalents	(107,129)	(47,851)	(61,174)	52,523

The accompanying notes are an integral part of these financial statements.

Marcopolo S.A. and Subsidiaries

Statements of Value Added
Years Ended December 31
In thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Revenues	**1,917,083**	**1,642,941**	**3,027,565**	**2,473,288**
Goods and products sold and services rendered	1,906,889	1,649,901	3,024,210	2,467,020
Other revenues	15,958	(118)	17,622	7,574
Allowance for doubtful accounts	(5,764)	(6,842)	(14,267)	(1,306)
Inputs purchased from third parties (include State Value-Added Tax (ICMS) and Excise Tax (IPI))	**(1,505,198)**	**(1,373,592)**	**(2,337,808)**	**(1,982,316)**
Cost of products sold and services rendered	(1416,385)	(1,190,581)	(2,204,000)	(1,673,904)
Materials, energy, outsourced services and other	(66,420)	(164,832)	(110,829)	(288,970)
Loss/recovery of asset values	(22,393)	(18,179)	(22,979)	(19,442)
Gross value added	**411,885**	**269,349**	**689,757**	**490,972**
Depreciation, amortization and depletion	**29,981**	**19,639**	**47,869**	**33,409**
Net value added generated by the entity	**381,904**	**249,710**	**641,888**	**457,563**
Value added received through transfer	**150,929**	**228,043**	**171,022**	**198,771**
Equity in the results of investees	31,016	56,238		
Financial income	119,913	171,805	171,022	198,771
Total value added to distribute	**532,833**	**477,753**	**812,910**	**656,334**
Distribution of value added	**532,833**	**477,753**	**812,910**	**656,334**
Personnel	**283,647**	**237,147**	**413,876**	**335,117**
Direct remuneration	240,441	193,330	348,557	274,047
Benefits	26,089	29,646	43,271	38,084
Government Severance Indemnity Fund for Employees (FGTS)	17,117	14,171	22,048	22,986
Taxes and contributions	**(39,920)**	**(12,043)**	**50,704**	**40,379**
Federal	(5,076)	32,995	29,749	90,130
State	(34,920)	(45,321)	20,734	(50,189)
Municipal	76	283	221	438
Third-party remuneration	**153,490**	**108,157**	**213,884**	**134,313**
Interest	150,515	106,276	209,884	132,067
Rents	2,975	1,881	4,000	2,246
Interest on own capital and dividends	**135,616**	**144,492**	**134,446**	**146,525**
Interest on own capital	37,259	34,523	37,259	34,523
Dividends	22,551	40,497	22,551	40,497
Earnings reinvested	75,806	69,472	74,636	71,505

The accompanying notes are an integral part of these financial statements.

1 Operations

Marcopolo S.A. ("Marcopolo" or "the Company") is a limited liability company headquartered in Caxias do Sul, State of Rio Grande do Sul.

The Company's purpose is the manufacture and sale of buses, automotive vehicles, vehicle bodies, parts, agricultural and industrial machinery, imports and exports, and investments in other companies.

Sales are carried out in domestic and foreign markets through its subsidiaries or commercial representatives.

The Company's subsidiaries, as well as the names under which they can be identified in these financial statements, are the following:

- Banco Moneo S.A. ("Banco Moneo");
- Brasa Middle East FZE ("Brasa");
- Ciferal Indústria de Ônibus Ltda. ("Ciferal");
- GBB Auto S.A.E. ("GBB");
- Ilmot International Corporation ("Ilmot");
- Laureano S.A. ("Laureano");
- Loma Hermosa S/A ("Loma");
- Marcopolo Argentina S.A. ("Marsa");
- Marcopolo Auto Components Co Ltd. ("MAC");
- Marcopolo Indústria de Carroçarias S.A. ("MPC");
- Marcopolo International Corporation ("MIC");
- Marcopolo Latinoamérica S.A. ("Mapla");
- Marcopolo South Africa Pty Ltd. ("Masa");
- Marcopolo Trading S.A. ("Trading");
- Moneo Investimentos S.A. ("Moneo");
- MVC Componentes Plásticos Ltda. ("MVC");
- Polo Plastic Component ("Polo Plastic");
- Polo Serviços em Plásticos Ltda. ("Polo Serviços")
- Polomex S.A. de C.V. ("Polomex");
- Poloplast Componentes S.A. de C.V. ("Poloplast");
- Poloplast Painéis e Componentes Ltda. ("Painéis");
- Rotas do Sul Logística Ltda. ("Rotas do Sul");
- Russian Busses Marco ("Russian");

- San Marino Bus de México S.A. de C.V. ("San Marino México");
- San Marino Ônibus e Implementos Ltda. ("San Marino");
- Spheros Climatização do Brasil S.A. ("Spheros");
- Spheros México S.A. de C.V. ("Spheros México");
- Spheros Thermosystems Colombia Ltda. ("Spheros Colombia");
- Syncroparts Comércio e Distribuição de Peças Ltda. ("Syncro");
- Superpolo S.A. ("Superpolo");
- Tata Marcopolo Motors Limited ("Tata"); and
- WSul Espumas Indústria e Comércio Ltda. ("WSul").

2 Presentation of the Financial Statements

These financial statements were approved by the Company's Board of Directors on March 2, 2009.

The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, based on the provisions of Brazilian Corporation Law and rules of the Brazilian Securities Commission (CVM).

2.1 Alterations to the Brazilian Corporation Law

Law No. 11638 was enacted on December 28, 2007, and altered by Provisional Measure (MP) No. 449 of December 4, 2008, amending and introducing new provisions to Brazilian Corporation Law. The main purpose of this Law and MP was to amend the Brazilian Corporation Law to allow the process of convergence of the accounting practices adopted in Brazil with those included in the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). The application of this Law and MP is mandatory for the annual financial statements for the years that began on or after January 1, 2008.

The changes in the Brazilian Corporation Law had the following principal impacts on the Company's financial statements:

(a) Investments in marketable securities: trading and available for sale securities are now stated at fair value against results and stockholders' equity, respectively (Note 4).

(b) Adjustment to present value - trade accounts receivable and accounts payable to suppliers were adjusted to present value (Note 5).

(c) Derivative financial instruments - the Company began to record the derivative financial instruments at fair value (Note 20).

All amounts in thousands of reais unless otherwise indicated

(d) Financial leases - leased machinery and equipment were recorded in property, plant and equipment and the corresponding debt balance in "Loans and financing" (Note 2.2).

(e) Investments abroad - the exchange variation on investments is now recorded in the account "Carrying value adjustments", in stockholders' equity.

(f) Reclassifications - expenditures recorded in deferred charges related to the development of new products were reclassified to expenses.

(g) Stock option plan - the Company now recognizes the stock option plan as expense.

(h) Goodwill on the acquisition of investment in San Marino, acquired on January 31, 2007, and in Loma, acquired on December 21, 2007, was reclassified to the account "Intangible assets" (Note 10).

As permitted by the Brazilian Accounting Pronouncements Committee (CPC) pronouncement 13 - First-time adoption of Law No. 11638/07 and MP No. 449/08, the Company's management opted to restate the comparative figures to comply with the Accounting Standards and Procedures (NPC) No. 12 - Accounting Practices, Changes in Estimates and Correction of Errors.

The changes in accounting practices described above affected the stockholders' equity and the result for 2007 as presented below:

			Parent company
	Stockholders' equity		
	December 31, 2007	**December 31, 2006**	**Result for 2007**
Balance originally presented	596,165	541,631	130,262
Adjustments introduced by Law No. 11638/07			
Adjustment to present value - trade accounts receivable	(5,313)	(3,889)	(1,424)
Adjustment to present value - accounts payable to suppliers	784	388	396
Financial leases	1,051		1,051
Write-off of deferred charges	(66)		(66)
Exchange variation on investments abroad			14,106
Deferred income tax and social contribution	1,357	1,190	167
Adjusted balance (parent company)	593,978	539,320	144,492

Consolidated

All amounts in thousands of reais unless otherwise indicated

	Stockholders' equity		
	December 31, 2007	**December 31, 2006**	**Result for 2007**
Adjusted balance (parent company)	593,978	539,320	144,492
Adjustments to reconcile the stockholders' equity of the parent company with the consolidated stockholders' equity			
Realization of gains obtained by the parent company from transactions with subsidiaries, net of income tax and social contribution			5,650
Elimination of gains obtained by the parent company from transactions with subsidiaries, net of income tax and social contribution	(3,617)	(5,650)	(3,617)
Adjusted balance (consolidated)	590,361	533,670	146,525

2.2 Description of the principal accounting practices adopted

The principal accounting practices adopted in the preparation of these financial statements are described below:

(a) Determination of net income

Net income is determined on the accrual basis of accounting.

(b) Accounting estimates

Accounting estimates are based on objective and subjective factors, according to management's judgment, to determine the appropriate amount to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the residual value of property, plant and equipment, the allowance for doubtful accounts, inventories, deferred income tax assets, provision for contingencies, valuation of liability derivative instruments related to employee benefits. The settlement of transactions involving these estimates may result in different amounts due to inaccuracies inherent to the process of their determination. The Company reviews the estimates and assumptions at least once a year.

(c) Foreign currency

Monetary assets and liabilities denominated in foreign currencies were translated into Brazilian reais using the foreign exchange rate on the balance sheet date. Differences arising from the conversion of currency are recognized in the statement of income. For investee companies located abroad, their assets and liabilities are translated into reais using the exchange rate on the balance sheet date.

(d) Cash and cash equivalents

These comprise cash, bank deposits, short-term investments with high liquidity and immaterial risk of change in value, and overdraft accounts limits. The overdraft account balance used is included in loans, as current liabilities, and in cash and cash equivalents for statements of cash flows purposes.

(e) Financial instruments

Classification and measurement

The Company classifies its financial assets according to the following categories: measured at market value through results, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets when first recorded.

Financial assets measured at fair value through results

These are financial assets held for active and frequent trading. Derivatives are also classified as held for trading, unless they have been designated as hedge instruments. These assets are classified as current assets. Gains or losses arising from changes in fair value of financial assets measured at fair value through results are recorded in the statements of income in "financial result" in the period they occur, unless the instrument has been contracted in connection with another instrument. In this case, the variations are recognized in the same item in the statements of income affected by this latter instrument.

Loans and receivables

These comprise loans granted and receivables which are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. Loans and receivables are included in current assets, except for those with maturity of more than 12 months after the balance sheet date (these are classified as non-current assets). The Company's loans and receivables comprise loans granted to associated companies, trade accounts receivable, other accounts receivable and cash and cash equivalents, excluding short-term investments. Loans and receivables are recorded at amortized cost, based on the effective interest rate method.

Assets held to maturity

These are basically financial assets that cannot be classified as loans and receivables, because they are quoted in an active market. In this case, these financial assets are acquired with the purpose and financial ability of being held in the portfolio up to their maturity. They are evaluated at the acquisition cost, plus earnings obtained with a corresponding entry to income for the year, based on the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives classified in this category or those which are not classified in any other. They are included in non-current assets, unless management intends to sell the investment within 12 months after the balance sheet date. Available-for-sale financial assets are recorded at fair value. Interest on available-for-sale securities, calculated based on the effective interest rate method, is recognized in the statements of income as financial income. The amount relating to changes in fair value is recorded in stockholders' equity, in carrying value adjustments, and is realized in results when the asset is sold or becomes impaired.

Fair value

Fair values of investments with public quotations are based on current purchase prices. For financial assets without an active market or public quotation, the Company determines fair value through valuation techniques, which consist of the use of recent transactions with third parties, the reference to other substantially similar instruments, the analysis of discounted cash flows and option pricing models which make the greatest use possible of information from the market and the least use possible of information from Company management.

The Company evaluates, at the balance sheet date, if there is objective evidence that a financial asset or a group of financial assets is overstated (impaired) in relation to its recoverable value. If there is such evidence for available-for-sale financial assets, the cumulative loss - calculated as the difference between the acquisition cost and current market value minus any impairment loss of this financial asset previously recognized in results - is transferred from equity to the statement of income.

(f) Derivative instruments and hedge activities

Initially, derivatives are recognized at fair value at the date when the derivative agreement is signed and subsequently recalculated at their fair value, with the changes in fair value recorded in the result, except when the derivative is designated as a hedge of cash flows.

Although the Company uses derivatives for protection, it does not apply hedge accounting.

The fair value of derivative instruments is disclosed in Note 20.

(g) Trade accounts receivable

Trade accounts receivable are initially stated at present value, net of the allowance for doubtful accounts. The allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to realize the amounts due in accordance with the original terms of the accounts receivable. The amount of the allowance is the difference between the book value and the recoverable value.

The present value is calculated based on the effective interest rate of installment sales. This rate is compatible with the nature, term and risks of similar transactions under normal market conditions. The rate, at December 31, 2008, corresponds to approximately 8.8% p.a. (Note 5).

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the Weighted Moving Average method. The costs of finished products and work in process comprise raw materials, direct labor, other direct costs and related general production expenses (based on the normal operational capacity), except for borrowing costs. The net realizable value is the estimated sales price in the normal course of business, net of the execution costs and selling expenses. Imports in transit are stated at the accumulated cost of each import (Note 6).

