

Caxias do Sul - February 24, 2012.



## Full Year 2011 Results

# MANAGEMENT REPORT

Dear Shareholders:

The Board of Directors of Marcopolo S.A. submits for assessment the Board of Directors' Report and the Financial Statements for the year ended December 31, 2011 together with the independent auditors' report. The financial statements are presented in accordance with accounting practices adopted in Brazil and with IFRS - International Financial Reporting Standards established by IASB - International Accounting Standards Board.

## 1. Operating Context

Marcopolo is a publicly traded corporation headquartered in the city of Caxias do Sul, Rio Grande do Sul, founded on August 6, 1949, and is primarily engaged in the manufacturing of buses, bus bodies, and components.

Its product line covers a wide range of models composed of groups of coach, urban, micro-buses, and mini-buses, and the Volare family (a complete bus including chassis and body).

The manufacturing of buses is carried out in twelve plants: four in Brazil (two units in Caxias do Sul - RS, one in Duque de Caxias - RJ, and participation of 45.0% in the company San Marino Ônibus e Implementos Ltda., also in Caxias do Sul - RS) and eight abroad (one of its own units in South Africa and joint ventures in Argentina, Australia, Colombia, Egypt, India (2), and Mexico. The Company has a factory of parts and components for bus bodies in China. Marcopolo also owns a 40.0% stake in the company SPHEROS (HVAC), 30.0% in WSUL (foams for seats), and 26.0% in MVC - Componentes Plásticos Ltda.

Besides the companies mentioned, Marcopolo also has control of Banco Moneo S.A. established to support the financing of Marcopolo products.

## 2. Performance Indicators

The table below lists some indicators of relevance as to the management and performance analysis of the Company in 2011.

### SELECTED INFORMATION (R\$ million, except when otherwise indicated)

CONSOLIDATED DATA	2011	2010	Var. %
<b>Operational Performance:</b>			
Net Operating Revenue	3,368.9	2,964.5	13.6
- Sales in Brazil	2,456.6	2,079.7	18.1
- Sales abroad	912.3	884.8	3.1
Gross Profit	741.7	631.3	17.5
EBITDA <sup>(1)</sup>	464.1	398.3	16.5
Net Income	344.0	295.8	16.3
Earnings per share	0.771	0.663	16.3
Return on Invested Capital – ROIC <sup>(2)</sup>	23.4%	23.3%	0.1 pp
Return on Equity – ROE <sup>(3)</sup>	36.0%	40.0%	(4.0) pp
Investments	74.7	81.5	(8.3)
Net Equity	1,162.1	955.9	21.6
<b>Financial Position: Industrial Segment</b>			
Cash and Cash Equivalents	969.0	800.1	21.1
Short-term Financial Liabilities	434.5	102.6	323.5
Long-term Financial Liabilities	481.4	689.1	(30.1)
Net Cash	53.1	8.4	532.1
<b>Financial Position: Industrial and Financial Segments</b>			
Cash and Cash Equivalents	1,023.1	854.3	19.8
Short-term Financial Liabilities	617.2	268.2	130.1
Long-term Financial Liabilities	869.8	1,094.4	(20.5)
Net Financial Liabilities	463.9	508.4	(8.8)
<b>Margins</b>			
Gross Margin	22.0%	21.3%	0.7 pp
EBITDA Margin	13.8%	13.4%	0.4 pp
Net Margin	10.2%	10.0%	0.2 pp

Notes: <sup>(1)</sup> EBITDA = Earnings before interest, taxes, depreciation and amortization; <sup>(2)</sup> ROIC (Return on Invested Capital) = EBIT ÷ (Inventories + clients + fixed assets - suppliers); <sup>(3)</sup> ROE (Return on Equity) = Net Income/Initial Shareholders' Equity; pp = percentage points.