(i) Deferred income tax and social contribution

Deferred taxes are calculated on income tax and social contribution losses and the temporary differences between the tax calculation bases of assets and liabilities and the respective book values in the financial statements. The currently defined tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred tax assets (Note 17).

Deferred tax assets are recognized to the extent that it is probable sufficient future taxable profit will be available to offset temporary differences and/or tax losses, considering projections of future income based on internal assumptions and future economic scenarios which may, therefore, suffer changes.

(j) Other current and non-current assets

These assets are stated at cost or net realizable values including accrued earnings, as well as monetary and foreign exchange rate variations, when applicable.

(k) Investments in subsidiary and associated companies

Cost and/or equity value

Investments in subsidiary and associated companies are recorded based on the equity accounting method, recognized in results as operating income (or expense). In the event of exchange variation on investments in associated and subsidiary companies abroad, changes in the value of an investment exclusively arising from the exchange variation are recorded in the account "Carrying value adjustments", in stockholders' equity, and will be recorded in results only when the investment is sold or written down as a loss. To calculate equity in the results, unrealized gains or transactions between the Company and its associated and similar companies are eliminated proportionately to the Company's interest; unrealized losses are also eliminated, unless the transaction provides evidence of permanent loss (impairment) of the asset transferred.

When necessary, the accounting practices of the subsidiary and associated companies are altered to be consistent with the practices adopted by the Company.

Goodwill

Goodwill on the acquisition of an investment is calculated as the difference between the purchase amount and book value of the stockholders' equity of the company acquired. Goodwill recorded in intangible assets based on expected future profitability was amortized up to December 31, 2008 (Note 10).

(l) Property, plant and equipment

These are stated at acquisition, formation or construction cost. Depreciation is calculated on the straight-line method, in accordance with the rates disclosed in Note 9. Land is not depreciated.

Gains and losses on sales are determined by comparing the sales amounts with the book value and are included in the result. When the revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

The costs of charges on borrowings used to finance the construction of property, plant and equipment are capitalized during the period necessary to construct and prepare the asset for the intended use.

Repairs and maintenance costs are allocated to results during the period in which they are incurred. The cost of major renovations is included in the book value of the asset when it is probable that future economic benefits which exceed the performance standard initially evaluated for the existing asset will be obtained by the Company. Major renovations are depreciated over the remaining useful life of the related asset.

**Analysis on the recoverable value
and determination of economic useful life**

Item II of paragraph 3 of article 183 of Law No. 6404/76, complemented by Law No. 11638/07, and Provisional Measure No. 449/08, establishes that the Company must periodically analyze the recoverable values of property, plant and equipment and intangible assets, in addition to reviewing and adjusting the criteria used for the determination of estimated economic useful life and calculation of depreciation and amortization.

However, CPC Pronouncement 13 - First-time adoption of Law No. 11638/07 makes an exception, stating that the first of the aforementioned periodical analyses can be carried out up to the end of the fiscal year beginning on January 1, 2009. Accordingly, the Company intends to carry out the analyses, reviews and adjustments as from the year ending December 31, 2009.

(m) Intangible assets

Research and development

Research expenditures are recognized as expenses when incurred.

Computer programs (software)

Software licenses acquired are capitalized and amortized over their estimated useful life, at the rates described in Note 10.

Costs of software development or maintenance are expensed as incurred. Expenditures directly associated with identifiable and unique software, controlled by the Company and which will probably generate economic benefits greater than the costs for more than one year, are recognized as intangible assets. Expenditures for development of software recognized as assets are amortized using the straight-line method over the useful lives, at the rates described in Note 10.

Other intangible assets

The acquisition costs of patents, trademarks, licenses and exploration rights are capitalized and amortized using the straight-line method over the useful lives, at the rates described in Note 10.

(n) Deferred charges

Deferred charges, comprising pre-operating expenses, are amortized in up to ten years.

(o) Impairment of assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed to identify evidence of impairment annually, and also whenever events or alterations in circumstances indicate that the book value may not be recoverable. In this case, the recoverable value is calculated to verify if there is any loss. In the event of a loss, it is recognized at the amount by which the book value of the asset exceeds its recoverable value, which is the higher between the net sales price and the value in use of an asset.

(p) Leases

Leases of property, plant and equipment in which the Company substantially assumes all ownership risks and benefits are classified as financial leases. These financial leases are recorded as a financed purchase, recognizing at the beginning of the lease a property, plant and equipment item and a financing liability (lease). Property, plant and equipment acquired in finance leases are depreciated at the rates defined in Note 9.

(q) Current and long-term liabilities

These liabilities are stated at known or estimated amounts including, when applicable, accrued charges and monetary and/or exchange variations incurred through the balance sheet date.

(r) Provisions

A provision is recorded in the balance sheet when there is a legal or presumed present obligation as a result of a past event, and it is probable that financial resources will be required to settle the obligation. The provisions are recorded based on the best estimates of the risks involved.

(s) Employee benefits

Pension obligations

The liability related to the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the market value of the plan assets, adjusted for actuarial gains or losses and costs of past service. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by estimating the future cash outflow using the interest rates of government bonds with maturities approximating those of the related liability.

The actuarial gains and losses arising from changes in actuarial assumptions and amendments in the pension plans are charged or credited to results according to the average remaining service period of the related employees.

For the defined contribution plans, the Company pays contributions to pension plans administered publicly or privately on compulsory, contractual or voluntary bases. When the contributions have been made, the Company has no obligations related to additional payments. The regular contributions comprise net periodic costs of the period in which they are due and therefore are included in the personnel costs.

Termination benefits

Termination benefits are paid when the employment relationship is terminated before the normal date of retirement or whenever an employee accepts voluntary termination in exchange for these benefits. The Company recognizes the termination benefits when it is clearly committed to the termination of the employment relationship according to a formal and detailed plan without the possibility of withdrawal, or when termination benefits are granted due to a voluntary dismissal offer.

Profit sharing and bonuses

Profit sharing and bonuses are normally recognized at the end of the year, when the amount can be accurately calculated by the Company.

Share-based remuneration

The Company offers to its employees and executives share-based remuneration plans, to be settled in Company stock, according to which the Company receives services in exchange for stock purchase options. The fair value of options granted is recognized as an expense during the period in which the right is obtained, i.e., the period during which specific vesting conditions must be met. At the date of the balance sheet, the Company revises the estimated number of options which will vest and subsequently recognizes the impact of the change in initial estimates, if any, in the statement of income against stockholders' equity on a prospective basis.

(t) Income tax and social contribution on net income

Current and deferred income tax and social contribution are calculated based on the current rates of income tax and social contribution.

Deferred tax assets arising from income tax and social contribution losses and temporary differences are recorded in accordance with current rates and legislation at the date of the preparation of these financial statements and take into consideration the history of profitability and expectation of the generation of future taxable income based on a technical feasibility study (Note 17).

(u) Borrowings

Borrowings are initially recognized at fair value, upon receipt of funds, net of transaction costs. Subsequently, the borrowings are presented at amortized cost, that is, plus charges and interest in proportion to the period elapsed ("pro rata temporis").

(v) Interest on own capital

Interest on own capital is firstly recorded as a financial expense and is then reversed in the statement of income and stated as an appropriation of retained earnings in the statements of changes in stockholders' equity. For tax purposes, interest on own capital is treated as a financial expense, thus reducing the income tax and social contribution calculation basis.

All amounts in thousands of reais unless otherwise indicated

(w) Exclusive investment funds

In order to provide more transparency to the information in the financial statements, the balances and transactions relating to funds in which the Company is the only quotaholder are included on a consolidated basis.

(x) Revenue recognition

Revenue comprises the present value of goods and services sold in the normal course of business, and is calculated on the accrual basis of accounting. Sales revenue is recognized when: (i) the sales value can be accurately calculated; (ii) costs incurred or to be incurred related to the sale can be accurately calculated; (iii) it is probable that the Company will obtain economic benefits; and (iv) significant risks and benefits of ownership of goods are transferred to the purchaser.

Revenue from royalties is recognized on the accrual basis of accounting, in accordance with the substance of the related agreements. Interest income is recognized in proportion to the time elapsed, taking into consideration the outstanding principal and the effective rate during the period up to maturity, when this revenue will be credited to the Company.

3 Consolidated Financial Statements

The accounting policies were uniformly applied in all consolidated companies and are consistent with those used in the prior year.

The consolidated financial statements include those of Marcopolo S.A. and of the following subsidiaries and jointly-owned subsidiaries:

	Percentage holding			
	2008		**2007**	
	Direct	**Indirect**	**Direct**	**Indirect**
Subsidiaries				
Banco Moneo		100.00		100.00
Brasa (*)		100.00		100.00
Ciferal	99.99	0.01	99.99	0.01
Ilmot (*)	100.00		100.00	

All amounts in thousands of reais unless otherwise indicated

	Percentage holding			
	2008		2007	
	Direct	Indirect	Direct	Indirect
Laureano (*)		100.00		100.00
MAC (*)	100.00		100.00	
MPC (*)		100.00		100.00
MIC (*)		100.00		100.00
Mapla (*)	99.99	0.01	99.99	0.01
Marsa (*)	90.00	10.00		
Masa (*)		100.00		100.00
Trading	99.99	0.01	99.99	0.01
MVC			99.99	0.01
Moneo	100.00		100.00	
Polo Serviços	99.00	1.00	99.00	1.00
Polomex (*)	3.61	70.39	3.61	70.39
Poloplast (*)		100.00		100.00
Painéis	100.00			
Syncroparts	99.99	0.01	99.99	0.01
Jointly-controlled subsidiaries				
Loma (*)	33.00			
MVC	46.00			
Polo Plastic (*)		50.00		50.00
Russian (*)		50.00		50.00
San Marino	39.59		39.59	
Rotas do Sul		39.59		39.59
San Marino México (*)		39.59		39.59
Spheros	40.00		40.00	
Spheros Colômbia (*)		40.00		40.00
Spheros México (*)		40.00		40.00
Superpolo (*)		50.00		50.00
Tata (*)	49.00		49.00	
WSul	30.00		30.00	
GBB (**)	49.00			

(*) Subsidiaries abroad
(**) This company will operate in the Egyptian market and, up to December 31, 2008, there had been no capital contributions.

All amounts in thousands of reais unless otherwise indicated

	Percentage holding			
	2008		2007	
	Direct	Indirect	Direct	Indirect
Exclusive Investment Funds				
Fundo de Investimento Paradiso Multimercado	100.00		100.00	
FIDC Marcopolo Financeiro	100.00		100.00	

The following main practices are adopted in the preparation of the consolidated financial statements:

(a) Intercompany balances are eliminated on consolidation.

(b) Investments in capital, reserves and retained earnings of subsidiaries are eliminated.

(c) Intercompany revenues and expenses, as well as unrealized profits on intercompany transactions, are eliminated. Unrealized losses are also eliminated but only when there is no evidence of difficulties in the recovery of the related assets.

(d) Taxes on unrealized profit are eliminated and presented as deferred taxes in the consolidated balance sheet.

(e) The minority interest amounts are shown separately in the consolidated financial statements.

(f) The financial statements of Superpolo, Polo Plastic, Russian, WSul, San Marino, Spheros, Tata, Loma and MVC are consolidated in proportion to the investment in their capital. The amounts of the main balances in the financial statements of these companies are as follows:

	Superpolo		Polo Plastic		Russian	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	60,910	67,781	11,010	7,241	32,550	29,920
Non-current assets						
Long-term receivables	54					
Property, plant and equipment and intangible assets	41,892	33,123	5,716	1,499	5,112	3,150
Total assets	102,856	100,904	16,726	8,740	37,662	33,070
Liabilities and stockholders' equity						
Current liabilities	64,462	73,374	9,288	2,830	62,956	31,580

All amounts in thousands of reais unless otherwise indicated

	Superpolo		**Polo Plastic**		**Russian**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Non-current liabilities						
Long-term liabilities	13,724	6,180			212	
Stockholders' equity	24,670	21,350	7,438	5,910	(25,506)	1,490
Total liabilities and stockholders' equity	102,856	100,904	16,726	8,740	37,662	33,070
Statements of operations						
Net operating revenue	109,970	126,392	19,948	19,764	41,920	7,942
Gross profit (loss)	14,920	15,780	726	3,372	(13,112)	(2,028)
Operating profit (loss)	498	1,216	260	2,326	(25,814)	(3,858)
Profit (loss) before taxation	474	1,078	246	2,230	(26,406)	(3,450)
Income tax and social contribution	(144)	130		(426)		832
Net income (loss) for the year	330	1,208	246	1,804	(26,406)	(2,618)

	WSul		**San Marino**		**Spheros**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Assets						
Current assets	3,071	3,020	85,173	100,965	26,988	22,729
Non-current assets						
Long-term receivables			5,044	65		328
Property, plant and equipment and intangible assets	4,843	5,454	52,665	46,100	4,578	2,388
Total assets	7,914	8,474	142,882	147,130	31,566	25,445
Liabilities and stockholders' equity						
Current liabilities	823	2,747	99,661	91,011	13,158	10,768
Non-current liabilities						
Long-term liabilities	97		31,354	45,052		
Stockholders' equity	6,994	5,727	11,867	11,067	18,408	14,677
Total liabilities and stockholders' equity	7,914	8,474	142,882	147,130	31,566	25,445
Statements of operations						
Net operating revenue	15,253	5,360	246,181	193,487	68,635	61,707
Gross profit	3,830	690	42,172	41,283	16,433	12,789
Operating profit (loss)	1,770	(373)	2,099	5,459	10,948	6,856
Profit (loss) before taxation	1,770	(373)	2,096	5,459	10,948	6,870
Income tax and social contribution	(503)		218	(765)	(4,383)	(2,551)
Net income (loss) for the year	1,267	(373)	2,314	4,694	6,565	4,319

All amounts in thousands of reais unless otherwise indicated

	Tata		Loma(1)		MVC(2)	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Assets						
Current assets	25,131	14,450	45,728		23,934	
Non-current assets						
Long-term receivables			3,404		6,556	
Property, plant and equipment and intangible assets	100,749	26,401	20,191		24,946	
Total assets	125,880	40,851	69,323		55,436	
Liabilities and stockholders' equity						
Current liabilities	70,033	15,048	18,081		26,351	
Non-current liabilities						
Long-term liabilities	38,416		5,057		11,555	
Stockholders' equity	17,431	25,803	46,185		17,530	
Total liabilities and stockholders' equity	125,880	40,851	69,323		55,436	
Statements of operations						
Net operating revenue	11,610	505	104,506		11,283	
Gross profit (loss)	(4,259)	(1,143)	25,888		(248)	
Operating profit (loss)	(8,769)	(1,153)	16,404		(3,920)	
Profit (loss) before taxation	(10,149)	(1,153)	18,237		(3,909)	
Income tax and social contribution			(5,352)		4,516	
Net income (loss) for the year	(10,149)	(1,153)	12,885		607	

(1) This company was incorporated and was proportionally consolidated as from the first quarter of 2008.

(2) This company was proportionally consolidated as from the fourth quarter of 2008.

The reconciliation of net income for the year and stockholders' equity is as follows:

All amounts in thousands of reais unless otherwise indicated

	Net income for the year		Stockholders' equity	
	2008	**2007**	**2008**	**2007**
Parent company	135,616	144,492	688,296	593,978
Realization of profits recorded by the parent company in transactions with subsidiaries, net of income tax and social contribution	3,617	5,650		
Elimination of the profits recorded by the parent company in transactions with subsidiaries, net of income tax and social contribution	(4,787)	(3,617)	(4,787)	(3,617)
Consolidated	134,446	146,525	683,509	590,361

4 Cash and Banks and Financial Investments

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Current				
Cash and banks				
In Brazil	54,713	53,212	71,883	69,155
Abroad			15,948	77,724
	54,713	53,212	87,831	146,879
Cash equivalents				
In Brazil	146,296	254,926	208,483	299,751
Abroad			123,766	37,076
FIDC - Marcopolo Financeiro			14,271	11,819
	146,296	254,926	346,520	348,646
Total current	201,009	308,138	434,351	495,525
Non-current				
Financial investments - held for trading				
In Brazil			83	
Abroad				71,067
Total non-current			83	71,067
	201,009	308,138	434,434	566,592

All amounts in thousands of reais unless otherwise indicated

The financial investments mainly refer to bank deposit certificates and fixed income funds, remunerated at rates that vary from 100.00% to 104.5% of the Interbank Deposit Certificate (CDI) interest rate, resulting in a weighted average of 101.14% of CDI. Financial investments abroad are remunerated at the average rate of 3.90% per annum (p.a.) plus the U.S. dollar exchange variation. The banks managing these funds are considered prime institutions.

The amounts invested in the quotas of the financial investment fund correspond to the Marcopolo Credit Rights Investment Fund (Senior quotas). The objective of the Fund is to provide gains to its quotaholders through the definitive purchase of credit rights and without any kind of co-obligation by the assignors.

5 Trade Accounts Receivable

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Current assets				
Domestic market	258,144	204,676	303,196	308,858
Foreign market	187,135	102,982	259,363	166,681
FIDC - Marcopolo Financeiro			33,517	36,188
Interbank accounts			139,967	73,460
Less:				
Adjustment to present value	(3,839)	(4,579)	(4,215)	(5,312)
Allowance for doubtful accounts	(22,247)	(16,483)	(44,529)	(30,262)
	419,193	286,596	687,299	549,613
Non-current assets				
Domestic market		20		20
Foreign market			6,699	7,590
Interbank accounts			323,027	188,391
		20	329,726	196,001
	419,193	286,616	1,017,025	745,614

The Marcopolo Credit Rights Investment Fund (the Assignee) was formed through a private instrument of commitment for the assignment and purchase of credit rights and other covenants, together with BEM Distribuidora de Títulos e Valores Mobiliários Ltda. (Administrator), Banco Moneo S.A. (Assignor) and Banco Bradesco S.A. (Custodian).

All amounts in thousands of reais unless otherwise indicated

Interbank accounts refer to financing for acquisition of buses granted by Banco Moneo through the Government Agency for Machinery and Equipment Financing (Finame) program.

6 Inventories

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Finished products	40,003	20,998	54,305	29,540
Work in process	17,166	10,605	37,421	25,826
Raw and auxiliary materials	105,545	88,265	205,737	155,682
Advances to suppliers and others	7,656	8,499	15,282	20,297
Provision for losses on inventories	(902)	(985)	(2,164)	(1,525)
	169,468	127,382	310,581	229,820

7 Taxes and Contributions Recoverable

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Current:				
Corporate Income Tax (IRPJ)	43,998	61,163	50,056	63,035
Social Contribution on Net Income (CSLL)	20,044	17,621	22,395	17,895
Excise Tax (IPI)	4,550	6,690	5,709	8,166
State Value-added Tax on Sales and Services (ICMS)	58,465	28,515	59,161	30,665
Social Integration Program (PIS)	4,089	3,349	4,485	3,973
Social Contribution on Revenues (COFINS)	13,834	12,737	14,512	14,680
Other	1,112		17,179	9,403
	146,092	130,075	173,497	147,817
Non-current:				
ICMS	1,004	905	2,940	943
	147,096	130,980	176,437	148,760

All amounts in thousands of reais unless otherwise indicated

8 Investments

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
In subsidiary and jointly-controlled subsidiaries	337,606	268,857		
Other investments	727	744	912	905
	338,333	269,601	912	905

All amounts in thousands of reais unless otherwise indicated

Investments in subsidiaries and jointly-controlled subsidiaries are shown below:

	Subsidiaries											Jointly-controlled subsidiaries						Total	
	Ciferal	Ilmot (2)	Mac (1)	Mapla (1)	Marsa (1)	Moneo	Polo	Polomex (2)	Painéis	Syncro-parts	Trading	Loma (1)	MVC	San Marino	Spheros	Tata	WSul	2008	2007
Investments data																			
Capital	20,000	35,977	4,309	1,344	498	75,000	500	20,591	10,989	4,000	1,000	32,097	34,011	13,718	3,300	28,812	6,100		
Adjusted stockholders'/ quotaholders' equity	65,582	49,368	4,310	37,796	248	97,893	7,412	44,232	5,849	12,566	9,484	46,184	17,530	11,391	18,408	17,430	6,995		
Shares or quotas held	499,953	50,000	1	4,000	736,000	75,000	1	3,011,659	1	1	3,450,103	15,949,948	1	6,578,738	244,898	24,500	1,830,000		
Percentage holding	99.99	100.00	100.00	99.99	90.00	100.00	99.00	3.61	99.999	99.99	99.99	33.00	46.00	39.59	40.00	49.00	30.00		
Net income (loss) for the year	11,221	4,438	(18)	4,475	(250)	11,376	508	3,726	(5,747)	1,003	1,660	12,885	279	1,990	6,565	(10,150)	1,268		
Changes in investments																			
Opening balances:	63,361	33,179	458	27,749		64,219	6,835	1,041	10,989	11,563	7,826		17,089	4,307	5,879	12,644	1,718	268,857	221,790
Adjustments - Law No. 11638 of 2007																			371
Reclassification of goodwill to intangible assets																			
Payment of capital			2,752			25,000												27,752	
Acquisition of investment					445							9,032						9,477	18,237
Transfers															(38)			(38)	38
Dividends received	(9,000)					(2,702)					(413)				(1,048)			(13,163)	(14,910)
Reversal of dividends																			1,570
Equity in the earnings (loss)	11,221	4,438	(18)	4,474	(222)	11,376	502	39	(4,632)	1,002	1,660	3,697	(1,044)	397	2,570	(4,824)	380	31,016	55,867
Cummulative translation adjustments		11,751	1,118	5,573				517	(508)			2,513				722		21,686	(14,106)
Capital decrease													(7,981)					(7,981)	
Closing balances:																			
Net equity	65,582	49,368	4,310	37,796	223	97,893	7,337	1,597	5,849	12,565	9,073	15,242	8,064	4,704	7,363	8,542	2,098	337,606	268,857

(1) Subsidiary abroad

(2) After CPC 2 "Effects of Changes in Exchange Rates and Translation of Financial Statements" came into force, the subsidiary began to use the U.S. dollar as its functional currency.

All amounts in thousands of reais unless otherwise indicated

9 Property, Plant and Equipment

(a) Summary of changes in property, plant and equipment - parent company

	Land	Buildings and constructions	Machinery and equipment	Furniture and fixture	IT equipment	Vehicles	Other	Construction in progress	Total
At December 31, 2006	10,038	32,333	31,600	1,929	2,347	695	95	2,396	81,433
Acquisition	2,537	1,778	9,223	501	1,026	649	371	21,239	37,324
Disposal		(4)	(132)	(70)	(372)	(52)	(18)	(43)	(691)
Transfer		3,664	1,839	(50)	23			(5,476)	
Depreciation		(3,648)	(10,580)	(349)	(339)	(201)	(349)		(15,466)
At December 31, 2007	12,575	34,123	31,950	1,961	2,685	1,091	99	18,116	102,600
Cost of PP&E	12,575	88,595	91,504	4,738	9,216	2,845	99	18,116	227,688
Accumulated depreciation		(54,472)	(59,554)	(2,777)	(6,531)	(1,754)			(125,088)
Net book value	12,575	34,123	31,950	1,961	2,685	1,091	99	18,116	102,600
At December 31, 2007	12,575	34,123	31,950	1,961	2,685	1,091	99	18,116	102,600
Acquisition	311	3,668	15,911	481	1,700	654		219	22,944
Disposal		(31)	(156)	(81)	(49)	(71)	(1)	(9)	(398)
Transfer									
Depreciation		(4,016)	(10,679)	(369)	(970)	(394)			(16,428)
At December 31, 2008	12,886	33,744	37,026	1,992	3,366	1,280	98	18,326	108,718
Cost of PP&E	12,886	92,214	105,556	5,019	10,577	3,149	98	18,326	247,825
Accumulated depreciation		(58,470)	(68,530)	(3,027)	(7,211)	(1,869)			(139,107)
Net book value	12,886	33,744	37,026	1,992	3,366	1,280	98	18,326	108,718
Annual depreciation rates (*) %	0% p.a.	4% p.a.	10% p.a.	10% p.a.	20% p.a.	20% p.a.	20% p.a.	0% p.a.	

All amounts in thousands of reais unless otherwise indicated

(b) Summary of changes in property, plant and equipment - consolidated

	Land	Buildings and constructions	Machinery and equipment	Furniture and fixture	IT equipment	Vehicles	Other	Construction in progress	Total
At December 31, 2006	17,080	55,100	69,534	2,759	2,425	2,862	7,824	9,030	166,614
Exchange effect	(190)	(2,444)	(637)	(82)	(72)	(78)	(84)		(3,587)
Acquisition	1,628	22,627	23,323	2,140	3,447	1,109	2,918	32,129	89,321
Disposal		(1,065)	(1,480)	(70)	(27)	(53)	(2,931)		(5,626)
Transfer		3,673	1,850					(5,523)	
Depreciation		(4,472)	(14,688)	(575)	(950)	(663)	(6,617)		(27,965)
At December 31, 2007	18,518	73,399	77,902	4,172	4,823	3,177	1,130	35,636	218,757
Cost of PP&E	18,518	143,858	182,111	9,114	14,311	6,810	1,657	35,636	412,015
Accumulated depreciation		(70,459)	(104,209)	(4,942)	(9,488)	(3,633)	(527)		(193,258)
Net book value	18,518	73,399	77,902	4,172	4,823	3,177	1,130	35,636	218,757
At December 31, 2007	18,518	73,399	77,902	4,172	4,823	3,177	1,130	35,636	218,757
Exchange effect	28	4,505	2,358	132	33	235	756	1,865	9,912
Acquisition	2,063	6,769	40,841	2,730	503	3,076	17,076	11,749	84,807
Disposal		(93)	(3,948)	(680)	(339)	(492)	(2,429)	(5,441)	(13,422)
Transfer	(200)	200					(201)	201	
Depreciation		(7,297)	(18,128)	(1,571)	(1,128)	(1,139)	(1,809)		(31,072)
At December 31, 2008	20,409	77,483	99,025	4,783	3,892	4,857	14,523	44,010	268,982
Cost of PP&E	20,409	153,248	209,908	12,631	13,049	9,032	25,415	44,010	487,702
Accumulated depreciation		(75,765)	(110,883)	(7,848)	(9,157)	(4,175)	(10,892)		(218,720)
Net book value	20,409	77,483	99,025	4,783	3,892	4,857	14,523	44,010	268,982
Annual depreciation rates (*) %	0% p.a.	4% p.a.	10% p.a.	10% p.a.	20% p.a.	20% p.a.	20% p.a.	0% p.a.	

All amounts in thousands of reais unless otherwise indicated

10 Intangible Assets

(a) Summary of changes in intangible assets - parent company

			Goodwill acquired		
	Software	Trademarks and patents	San Marino	Loma	Total
At December 31, 2006	11,313	371			11,684
Acquisition	1,046	86	34,932		36,064
Transfer					
Disposal		(52)			(52)
Amortization	(1,128)	(56)	(2,989)		(4,173)
At December 31, 2007	11,231	349	31,943		43,523
Cost of intangible assets	17,712	1,216	34,932		53,860
Accumulated amortization	(6,481)	(867)	(2,989)		(10,337)
Net book value	11,231	349	31,943		43,523
At December 31, 2007	11,231	349	31,943		43,523
Acquisition	21,412			14,382	35,794
Transfer					
Disposal					
Amortization	(6,821)	(87)	(3,777)	(2,868)	(13,553)
At December 31, 2008	25,822	262	28,166	11,514	65,764
Cost of intangible assets	39,124	1,216	34,932	14,382	89,654
Accumulated amortization	(13,302)	(954)	(6,766)	(2,868)	(23,890)
Net book value	25,822	262	28,166	11,514	65,764
Annual amortization rates %	20% p.a.	10% p.a.	10% p.a.	20% p.a.	

All amounts in thousands of reais unless otherwise indicated

(b) Summary of changes in intangible assets - consolidated

	Software	Trademarks and patents	Goodwill acquired San Marino	Goodwill acquired Loma	Total
At December 31, 2006	11,360	815			12,175
Acquisition	1,453	108	34,932		36,493
Transfer					
Disposal		(73)			(73)
Amortization	(1,282)	(65)	(2,989)		(4,336)
At December 31, 2007	11,531	785	31,943		44,259
Cost of intangible assets	18,885	1,661	34,932		55,478
Accumulated amortization	(7,354)	(876)	(2,989)		(11,219)
Net book value	11,531	785	31,943		44,259
At December 31, 2007	11,531	785	31,943		44,259
Acquisition	24,691	820		14,382	39,893
Transfer					
Disposal		(375)			(375
Amortization	(7,511)	(827)	(3,777)	(2,868)	(14,983)
At December 31, 2008	28,711	403	28,166	11,514	68,794
Cost of intangible assets	42,162	2,097	34,932	14,382	93,573
Accumulated amortization	(13,451)	(1,694)	(6,766)	(2,868)	(24,779)
Net book value	28,711	403	28,166	11,514	68,794
Annual amortization rates %	20% p.a.	10% p.a.	10% p.a.	20% p.a.	

11 Deferred Charges

	Consolidated 2008 Cost	Consolidated 2008 Amortization	Consolidated 2008 Net	Consolidated 2007 Net	Amortization rate p.a. %
Pre-operating expenses	25,919	(14,329)	11,590	5,930	20%
	25,919	(14,329)	11,590	5,930	

All amounts in thousands of reais unless otherwise indicated

Pre-operating expenses mainly refer to the development and implementation costs of new units which were deferred during the construction and development phase of the projects up to the time that the units started to operate normally. These expenses are being amortized over a period of up to ten years.

12 Related Parties

The main asset and liability balances at December 31, 2008, as well as the operations with related parties that influenced the results for the period, arise from transactions between the Company and its subsidiaries which were carried out under normal market conditions for the respective types of transactions.

	Asset balances of loans and current accounts	Liability balances of loans and current accounts	Trade accounts receivable	Trade accounts payable	Purchases of products/ services	Sales of products/ services	Financial income	Financial expenses
Investees								
Banco Moneo	9							
Brasa			662			610		
Ciferal		1,285	5,563	66	1,492	37,879		208
Ilmot	840		3,668			35,713		36
Loma			297			301		
MAC	135		37			60	25	
MPC			565	349		563		
MIC			30,535			226,320		
Mapla		130	348		197	122		6
Masa			20,813	86		19,978		
Trading	12					4,546		560
Moneo	6							
MVC	4		255	774	1,930	143	9	
Polo Painéis	112				18,634	1,598		
Polo	20						5	
Polomex			14,746			66,982		
Poloplast			8			54		
Polo Plastic			1					
Russian			3,989			3,111		
San Marino			1,446			3,350		
Spheros				1,205	17,636	3		
Superpolo	103		1,164			3,695	4	
Syncroparts			447				7	
Tata			8,646			1,125		
WSul	37			301	4,576		5	
In 2008	1,278	1,415	93,190	2,781	44,465	406,153	55	810
In 2007	25,469	18,353	63,253	5,519	43,891	354,478	2,031	2,185

Note: The loan and current account balances of companies headquartered in Brazil are subject to financial charges at the CDI interest rate variation, and of companies abroad at the semi-annual Libor rate plus 3% p.a.

All amounts in thousands of reais unless otherwise indicated

13 Remuneration of Key Management Personnel

Key management personnel include the directors, officers and members of the Executive Committee. Remuneration paid or payable is shown below:

						Parent company
	Fixed	Variable	Retirement plan	Share-based payment	2008	2007
Board of Directors and statutory directors	8,079	7,074	48	56	15,153	13,851
Non-statutory directors	4,134	2,973	460	127	7,107	6,360
	12,213	10,047	508	183	22,260	20,211

14 Loans and Financing

	Parent company		Consolidated	
	2008	2007	2008	2007
Loans and financing				
Local currency				
FINAME - TJLP plus interest from 0.87% to 6.50% p.a.	1,927	1,393	3,085	2,748
Bank loans - Referential Rate (TR) + 1.10% p.a. or TJLP plus interest from 1.10% to 7.00% p.a.	34,389	20,116	35,813	54,665
FINEP - TJLP + 3.5% to 4.5% p.a. CDI+spread 0.13% p.a. to 8.085% p.a.	80,629	72,442	127,964	79,142
Special pre-shipment - TJLP plus interest from 2.25% to 2.30% p.a.	209,300	244,773	209,300	244,773
FIDC - Marcopolo Financeiro CDI + 1.4% p.a.			33,911	40,389

All amounts in thousands of reais unless otherwise indicated

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Foreign currency				
Advances on exchange contracts in U.S. dollars with interest from 3.80% to 7.20% p.a.	69,038	197	78,898	9,648
Export prepayments in U.S. dollars - semi-annual LIBOR + SPREAD from 1.25% to 2.60% p.a.	94,952	22,764	96,450	24,293
Financing in U.S. dollars - semi-annual LIBOR plus SPREAD from 1.00% to 4.5% p.a.	13,653	12,648	148,918	191,396
Financing in Argentine Pesos			2,718	
Financing in Colombian Pesos with interest from 9.77% to 11.24% p.a.			27,410	22,779
Financing in South African Rands - interest of 12.00% p.a.			6,850	1,054
Financing in Euros - interest of 5.50% p.a.			10,488	7,841
Financing in Indian Rupees			23,306	
Funds raised in the open market				
Local currency:				
BNDES - TJLP plus interest of 1.00% p.a.			375,008	211,768
	503,888	374,333	1,180,119	890,496
Short-term portion	287,594	238,265	628,416	417,437
Long-term liabilities	216,294	136,068	551,703	473,059

Long-term liabilities fall due as follows:

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
2008		64,043		166,485
2009	84,339	7,131	216,542	94,616
2010	50,677	52,039	136,087	168,972
2011 onwards	81,278	12,855	199,074	42,986
	216,294	136,068	551,703	473,059

(a) Loans and financing

The FINAME (Government Agency for Machinery and Equipment Financing) loan is guaranteed by liens of the financed assets totaling R$ 3,085 at December 31, 2008 (R$ 2,748 at December 31, 2007) and the FINEP (Fund for Financing Studies and Projects) bank loan has a mortgage guarantee. The Company has a financing contract with the IFC (International Finance Corporation) totaling US$ 5,844 thousand with restrictive covenants, with which the Company has been complying, and mortgage guarantees.

All amounts in thousands of reais unless otherwise indicated

(b) Funds raised in the open market

The funds raised in the open market refer to funds raised by Banco Moneo S.A. from the National Bank for Economic and Social Development (BNDES) to finance FINAME operations. These liabilities bear financial charges of 1% p.a. in addition to the Long-term Interest Rate (TJLP) variation.

15 Provision for Contingencies and Judicial Deposits

(a) Contingent liabilities

The Company is a party in labor, civil, tax and other lawsuits in progress, and is disputing these matters both at the administrative and legal levels. The lawsuits, when applicable, are supported by judicial deposits. The provisions for losses arising from the lawsuits are estimated and updated by management, based on the opinion of external legal counsel.

At December 31, 2008 and 2007, the probable and possible contingent risks according to the opinion of legal counsel were as follows:

	Parent company				Consolidated			
	2008		2007		2008		2007	
Nature of the contingent liability	Probable	Possible	Probable	Possible	Probable	Possible	Probable	Possible
Civil	165		151	127	165	482	376	317
Labor	1,734	3,577	55	3,893	3,161	4,513	1,069	4,609
Tax	43,856	107,366	32,468	40,043	53,032	114,932	41,009	46,563
Social security					194		194	
	45,755	110,943	32,674	44,063	56,552	119,927	42,648	51,489

All amounts in thousands of reais unless otherwise indicated

	Parent company		Consolidated	
Judicial deposit	**2008**	**2007**	**2008**	**2007**
Civil			734	512
Labor	533	361	830	670
Tax	11,703	3,218	12,859	3,454
Social security			194	194
	12,236	3,579	14,617	4,830

(i) Civil and labor contingencies

The Company is a party in civil and labor lawsuits in progress, which include claims for indemnities for work accidents and occupational diseases. None of these lawsuits refers to individually significant amounts.

(ii) Tax contingencies

The Company and subsidiaries are party to various tax lawsuits, described as follows:

- Provided

Contingencies in the amount of R$ 36,305 regarding the use of price-level restatements for the State Value-added Tax on Sales and Services (ICMS) credit balances in the tax records and transfer of ICMS credits arising from exports to suppliers. The lawsuits are in progress as tax collection actions at the Court of Justice of the State of Rio Grande do Sul and at the Federal Supreme Court.

Contingencies in the amount of R$ 7,551 related to the Excise Tax (IPI) premium credits, regarding the use of credits on exports, allegedly inapplicable because of the loss of the tax incentive due to the termination of the Special Export Program (BEFIEX) and IRPJ debts related to an alleged inappropriate use of the BEFIEX tax benefit. The lawsuits are awaiting judgment by the Superior Board of Tax Appeals and by the Court of Justice of the State of Rio Grande do Sul.

There are other contingent liabilities with lower values, totaling R$ 9,176, for which unfavorable outcomes are deemed as probable.

- Not provided

  Contingencies in the amount of R$ 1,266, deemed as possible loss, regarding requests for the offset with other federal tax and contribution liabilities of credits arising from lawsuits relating to the Social Integration Program (PIS), Social Contribution on Revenues (COFINS) and Social Security Fund (FINSOCIAL); these requests have not been totally approved by the tax authorities. The claims were challenged and are in progress at the Federal Revenue Judgment Office.

  Contingencies in the amount of R$ 3,396, deemed as possible loss, regarding Corporate Income Tax (IRPJ) concerning (i) the use of tax losses without any amount or time restrictions, in the determination of taxable income, for the calculation of IRPJ and CSLL, and (ii) tax credit arising from understated realization of accumulated inflation gain, and interest on own capital added back at lower than permitted amounts in the determination of taxable income. The lawsuits are in progress at the Federal Regional Court and await ruling on the appeal to the Taxpayers' Council.

  Contingencies in the amount of R$ 101,056, deemed as possible loss, regarding Corporate Income Tax (IRPJ), Social Contribution on Net Income (CSLL) and Withholding Income Tax (IRRF) for amounts allegedly due on exports intermediated by foreign subsidiaries, carried out in the period from 1999 to 2003 which, according to the tax authorities, characterize simulated transactions. The processes are awaiting ruling on the appeals to the Taxpayers' Council (1999, 2000, 2001 and 2002) and to the Federal Revenue Officer of Judgments (2003).

  Contingencies in the amount of R$ 5,435, deemed as possible loss, regarding State Value-added Tax (ICMS) liabilities from shipments of goods with a reduced tax rate to non-taxpayers established out of the state. The lawsuits are in progress at the Court of Justice of the State of Rio de Janeiro.

  There are other contingent liabilities with lower values, totaling R$ 3,779, for which unfavorable outcomes are deemed as possible.

All amounts in thousands of reais unless otherwise indicated

(b) Contingent assets

The contingent assets at December 31, 2008 and 2007 are summarized below, together with the possibilities of a favorable outcome according to the opinion of legal counsel:

	2008		2007	
	Parent company and consolidated		Parent company and consolidated	
Nature of contingent asset	**Probable**	**Possible**	**Probable**	**Possible**
Tax	47,979	40,089	69,300	19,890
Social security	2,455	1,260	2,330	1,200
	50,434	41,349	71,630	21,090

(i) Tax contingencies

The Company is the plaintiff in various lawsuits at the state and federal levels in which the following matters are being disputed:

- Value-added Tax on Sales and Services (ICMS): lawsuits claiming the right to (i) monetarily restate the creditor balances of ICMS in the tax registers, (ii)) use the calculation basis of the effective amounts of the transactions on sales for future delivery. The lawsuits are awaiting judgment at the Federal Supreme Court and the Court of Justice of the State of Rio Grande do Sul.

- Excise Tax (IPI): lawsuits claiming the right to (i) the maintenance and use, through reimbursement, of credits from IPI tax incentives, considered sectorial, which were terminated in October 1990 by means of the Transitory Constitutional Provisions Act (ADCT) and are no longer recognized by the Ministry of Finance, (ii) the price-level restatement of the credit reimbursements paid late by the Ministry of Finance, (iii) the maintenance of the presumed IPI credits used as payment of PIS and COFINS contributions, levied on inputs used to manufacture exported products, suspended in the last three quarters of 1999, and (iv) maintenance and reimbursement of IPI credit premium on exports, established by Decree Law No. 491/69 and gradually reduced until its termination. The lawsuits are awaiting judgment by the Superior Courts of Justice and the Federal Regional Courts.

- Social Integration Program (PIS) and Social Contribution on Revenues (COFINS): lawsuits claiming the right to (i) the payment of PIS and COFINS on billings, without including other revenues, and without considering the increase in tax rates, (ii) the reimbursement of differences in judicial deposits arising from the use of price-level restatement indexes lower than the actual and official inflation indexes, (iii) the exclusion of ICMS and ISS from the calculation basis of PIS and COFINS contributions. The lawsuits are awaiting judgment by the Federal Regional Courts.

- Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL): lawsuits claiming (i) the deduction of the CSLL itself and of the IRPJ charge in the determination of taxable income for the purposes of calculation of CSLL, (ii) the exclusion of export revenues from taxable income subject to income and social contribution taxes, (iii) the use of tax losses, without any amount or time restrictions, in the determination of IRPJ and CSLL taxable income, (iv) the deduction of the price-level restatement of IPI reimbursements in the determination of the IRPJ and CSLL taxable income. The lawsuits are awaiting judgment by the Federal Regional Courts.

- Tax on Financial Transactions (IOF) and Income Tax Withheld at Source (IRRF): lawsuit claiming the non-payment of IOF and IRRF on loan transactions and corresponding income, between group companies. The lawsuit is awaiting judgment by the Federal Regional Court.

- Eletrobrás Compulsory Loan: lawsuit claiming the reimbursement of the compulsory loan made to Eletrobrás. The lawsuit is awaiting execution of the decision, which is in progress at the Court of Justice of the State of Rio Grande do Sul.

(ii) Social security contingencies

The Company is the plaintiff in a lawsuit against the National Institute of Rural Settlement and Agrarian Reform (INCRA) contribution assessed on the payroll, and is awaiting a ruling on the appeal filed with the Federal Regional Court against the decision that was partially favorable to this request.

16 Pension Plan and Post-Employment Benefits to Employees

The Company is the main sponsor of Marcoprev - Sociedade de Previdência Privada, a non-profit pension entity established in December 1995 with the main purpose of supplementing social security benefits to all employees of the sponsors: Marcopolo (main sponsor), Syncroparts, Trading, MVC, Polo Serviços, Banco Moneo and Fundação Marcopolo. The total contributions for the year amounted to R$ 5,930 (R$ 5,241 in 2007). The actuarial method for the calculation of cost and contributions is that of capitalization. This is a mixed plan, of "defined benefit", where the sponsor is solely responsible for the contributions, and of "defined contribution", where sponsor and participant are responsible for the contributions on an optional basis.

All amounts in thousands of reais unless otherwise indicated

In accordance with CVM Resolution 371, of December 13, 2000, the Company, based on an actuarial report, opted to record at the end of 2001 the deficit (surplus) of the plan against retained earnings as "prior year adjustments". At December 31, 2008 and 2007, the amounts related to post-employment benefits were determined by an actuarial appraisal carried out by the independent actuaries Towers Perrin Forster & Crosby Ltda., and were recorded in the financial statements as follows:

		Parent company
	2008	**2007**
Present value of totally or partially funded actuarial obligations	(128,470)	(114,066)
Fair value of plan assets	105,996	101,414
Net (gains) losses not recognized in the balance sheet	11,904	(548)
Net liability	(10,570)	(13,200)

		Subsidiaries
	2008	**2007**
Present value of totally or partially funded actuarial obligations	(1,947)	(2,068)
Fair value of plan assets	1,604	1,838
Net (gains) losses not recognized in the balance sheet	1,220	986
Net assets	877	756

All amounts in thousands of reais unless otherwise indicated

	Consolidated	
	2008	**2007**
Present value of totally or partially funded actuarial obligations	(130,417)	(116,134)
Fair value of plan assets	107,600	103,252
Net (gains) losses not recognized in the balance sheet	13,124	438
Non-recognition of assets by subsidiaries (*)	(880)	(756)
Net liability	(10,573)	(13,200)

(*) according to the restrictions determined in paragraph 49, item g, of CVM Resolution 371, of December 13, 2000.

The changes in net actuarial liabilities are as follows:

	Parent company		**Consolidated**	
	2008	**2007**	**2008**	**2007**
Net liabilities at the beginning of the year	(13,200)	(16,431)	(13,200)	(16,431)
Expenses in the year	(2,938)	(1,708)	(3,197)	(1,913)
Company contributions in the year	5,550	4,911	5,930	5,241
Other	18	28	(106)	(97)
Net liabilities at the end of the year	(10,570)	(13,200)	(10,573)	(13,200)

The net expense with pension plan and post-employment benefits paid or payable to employees is as follows:

	Parent company		**Consolidated**	
Expenses	**2008**	**2007**	**2008**	**2007**
Cost of current service	3,574	3,377	3,818	3,584
Interest cost	10,459	9,297	10,650	9,448
Actual return on plan assets	(10,727)	(10,605)	(10,935)	(10,790)
Amortization of actuarial losses	28		68	40
Employee contributions	(396)	(361)	(404)	(369)
Total expenses for the year	2,938	1,708	3,197	1,913

All amounts in thousands of reais unless otherwise indicated

The amount of actuarial gains or losses to be recognized as income or expense is the amount of unrecognized gains and losses that exceed, each year, the higher of the following limits:

(i) 10% of the present value of the total actuarial obligations of the defined benefit;

(ii) 10% of the fair value of plan assets.

The amount that exceeds the limits will be amortized annually by dividing it by the remaining estimated average length of service for the plan's participants.

The main actuarial assumptions on the balance sheet date are:

Economic assumptions:

	% p.a.	
	2008	**2007**
Discount rate	9.20	9.20
Expected rate of return on plan assets	11.51	10.43
Future salary increases	7.12	7.12
Inflation	4.00	4.00

Demographic assumptions:

	2008	**2007**
Mortality table	AT 1983	AT 1983
Disability mortality table	RRB 1983	RRB 1983
Disability table	RRB 1944	RRB 1944

All amounts in thousands of reais unless otherwise indicated

17 Income Tax and Social Contribution

(a) Deferred income tax and social contribution

The basis for the calculation of these taxes is as follows:

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Assets				
Provision for technical assistance	17,504	13,956	19,161	14,967
Provision for commissions	14,253	7,449	16,450	9,424
Allowance for doubtful accounts	4,985	1,093	8,504	3,062
Provision for profit sharing	20,242	16,643	21,311	17,467
Pension plan	10,570		10,573	
Provision for contingencies	45,755	32,674	56,218	42,648
Provision for sureties to third parties	2,342	11,980	2,731	12,455
Provision for inventory losses	902	985	902	985
Temporary provisions	15,423	13,177	15,423	13,177
Appropriation of (gains) losses with derivatives	32,047		32,703	
Adjustment to present value	3,494	3,876	3,501	3,994
Other provisions	659	658	4,303	1,512
Income tax and social contribution losses			5,880	8,253
Calculation basis	168,176	102,491	197,660	127,944
Standard rate %	34%	34%	34%	34%
Deferred income tax and social contribution	57,180	34,847	67,204	43,501
Current	38,029	23,738	40,875	29,164
Long-term	19,151	11,109	26,329	14,337

All amounts in thousands of reais unless otherwise indicated

(b) Estimate of the realization of deferred tax credits

The recovery of the tax credits, in the parent company and consolidated financial statements, is based on estimates of taxable income, as well as on the realization of temporary differences, in the following years:

	Parent company	Consolidated
2009	38,029	40,875
2010	19,151	24,030
2011		1,165
2012		1,134
	57,180	67,204

(c) Reconciliation of the income tax and social contribution expense

	Parent company		Consolidated	
	2008	2007	2008	2007
Reconciliation				
Profit before taxation and profit sharing	161,171	171,891	186,779	201,748
Standard rate %	34%	34%	34%	34%
	54,798	58,443	63,505	68,594
Permanent additions and deductions				
Equity in the results of investees	(10,545)	(19,121)		
Interest on own capital	(12,668)	(11,738)	(12,668)	(11,738)
PDI tax incentive	(8,493)	(6,567)	(8,493)	(6,567)
Amortization of goodwill	(2,259)	(1,016)	(2,259)	(1,016)
Management profit sharing	(637)	(590)	(637)	(590)
Other additions (deductions)	(1,715)	1,427	(1,466)	(1,803)
Temporary additions and deductions				
Tax losses			6,333	
	18,481	20,838	44,315	46,880
Income tax and social contribution				
Current	(56,499)	(37,079)	(84,920)	(66,287)
Deferred	38,018	16,241	40,605	19,407
	18,481	20,838	44,315	46,880

(d) Transition Tax Regime

In order to calculate income tax and social contribution on net income for 2008 entities may opt for the Transition Tax Regime (RTT), which permits elimination of the accounting effects of Law No. 11638/07 and MP No. 449/08, through the Taxable Income Assessment Book (LALUR) or auxiliary controls, without any modification to the commercial accounting records. The option for this regime will be made upon the filing of the Corporate Income Tax Return (DIPJ) for 2008.

The financial statements for the year ended December 31, 2008 were prepared taking into consideration management's best estimates which, at the moment, indicate the option for the RTT.

18 Stockholders' Equity (Parent Company)

(a) Capital

Authorized capital comprises 2,100,000,000 nominative shares with no par value, of which 700,000,000 are common and 1,400,000,000 preferred.

At December 31, 2008 subscribed and paid-up capital comprised 224,225,021 (224,225,021 at December 31, 2007) nominative shares with no par value, 85,406,436 of which are common and 138,818,585 preferred.

Of the total subscribed capital, 74,056,682 (71,459,919 in 2007) preferred nominative shares are held by stockholders abroad.

On November 5, 2008 the Board of Directors approved the purchase of shares issued by the Company to be held in treasury and subsequently sold and/or cancelled or used for the stock option plan. The purchase limit is 1,247,293 preferred shares, lower than the legal limit of 10% of outstanding shares. The final date for these acquisitions was November 20, 2008.

(b) Reserves

(i) Legal reserve

In accordance with Article 193 of Law No. 6404/76, this reserve is recorded at 5% of the net income of each year, up to the limit of 20% of capital.

(ii) Statutory reserves

. At least 25% of the remaining balance of net income must be appropriated for the payment of a compulsory dividend on all shares of the Company;

. The remaining balance of the net income must be fully appropriated to the following reserves:

(iii) Reserve for future capital increase - to be used for future capital increase and established at 70% of the remaining balance of the net income for each year, but cannot exceed 60% of capital;

(iv) Reserve for payment of interim dividends - to be used for the payment of interim dividends in accordance with Paragraph 1 of Article 33 of the Company's by-laws and established at 15% of the remaining balance of the net income for each year, but cannot exceed 10% of capital;

(v) Reserve for the purchase of own shares - to be used for the purchase of shares issued by the Company, to be cancelled, remain in treasury and/or sold and established at 15% of the remaining balance of the net income for each year, but cannot exceed 10% of capital.

(c) Treasury stock

Treasury stock comprises 1,384,749 preferred nominative shares, purchased at an average cost of R$ 4.3745 (in reais) per share. The market value of the treasury stock, calculated at the closing date for the period, was R$ 6,058. According to Paragraph 3 of article 168 of Brazilian Corporation Law and CVM Instruction No. 390/03, the shares will be used to grant managers and employees share purchase options, pursuant to the Stock Option Plan approved by the Extraordinary General Meeting held on December 22, 2005.

19 Interest on Own Capital - Law No. 9249/95 and Dividends

As provided by Law No. 9249/95, the Company calculated interest on capital based on the long-term interest rate (TJLP) in effect during the year, in the amount of R$ 37,259 (R$ 34,523 in 2007) to be paid beginning on March 27, 2009 at R$ 0.1672 per share, for both common and preferred shares, and recorded as financial expenses, as required by tax legislation. For the purposes of these financial statements, interest on own capital was reversed from financial expenses for the year and charged to retained earnings, against current liabilities.

All amounts in thousands of reais unless otherwise indicated

The income tax and social contribution expense for the year was reduced by approximately R$ 12,668 (R$ 11,738 in 2007) as a result of the deductibility of the interest on own capital credited to the stockholders.

Also in the year ended December 31, 2008 the Company credited advance dividends for the current year in the amount of R$ 14,819 (R$ 40,497 in 2007) to be paid beginning on March 27, 2009 at R$ 0.0665 per share, which was approved on December 12, 2008 at a meeting of the Board of Directors.

The calculation of the compulsory minimum dividend is as follows:

	2008	2007
Net income (adjusted)	135,616	144,492
Adjustments introduced by Law No. 11638/07		(14,230)
Net income for the year	135,616	130,262
Legal reserve (5%)	(6,780)	(6,514)
Dividend calculation basis	128,836	123,748
Amount of the compulsory minimum dividends (25%)	32,209	30,937
Interest on own capital imputed to dividends		
Gross amount	37,259	34,523
Withholding income tax (15%)	(5,589)	(5,178)
Withholding income tax - Suspended withholding	1,171	1,202
Net amount of interest credited (i)	32,841	30,547
Dividends credited in advance (ii)	14,819	40,497
Complementary proposed dividends (iii) (*)	7,732	
Net amount of interest and dividends credited and proposed(i) + (ii) + (iii)	55,392	71,044

(*)15% of retained earnings must be allocated to reserves for payment of interim dividends, after allocations to legal reserve and payment of dividends and interest on own capital, limited to 10% of the capital. As the limit was reached, the Company is proposing complementary dividends in the amount of R$ 7,732.

The amount of this interest was imputed to the compulsory minimum dividend declared in advance for the current year pursuant to item V of CVM Resolution No. 207/96.

20 Financial Instruments

The estimated realizable values of the Company's financial assets and liabilities are determined according to information available in the market and appropriate valuation methodologies. However, considerable judgment is required in the interpretation of market data to produce the estimate of the most adequate realizable values. Consequently, the estimates below do not necessarily indicate the amounts that could be realized in the current market. The use of different market methodologies may have a material effect on the estimated realizable values.

These instruments are managed through operating strategies to obtain liquidity, profitability and security. The control policy consists of the constant monitoring of the rates contracted against those effective in the market. The Company and its subsidiaries do not invest in derivatives or any other risk assets for speculative purposes.

(a) Cash and banks and financial investments

The market values of current account balances in banks are similar to the recorded balances, considering their characteristics and maturities.

Financial investments are classified as held for trading. The market value is recognized in the balance sheets.

(b) Related party loans receivable/payable

The financial conditions are comparable with those practiced with third parties.

(c) Investments

These mainly comprise investments in non-public subsidiaries, recorded on the equity accounting method, in which the Company has a strategic interest. Considerations of market value of the shares held are not applicable.

(d) Loans and financing

These are recorded based on the contractual interest rate of each operation, as mentioned in Note 12. The difference between the book value and the market value, calculated in accordance with the discounted cash flow method, may be summarized as follows:

All amounts in thousands of reais unless otherwise indicated

	2008		2007	
	Book value	Market value	Book value	Market value
Loans and financing	1,180,119	1,158,471	890,496	890,496

(e) Derivatives

The derivative instruments contracted by the Company aim at hedging its transactions against the risks of exchange and interest rate fluctuations, and are not used for speculative purposes.

The table below presents an estimate of the market value of the positions with the NDF and Forward contracts mentioned above.

	Reference value	Market value		Amounts receivable/payable		Realized gains/losses	
	2008	2008	2007	2008	2007	2008	2007
Marcopolo							
Foreign currency	US$ 61,984	(32,047)	8,136	(32,047)	8,136	(40,190)	50,793
Base rate (variable)	2.3370						
Ciferal							
Foreign currency	US$1,038	(656)	35	(656)	35	255	190
Base rate (variable)	2.3370						
Masa							
Foreign currency	US$ 29,056	(6,770)	(188)	(6,770)	(188)	(10,133)	(1,472)
Base rate (variable)	2.3370						

(f) Credit risk

The sales and credit policies of the Company and its subsidiaries are determined by management and aim to minimize problems arising from the default of customers. This objective is achieved by management through a careful selection of the customer portfolio, which considers the payment capacity (credit analysis) of the customers and diversification of sales (risk spread). The Company also recorded allowances for doubtful accounts of R$ 22,247 and R$ 44,186 (2007 - R$ 16,483 and R$ 30,262) equivalent to 5.0% and 4.9%, respectively, of the outstanding accounts receivables of the parent company and consolidated (2007 - 5.4% and 3.9%), to cover credit risk.

All amounts in thousands of reais unless otherwise indicated

(g) Foreign exchange rate risk

The results of the Company and its subsidiaries are susceptible to changes as their liabilities are affected to the volatility of foreign exchange rates, mainly the U.S. dollar.

The strategy adopted to prevent or reduce the effects of the fluctuations in exchange rates is to maintain a natural hedge with assets that are also subject to exchange variations.

At December 31, 2008 and 2007 the Company had assets and liabilities in foreign currency in the amounts described below (in reais):

				2008
	Accounts receivable	**Suppliers**	**Loans**	**Forwards**
Currencies				
U.S. Dollar	404,676	179,951	215,814	80,740
Argentine Pesos	12,505	1,182	2,268	
Indian Rupees	3,387	6,516	23,306	
South African Rands	18,777	3,569	6,850	
Euros	13,667	19,081	10,488	
Colombian Pesos	11,298	6,643	25,692	
	464,310	216,942	284,418	80,740

				2007
	Accounts receivable	**Suppliers**	**Loans**	**Forwards**
Currencies				
U.S. Dollar	334,287	107,935	128,363	200,055
Argentine Pesos	1,754	727		
Indian Rupees	651			
South African Rands	7,240			
Euros	12,113	12,875	7,841	
Colombian Pesos	6,728	8,086	22,115	
	362,773	129,623	158,319	200,055

(h) Price risk

Considering that exports are equivalent to 41.5% of the projected revenues of the parent company and subsidiaries for 2009, a possible volatility of foreign exchange rates represents, in fact, a price risk that may alter the results planned by management.

(i) Interest rate risk

The results of the Company and its subsidiaries are susceptible to losses arising from fluctuations in interest rates that lead to an increase in financial expenses related to loans and financing obtained in the market, or a decrease in financial income related to financial investments. The Company continuously monitors market interest rates with the purpose of evaluating the need of contracting new instruments to hedge against the volatility risk of these rates.

(j) Liquidity risk

This is the risk of not having liquid funds sufficient to meet financial commitments, due to the mismatch of terms or volume in expected receipts and payments.

To manage cash liquidity in local and foreign currency, assumptions for future disbursements and receipts are determined, and these are monitored daily by the Treasury area.

(k) Risk of change in tax legislation

The results of the Company and its subsidiaries are susceptible to the effects of changes in tax legislation that establish new taxes, increase rates or restrict tax benefits.

The Company and its subsidiaries monitor and plan their operations to comply with the changes in tax legislation so as to minimize such impacts on the operations.

(l) Sensitivity analysis

The table below presents the sensitivity analysis of the financial instruments, describing risks that may result in material losses for the Company. It describes the most probable scenario (scenario I) according to an evaluation carried out by management, considering a twelve-month period, when the next financial information should be disclosed. In addition, two other scenarios are presented, in accordance with CVM Instruction No. 475/08.

All amounts in thousands of reais unless otherwise indicated

Assumptions	Effects in results	Probable scenario (Scenario I)	Scenario II	Scenario III
CDI		11.8%	10.5%	14%
TJLP		7.0%	6.0%	7.5%
Exchange rate - US$		2.4538	2.2201	2.6875
Libor		1.75%	1.50%	2.50%
Cost of ACC * discount		7.0%	5.0%	9.0%
	Financial investments	33,822	18,630	51,034
	Interbank accounts	43,126	39,376	45,001
	Loans and financing	(84,735)	(42,817)	(125,029)
	Forward contracts	(4,009)	3,927	(11,946)
	Accounts receivable less accounts payable	6,730	(6,644)	20,103
		(5,066)	12,472	(20,837)

* Advances against Exchange Contracts

21 Insurance Coverage

At December 31, 2008 the Company had insurance cover against fire and sundry risks for property, plant and equipment items and inventories at amounts considered sufficient to cover eventual losses.

The main insurance coverage was:

Description	Risk	2008	2007
Inventories and warehouses	Fire and sundry risks	277,257	224,010
Buildings and contents	Fire and sundry risks	472,190	477,960
Vehicles	Collision, civil liability	1,896	2,049
		751,343	704,019

All amounts in thousands of reais unless otherwise indicated

22 Sureties and Guarantees

At December 31, 2008 the Company had sureties and/or guarantees of R$ 82,773 (R$ 64,824 in 2007) and "vendor" agreements, operating as guarantor intervening party, in the amount of R$ 17,422 (R$ 16,168 in 2007), granted for the financing of customers by banks, which have as a counter guarantee the respective assets financed.

23 Profit Sharing

In 2008, in conformity with Law No. 10101 of December 19, 2000, the management opted for the semi-annual payment of profit sharing, thus paying an installment in July 2008 and the balance in February 2009.

The employee profit sharing was calculated in accordance with the terms established in the Instrument for the Agreement of the Marcopolo Targets/Efficiency Program (EFIMAR), dated March 7, 2007, which was approved by the Employees' Union.

The amounts are classified in the result for the year as follows:

	Parent company		**Consolidated**	
	2008	**2007**	**2008**	**2007**
Cost of sales and services	19,179	14,504	21,017	16,158
Selling expenses	2,257	3,479	2,308	3,505
Administrative expenses	1,155	1,654	1,274	2,022
	22,591	19,637	24,599	21,685

24 Financial Results

	Parent company		**Consolidated**	
	2008	**2007**	**2008**	**2007**
Financial income				
Interest and monetary variations received	9,577	6,489	10,554	14,976
Income from financial investments	33,288	42,349	76,621	50,358
Foreign exchange variations	43,368	95,588	49,791	106,058
Adjustment to present value of accounts receivable	33,680	27,379	34,056	27,379

All amounts in thousands of reais unless otherwise indicated

	Parent company		Consolidated	
	2008	2007	2008	2007
	119,913	171,805	171,022	198,771
Financial expenses				
Interest on loans and financing	33,047	41,537	86,736	52,803
Foreign exchange variations	104,173	48,930	109,081	58,126
Bank expenses	2,863	7,952	3,580	13,281
Adjustment to present value of accounts payable to suppliers	10,432	7,857	10,487	7,857
	150,515	106,276	209,884	132,067
Net financial result	(30,602)	65,529	(38,862)	66,704

25 Balance Sheets and Statements of Income by Segment

	Consolidated		Industrial segment		Financial segment	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	1,710,781	1,485,938	1,512,821	1,342,894	197,960	143,044
Cash and banks	87,831	146,879	87,770	146,331	61	548
Accounts receivable	687,299	549,613	523,149	443,593	164,150	106,020
Inventories	310,581	229,820	310,581	229,820		
Marketable securities	346,520	348,646	319,585	314,277	26,935	34,369
Other accounts receivable	278,550	210,980	271,736	208,873	6,814	2,107
Non-current assets	724,264	557,703	400,867	369,178	323,397	188,525
Long-term receivables	373,986	287,852	50,959	99,445	323,027	188,407
Accounts receivable	329,726	196,001	6,699	7,610	323,027	188,391
Financial investments	83	71,067	83	71,067		
Other accounts receivable	44,177	20,784	44,177	20,768		16
Investments	912	905	912	905		
Property, plant and equipment	268,982	218,757	268,654	218,658	328	99
Intangible assets	68,794	44,259	68,752	44,240	42	19
Deferred charges	11,590	5,930	11,590	5,930		
Total assets	2,435,045	2,043,641	1,913,688	1,712,072	521,357	331,569
Liabilities and stockholders' equity						
Current liabilities	1,117,927	902,740	981,639	801,785	136,288	100,955
Financial institutions	628,416	417,437	507,193	332,188	121,223	85,249
Suppliers	188,833	197,195	188,833	197,195		
Other accounts payable	300,678	288,108	285,613	272,402	15,065	15,706

All amounts in thousands of reais unless otherwise indicated

	Consolidated		Industrial segment		Financial segment	
	2008	2007	2008	2007	2008	2007
Non-current liabilities	621,800	542,704	334,101	375,796	287,699	166,908
Financial institutions	551,703	473,059	264,007	306,151	287,696	166,908
Other accounts payable	70,097	69,645	70,094	69,645	3	
Minority interest	11,809	7,836	11,809	7,836		
Stockholders' equity	683,509	590,361	586,139	526,655	97,370	63,706
Total liabilities and stockholders' equity	2,435,045	2,043,641	1,913,688	1,712,072	521,357	331,569
Statements of income						
Net revenues	2,532,163	2,101,095	2,499,435	2,079,903	32,728	21,192
Cost of sales	(2,058,094)	(1,758,510)	(2,058,094)	(1,758,510)		
Gross profit	474,069	342,585	441,341	321,393	32,728	21,192
Operating expenses (income)						
Selling expenses	146,196	129,042	136,490	124,491	9,706	4,551
Management fees	8,330	7,600	8,330	7,600		
Administrative expenses	92,120	71,805	86,909	68,550	5,211	3,255
Other oper. expenses (income), net	(4,863)	(3,895)	(6,416)	(4,964)	1,553	1,069
Operating profit before equity results and financial income (expenses)	232,286	138,033	216,028	125,716	16,258	12,317
Equity in the results of investees	(6,645)	(2,989)	(6,645)	(2,989)		
Financial result						
Financial expenses	(209,884)	(132,067)	(209,884)	(132,067)		
Financial income	171,022	198,771	169,580	198,771	1,442	
Profit before taxation and profit sharing	186,779	201,748	169,079	189,431	17,700	12,317
Income tax and social contribution	(44,315)	(46,880)	(37,992)	(42,716)	(6,323)	(4,164)
Management profit sharing	(7,074)	(6,561)	(7,074)	(6,561)		
Minority interest	(944)	(1,782)	(944)	(1,782)		
Net income for the period	134,446	146,525	123,069	138,372	11,377	8,153

All amounts in thousands of reais unless otherwise indicated

26 Statements of Cash Flows by Business Segment - Indirect Method

	Consolidated		Industrial segment		Financial segment	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Cash flows from operating activities						
Net income for the year	134,446	146,525	123,084	140,308	11,362	6,217
Adjustments to reconcile net income with cash generated by (used in) operating activities:						
Depreciation and amortization	47,869	33,409	47,834	33,377	35	32
Cost on sale of permanent assets	13,797	5,699	13,797	5,699		
Equity in the results of investees						
Allowance for doubtful accounts	14,267	1,306	14,267	1,306		
Deferred income tax and social contribution	(40,605)	(19,407)	(40,605)	(19,407)		
Interest and appropriated exchange variations	166,809	14,884	152,537	14,260	14,272	624
Cummulative translation adjustments	21,686	(14,106)	14,678	(16,378)	7,008	2,272
Exchange variations of subsidiaries abroad	(9,912)	3,587	(9,912)	3,587		
Minority interest	3,973	541	3,973	541		
Changes in assets and liabilities						
(Increase) decrease in trade accounts receivable	(276,678)	(310,062)	(76,904)	(141,156)	(199,774)	(168,906)
(Increase) decrease in other accounts receivable	(49,569)	(25,920)	(44,862)	(24,888)	(4,707)	(1,032)
(Increase) decrease in inventories	(80,761)	(36,514)	(80,761)	(36,514)		
Increase (decrease) in suppliers	(8,362)	80,733	(8,362)	80,733		
Increase (decrease) in accounts payable and provisions	8,959	100,753	10,368	89,194	(1,409)	11,559
Net cash provided by (used in) operating activities	(54,081)	(18,572)	119,132	130,662	(173,213)	(149,234)
Cash flows from investing activities						
Investments	(14,384)	(5,557)	(39,384)	(5,557)	25,000	
Related parties	(5,726)	5,726	(5,751)	5,747	25	(21)
Dividends from subsidiaries						
Reversed dividends				53		(53)
Purchases of property, plant and equipment	(110,322)	(105,007)	(110,035)	(105,007)	(287)	
Pre-operating expenses in new units	(7,475)		(7,475)			
Financial investments - non current	70,984	(71,067)	70,984	(71,067)		
Net cash used in investing activities	(66,923)	(175,905)	(91,661)	(175,831)	24,738	(74)
Cash flows from financing activities						
Loans and financing	1,114,379	1,057,384	885,863	894,334	228,516	163,050
Payments of loans and interest	(991,565)	(734,656)	(905,539)	(734,656)	(86,026)	
Payment of dividends and interest on own capital	(59,810)	(75,020)	(57,874)	(70,020)	(1,936)	
Treasury stock	(3,174)	(708)	(3,174)	(708)		
Net cash provided by (used in) financing activities	59,830	247,000	(80,724)	83,950	140,554	163,050
Cash and cash equivalents at the beginning of the period	495,525	443,002	460,608	421,827	34,917	21,175
Cash and cash equivalents at the end of the period	434,351	495,525	407,355	460,608	26,996	34,917
Net increase (decrease) in cash and cash equivalents	(61,174)	52,523	(53,253)	38,781	(7,921)	13,742

27 Reconciliation of Stockholders' Equity and Net Income for the Year Prepared in Accordance with Accounting Practices Adopted in Brazil and International Financial Reporting Standards

In compliance with the Level II Corporate Governance regulations of the São Paulo Stock Exchange (BM&FBOVESPA – Bolsa de Valores, Mercadorias e Futuros), the reconciliation between stockholders' equity and net income for the year determined in accordance with accounting practices adopted in Brazil (BRGAAP) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), is presented below.

27.1 Description of the transition to IFRS

The consolidated financial information in IFRS was prepared based on the financial statements of the Company prepared in accordance with BRGAAP, as described in Note 2.

The financial statements for the year ended December 31, 2007 are the first statements for which reconciliations of stockholders' equity and net income to IFRS have been prepared.

IFRS 1 (Adoption of the International Accounting Standards for the First Time) was applied in the preparation of the reconciliation of stockholders' equity and net income to IFRS.

January 1, 2006 was defined as the transition date for the preparation of the reconciliations of stockholders' equity and net income for the year to IFRS. However, in accordance with IFRS 1, the first financial statements in IFRS of an entity are those annual financial statements for which the Company adopts IFRS by means of an explicit and unqualified affirmative that these statements have been prepared in accordance with IFRS. A reconciliation of stockholders' equity and net income for the year is not a complete financial statement and, therefore, it is not considered a financial statement prepared in accordance with IFRS. In addition, in the future, when the Company prepares the first annual financial statements in accordance with IFRS, it is possible that the amounts presented in the reconciliation may have to be adjusted for reasons such as: the date of transition to IFRS is not the date used to prepare the reconciliation or new or additional accounting standards and interpretations have been issued by the International Accounting Standards Board (IASB) and might impact the financial statements.

In addition, there are differences between BRGAAP and IFRS which affect the disclosure of information in the financial statements, such as the disclosure of specific information on financial assets, disclosure of information by segment, and others. These disclosure differences are not presented in this reconciliation of stockholders' equity and net income.

IFRS 1 mandates certain exceptions from the full retroactive application of certain standards. All the IFRS effective on the date of these financial statements, in their lastest versions, have been applied, retrospectively, for the preparation of the reconciliation of stockholders' equity and net income for the years presented, except for the optional exemptions and the mandatory exceptions to the retrospective treatment adopted by the Company, as described below.

27.1.1 Optional exemptions adopted by the Company for the retroactive application of standards

The Company adopted the following optional exemptions from full retroactive application:

Exemption for business combinations: The Company opted not to remeasure the business acquisitions that took place before the IFRS transition date in compliance with IFRS 3; therefore, the goodwill arising from acquisitions before that date was maintained at the amortized net carrying value as of December 31, 2005, determined in accordance with BRGAAP. For business acquisitions after January 1, 2006, IFRS 3 has been followed for the preparation of the reconciliation of stockholders' equity and net income.

Exemption for presenting the fair value of property, plant and equipment as acquisition cost: The Company opted not to remeasure its property, plant and equipment on the transition date at fair value, and opted to maintain the acquisition cost adopted under BRGAAP as the property, plant and equipment amount, monetarily adjusted in accordance with IAS 21 and IAS 29.01

Exemption from calculating employee benefits: The Company opted to recognize all actuarial gains and losses arising from employee benefit plans on the IFRS transition date against retained earnings. From that date onward, the Company recognizes the actuarial gains and losses according to the corridor method, i.e., gains and losses will only be recognized if they exceed the higher of 10% of the plan assets or 10% of the projected accumulated employee benefit liability.

Exemption from presenting cumulative translation adjustments: The Company opted to present the accumulated effects on the IFRS transition date resulting from the conversion of the financial statements of subsidiaries and investee companies with a functional currency different from the Company's reporting currency (the Brazilian real) in retained earnings as of the opening balance sheet. As from the IFRS transition date, the Company recognized the conversion adjustments directly in a specific stockholders' equity account.

Exemption related to measurement of compound financial instruments: The Company does not have compound financial instruments on the IFRS transition date or on prior dates which may have an effect on the transition date.

Exemption related to the recognition of investments in subsidiaries, jointly-owned subsidiaries and associated companies: The Company's subsidiaries, jointly-owned subsidiaries and associated companies did not prepare financial statements under IFRS on the transition date and, for this reason, the Company opted to adopt the same IFRS transition date for all its subsidiaries, jointly-owned subsidiaries and associated companies.
Exemption related to the classification of financial instruments: The Company opted to classify and value its financial instruments according to IAS 32 and IAS 39 on the IFRS transition date. Retroactive analyses to the original contracting dates of the financial instruments existing on the IFRS transition date were not made.

27.1.2 Mandatory exceptions adopted by the Company for the retroactive application of standards

No impacts on the Company's consolidated financial statements due to applying the mandatory exceptions in accordance with IFRS 1 were identified.

27.2 Narrative description of the differences in the reconciliation between IFRS and BRGAAP

(a) Proportional consolidation

In accordance with IFRS an investor must account for an investment considering the type of joint venture: shared operations, joint assets and jointly-owned entities. The most common type of joint venture is the jointly-owned entity. For such entities, investors include their interest in the investment in their consolidated financial statements using the equity method of accounting or proportional consolidation. The Company adopted the equity method in the IFRS reconciliation for the joint ventures. The other cases are classified as subsidiaries and are fully consolidated.

In accordance with BRGAAP, jointly-owned entities should be consolidated proportionately. The assets and liabilities, revenues and expenses of the jointly-owned subsidiaries are added to the consolidated accounting balances in proportion to the interest of the investor in the subsidiaries' capital.

The joint ventures which have been consolidated proportionately in BRGAAP and which, for IFRS reconciliation purposes, are presented on the equity method, are as follows:

- Loma;
- MVC;
- Polo Plastic;
- Russian;

- San Marino;
- Spheros;
- Superpolo;
- Tata;
- WSul.

(b) Business combinations

In accordance with IFRS, the purchase method is applied. The cost of business combinations should be measured at fair value on the date of acquisition. The acquiring entity should allocate, on the date of combination, the acquisition cost (including the direct costs of the transaction) recognizing assets acquired and liabilities and contingent liabilities assumed at fair value, when they meet specified criteria, even if some of them have not been previously recorded by the acquired company in its accounting records.

When the acquisition cost is higher than the fair value of the interest of the acquiring entity in the net assets, liabilities and contingent liabilities of the acquired entity, the acquiring entity records a goodwill arising from the transaction relating to such difference. Goodwill and other intangible assets with an indefinite useful life are not amortized. The recovery value must be evaluated at least once a year and whenever there is an indication that the value of the asset cannot be recovered by the entity. When the recoverable value of the goodwill or of any other asset is less than its carrying amount, an impairment loss must be recorded in income for the year.

If the interest of the acquiring entity in the fair value of the identifiable assets, liabilities and contingent liabilities is higher than the acquisition cost, the excess (negative goodwill) should be reviewed in order to determine whether the fair values attributed to the assets acquired and liabilities and contingent liabilities assumed were adequately identified and valued. If, after such review, it is concluded that a negative goodwill resulted from the transaction, it should be recorded as a gain in income for the year. The minority interest in the net assets acquired must be recorded at fair value on the date of acquisition in a specific stockholders' equity account.

In accordance with BRGAAP, the following practices must be adopted: goodwill or negative goodwill is calculated by the difference between the acquisition cost and the net asset value of the acquired entity per the accounting records. The fair value approach is generally not used. Goodwill can be attributed to: incremental value of the assets (generally property, plant and equipment), which is classified as intangible assets and is amortized over the same useful life, expected future profitability or other reasons. The goodwill based on expected future profitability must be amortized according to projections of such future profitability over a period of no more than ten years, except when it refers to a concession by a public authority, in which case it will be amortized over the concession term. Goodwill which cannot be economically supported ("without economic basis") must be expensed at the time of the purchase and negative goodwill without economic basis must be recorded as a gain only when the investment is disposed of or discontinued. Since January 1, 2008, with the publication of Law No. 11638/07 and subsequently Brazilian Accounting Pronouncements Committee (CPC) Pronouncement 08 – Transaction Costs and Premium in the Issuance of Marketable Securities, BRGAAP requires transaction costs to be accounted for as part of the acquisition price. Minority interest is recorded at cost.

All amounts in thousands of reais unless otherwise indicated

The differences between the purchase price allocation in accordance with BRGAAP and in accordance with IFRS, for the purpose of this reconciliation, for business combinations after January 1, 2006, is as follows:

San Marino

A 39.59% interest in San Marino was acquired on March 5, 2007 with the following goodwill under BRGAAP and IFRS:

	BR GAAP	IFRS
Current assets	72,038	72,038
Non-current assets:	36,255	47,911
Other receivables	1,273	1,273
Property, plant and equipment	34,982	44,018
Intangible assets		2,620
Current liabilities	(74,576)	(74,576)
Non-current liabilities	(27,231)	(29,885)
Assets, net of liabilities	6,486	15,488
% interest acquired	39.59%	39.59%
Net assets acquired	2,568	6,132
Total purchase price	37,500	37,500
Goodwill	34,932	31,368

All amounts in thousands of reais unless otherwise indicated

Loma

A 33% interest in Loma company was acquired on January, 2008 with the following goodwill under BRGAAP and IFRS:

	BR GAAP	IFRS
Current assets	32,308	32,308
Non-current assets:	24,203	26,672
Other receivables	10,038	10,038
Property, plant and equipment	14,165	10,594
Intangible assets		6,040
Current liabilities	(12,688)	(13,527)
Dividends payable to former stockholder	(9,119)	(9,119)
Minority interest	(737)	(737)
Non-current liabilities	(6,596)	(6,596)
Assets, net of liabilities	27,371	29,001
% interest acquired	33%	33%
Net assets acquired	9,032	9,570
Total purchase price	23,371	23,371
Goodwill	14,339	13,801

The Company calculated the fair values of assets and liabilities shown above in a preliminary manner and based on internal information and available market data. In addition, the Company contracted external experts to validate these estimates in relation to the fair value of the brand and property, plant and equipment; however, the Company does not expect that such evaluations will affect substantially the stockholders' equity at December 31, 2008 and the net income for the year then ended.

(c) Financial instruments

In accordance with IFRS, financial investments should be classified as: securities held to maturity, securities available for sale and trading securities. This classification depends on the purpose for which the investment was acquired. When the purpose of acquiring the securities is the investment of funds to obtain short-term gains, they are classified as trading securities. When the intention is to maintain securities up to maturity and the entity has the capacity to maintain them up to maturity, they are classified as securities held to maturity. When the intention, at the time of the investment, is none of the above, these investments are classified as securities available for sale.

The Company classified all of its financial investments as trading securities, measured at fair value. Interest, price-level indexation and exchange variations, when applicable, as well as the changes in fair value, are recognized in income as they occur.

Derivative financial instruments for IFRS reconciliation purposes have been valued at fair value at the balance sheet date, with gains and losses recognized in income. In the periods presented, no derivative instruments were classified as instruments which meet the conditions for hedge accounting, for IFRS reconciliation purposes.

With the publication of Law No. 11638/07 and subsequently Brazilian Accounting Pronouncements Committee (CPC) Pronouncement 14 – Financial Instruments: Recognition, Measurement and Evidencing, which corresponds to the first stage of convergence to IFRS (Phase I), the financial instruments held by Company are recognized, measured and evidenced in a manner similar to IFRS.

The second stage (Phase II) will consist of complete convergence to IFRS, including detailed treatment of the items not considered in the pronouncement referred to above and which are present in IFRS, such as: i) greater detail in respect of accounting for hedge transactions; ii) de-recognition of financial assets and liabilities; iii) embedded derivatives; and iv) impairment of financial assets and hybrid financial instruments.

(d) Capitalization of interest in property, plant and equipment

For IFRS purposes, the Company includes as part of the cost of construction in progress the interest incurred on loans at the weighted average rate of outstanding loans and financing on the date of capitalization.

In accordance with BRGAAP, the capitalization of financial costs incurred is recorded during the period of construction as part of the cost of the assets only if the loan or financing is directly related to the capital asset being constructed. As from the year ended December 31, 2007, both accounting practices are consistent.

(e) Employee benefits

The accounting practices related to employee benefits in IFRS are described in Note 27.1.1 (Exemption for calculating employee benefits).

The accounting practices related to employee benefits in BRGAAP are similar to those in IFRS, except for the date on which actuarial liabilities are calculated for the first time and for the impacts related to the application of the corridor concept.

(f) Impairment of non-financial assets

Since publication of Law No. 11.638/07 there are no differences between IFRS and BRGAAP with respect to rules for analyzing the recovery of all non-financial assets, except inventories, assets from construction contracts, deferred income tax credits, assets related to employee benefits, among others. On the date of each financial statement, the Company must analyze if there is evidence that the book value of an asset will not be recovered. If such evidence is identified, the entity must estimate the recoverable value of the asset.

The recoverable value of an asset is the higher of (a) its fair value less costs that would be incurred to sell it, and (b) its value in use. The value in use is equal to the discounted cash flows (before taxes) derived from the continuous use of the asset until the end of its useful life. Even if there is no indication that the book value of an asset will not be recovered, balances of goodwill arising from business combinations and intangible assets with an indefinite useful life must be tested for recoverability at least once a year.

When the book value of an asset exceeds recoverable value, the entity should record a reduction in the book balance of this asset (impairment or deterioration).

For assets recorded at cost, the reduction in recoverable value must be recorded in income for the period. For revalued assets, the reduction must be recorded in the revaluation surplus account. With the publication of Law 11.638/07 BRGAAP no longer permits the recording of revaluations as from January 1, 2008.

If the recoverable value of an asset cannot be determined individually, the recoverable value of the cash generating unit to which the asset belongs must be analyzed.

Except for the reduction in goodwill, the reversal of previously recorded losses is allowed. The reversal in these circumstances is limited to the depreciated balance of the asset at the date of reversal, assuming that the reversal has not yet been recorded.

(g) Deferred charges

In accordance with IFRS, pre-operating costs do not meet the definition of an intangible asset and should be expensed. The costs incurred to obtain an internally generated intangible asset are normally not capitalized.

The transition rules to the new accounting practices adopted in Brazil , through Brazilian Accounting Pronouncements Committee (CPC) Pronouncement 13 - First-time Adoption of Law No. 11638/07 and MP No. 449/08, determined that initial adjustments to the new practices shall be recorded as follows: deferred charges that cannot be reclassified to other groups of assets shall be written-off in the opening balance, at the transition date, by recording the amount against retained earnings, net of tax effects, or maintained in this group until completely amortized, subject to impairment testing in accordance with Brazilian

Accounting Pronouncements Committee (CPC) Pronouncement 01 – Reduction of the Recoverable Value of Assets. In the case of goodwill previously recorded, a meticulous analysis must be performed in relation to its destination: to intangible assets if related to amounts paid to independent third parties, based on future profitability expectations (goodwill); to investments, if paid based on the difference between the carrying value and the fair value of assets acquired and liabilities assumed; to the income statement, as a loss, if without economic substance.

Pre-operating expensed and restructuring expenses generated after January 1, 2009 will have the same treatment under BRGAAP as under IFRS.

(h) Income tax and social contribution on net income

Current income tax and social contribution on net income expenses are calculated in accordance with the statutory tax bases effective on the date of the financial statements. Periodically, management evaluates the positions taken in relation to tax matters which are subject to interpretation and recognizes a provision when the payment of income tax and social contribution is expected in accordance with the taxable bases.

Deferred income tax and social contribution are fully recognized in accordance with the concept described in IAS 12 (the liability method) on the differences between assets and liabilities recognized for tax purposes and the corresponding amounts recognized for IFRS purposes.

Deferred income tax and social contribution credits are recognized only to the extent to which it is probable that a positive taxable basis will exist against which temporary difference may be used and tax losses may be offset, in accordance with IFRS. Income tax effects should be reflected in the financial statements in the same periods that the assets and liabilities which generate these effects are recorded.

Differences between the asset and liability book bases (presented in the accounting records) and tax bases (amounts which will be deductible or taxable for income tax purposes) are classified between temporary and permanent. Deferred income tax credits are only initially recognized to the extent to which it is probable that they will be realized against taxable income to be generated in the future. Deferred tax assets and liabilities should always be classified as non-current and should not be discounted.

In accordance with BRGAAP, deferred tax credits on tax losses and temporary differences are recognized to the extent that their realization is probable and when the following conditions are met: (a) taxable income is reported in at least three of the last five years, and (b) future taxable income is expected based on a feasibility study that shows that the deferred tax credits can be realized within a maximum of 10 years (or shorter period established by legislation), considering future taxable income discounted to present value. Deferred tax liabilities are recognized on temporary differences, except when they refer to differences in the value of assets not held for sale. Deferred tax assets and liabilities should be classified as current or non-current based on their estimate of realization.

(i) Accounting for dividends and interest on own capital

In accordance with IFRS, dividends proposed or declared after the balance sheet date but before the authorization for the release of the financial statements should not be recognized as liabilities unless they fall into the definition of liabilities at the balance sheet date. Interest on own capital is recorded, net of tax benefit, directly in stockholders' equity.

In accordance with BRGAAP, at the end of the year a liability should be recorded in the balance sheet for dividends proposed by management that, subsequently to the close of the year, will be submitted to stockholders for approval. The tax benefit arising from interest on own capital is considered, under BRGAAP, in net income for the year, reducing current income tax and social contribution expense.

(j) Accounting for exchange gains and losses on foreign investments

In accordance with both IFRS and BRGAAP, exchange gains and losses on foreign investments, as well as on the net assets of consolidated companies with a functional currency different from that of the parent company, should be recognized directly in stockholders’ equity in a specific account called ‘Cumulative translation adjustments’.

(k) Tax incentives

In accordance with IFRS and BRGAAP, tax incentives received by the Company fall into the concept of revenues since they are cash inflows in the normal course of business that result in an increase in stockholders’ equity. Therefore, these tax incentives are classified as revenues.

27.3 Reconciliation of stockholders' equity and net income for the year between IFRS and BRGAAP

We present below the reconciliation of stockholders’ equity balances at December 31, 2008 and 2007 and of net income for the years then ended.

In addition, due to changes in the Brazilian Corporation Law, the Company adjusted its financial statements according to IFRS to also reflect the adjustments to present value on trade accounts receivable and accounts payable to suppliers, as well as the calculations of financial leases of subsidiaries and the exchange variation on investments abroad. Accordingly, the balances previously reported in this reconciliation note are being restated.

All amounts in thousands of reais unless otherwise indicated

Reconciliation of stockholders' equity at December 31

	2008	2007
Stockholders' equity in BRGAAP		
Originally presented	683,509	592,548
Adjustments introduced by Law No. 11638/07 (*)		(2,187)
Adjusted Stockholders' equity in BRGAAP (for 2007)	683,509	590,361
Minority interest	11,809	7,836
Stockholders' equity including minority interest	695,318	598,197
Reversal of deferred charges, net	(11,590)	(5,930)
Adjustment of employee benefits, net	(12,240)	319
Reversal of goodwill realization	9,634	2,989
Adjustment of allocation of purchase price in business combination	(1,397)	(522)
Deferred income tax ad social contribution	5,302	1,242
Other		(510)
Stockholders' equity in IFRS including minority interest	**685,027**	**595,785**

Reconciliation of net income for the years ended December 31

	2008	2007
Net income in BRGAAP		
Originally presented	134,446	132,295
Adjustments introduced by Law No. 11638/07 (*)		14,230
Adjusted net income in BRGAAP (for 2007)	134,446	146,525
Reversal of deferred charges, net	(5,660)	(102)
Adjustment of employee benefits, net	(12,559)	3,232
Adjustments of derivatives		(3,264)
Reversal of goodwill realization	6,645	2,989
Adjustment of allocation of purchase price in business combination	(875)	(522)
Tax benefit on interest on own capital	(12,668)	(11,738)
Deferred income tax ad social contribution	4,059	(793)
Other adjustments	510	
Net income in IFRS	113,898	136,327

(*) As described in Note 2.1.

All amounts in thousands of reais unless otherwise indicated

27.4 Changes in stockholders' equity under IFRS

	Stockholders' equity	Minority interest	Total stockholders' equity
Balances at December 31, 2006	**529,719**	**7,295**	**537,014**
Net income for the year	136,327		136,327
Dividends and interest on own capital for the year, net of the income tax and social contribution benefit on interest on own capital	(63,283)		(63,283)
Purchase of own shares, net of sales	(708)		(708)
Currency translation on foreign investments	(14,106)		(14,106)
Minority interest		541	541
Balances at December 31, 2007	**587,949**	**7,836**	**595,785**
Net income for the year	113,898		113,898
Dividends and interest on own capital for the year, net of the income tax and social contribution benefit on interest on own capital	(47,141)		(47,141)
Purchase of own shares, net of sales	(3,174)		(3,174)
Currency translation on foreign investments	21,686		21,686
Other		3,973	3,973
Balances at December 31, 2008	**673,218**	**11,809**	**685,027**

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