### 3. Performance of the Bus Industry in Brazil

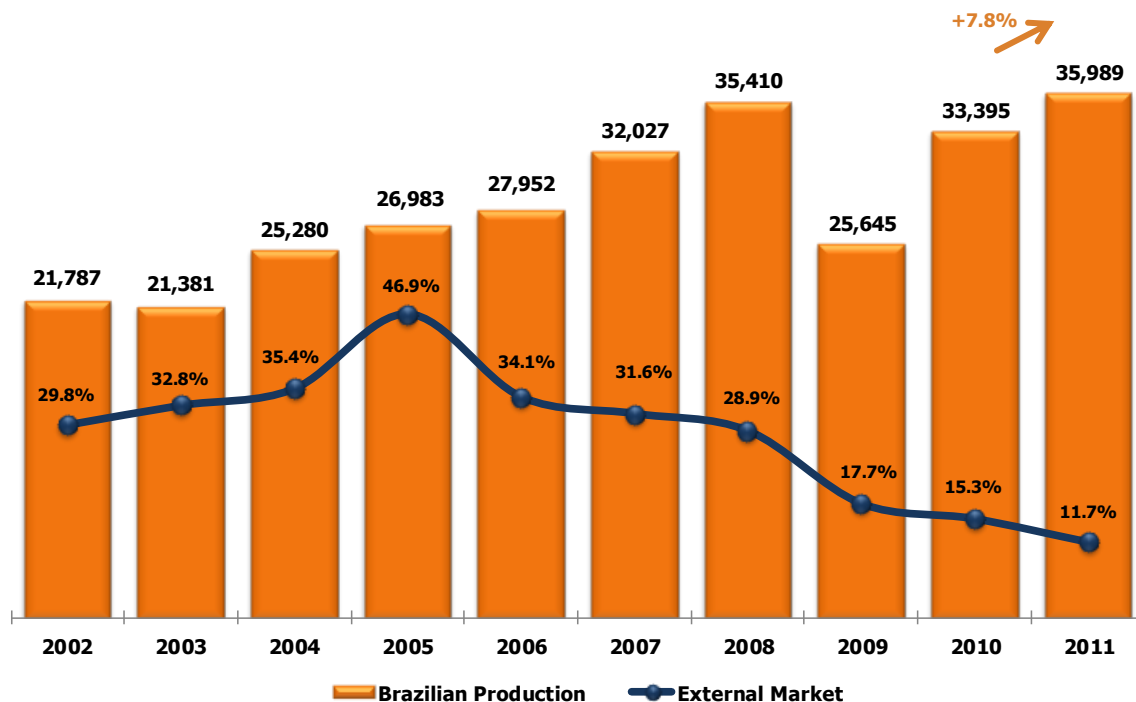
Brazilian production broke a record in 2011, totaling 35,989 units, which is 7.8% higher than the 33,395 units produced in 2010. Because VOLARE is a vehicle sold as a complete unit, it is not computed in the Brazilian production of bus bodies. If the production of this type of vehicle were to be considered, then domestic production was 40,859 units in 2011.

Domestic demand reached 31,761 units, a growth of 12.3% over 2010, while production for the export market was 4,228 units, 17.3% lower than exports last year.

The following chart shows the evolution of the last 10 years in the Brazilian production of bus bodies:

#### EVOLUTION OF BRAZILIAN BUS PRODUCTION

(in '000 units)



### BRAZILIAN BUS PRODUCTION – TOTAL (in units)

PRODUCTS <sup>(1)</sup>	2011	2010	2009	2008	2007
Intercity	10,467	8,903	6,456	9,728	8,613
Urban	20,347	19,131	15,093	21,008	18,699
Micros	5,099	4,299	3,075	4,282	4,303
<b>SUBTOTAL</b>	<b>35,913</b>	<b>32,033</b>	<b>24,624</b>	<b>35,018</b>	<b>31,615</b>
Minis <sup>(2)</sup>	76	1,062	1,021	392	412
<b>TOTAL</b>	<b>35,989</b>	<b>33,395</b>	<b>25,645</b>	<b>35,410</b>	<b>32,027</b>

Sources: FABUS (National Association of Bus Manufacturers) and SIMEFRE (Interstate Syndicate of the Industrial of Rail and Road Materials and Equipment).

Notes: <sup>(1)</sup> Includes units exported in KD (knocked down); <sup>(2)</sup> The production data of the Mini-buses does not include the production of complete units such as Volare.

### BRAZILIAN BUS PRODUCTION – DOMESTIC MARKET (in units)

PRODUCTS <sup>(1)</sup>	2011	2010	2009	2008	2007
Intercity	8,051	6,506	4,066	5,741	4,873
Urban	19,511	16,969	13,329	16,075	13,967
Micros	4,131	3,753	2,708	2,990	2,670
<b>SUBTOTAL</b>	<b>31,693</b>	<b>27,228</b>	<b>20,103</b>	<b>24,806</b>	<b>21,510</b>
Minis <sup>(2)</sup>	68	1,057	1,009	365	412
<b>TOTAL</b>	<b>31,761</b>	<b>28,285</b>	<b>21,112</b>	<b>25,171</b>	<b>21,922</b>

Note: See notes to table - Brazilian Bus Production - TOTAL.

### BRAZILIAN BUS PRODUCTION – EXTERNAL MARKET (in units)

PRODUCTS <sup>(1)</sup>	2011	2010	2009	2008	2007
Intercity	2,416	2,397	2,390	3,987	3,740
Urban	836	2,162	1,764	4,933	4,732
Micros	968	546	367	1,292	1,633
<b>SUBTOTAL</b>	<b>4,220</b>	<b>5,105</b>	<b>4,521</b>	<b>10,212</b>	<b>10,105</b>
Minis <sup>(2)</sup>	8	5	12	27	-
<b>TOTAL</b>	<b>4,228</b>	<b>5,110</b>	<b>4,533</b>	<b>10,239</b>	<b>10,105</b>

Note: See notes to table - Brazilian Bus Production - TOTAL.

## 4. Marcopolo's Operational Performance

The year 2011 was a milestone for Marcopolo, which reported record revenues and production. The Company continued its strategy of internationalization and announced on September 13 an agreement to set up a commercial joint venture in Russia with the OJSC KAMAZ Group, the largest automobile company in that country. On December 13, the Company announced signing an agreement to acquire a 75.0% stake in the company Volgren Australia Pty. Limited, the largest bus body manufacturer in Australia with a market share exceeding 40% and based in Melbourne.

Also noteworthy is the preparation of the Company's strategic planning for the next five years. The plan includes the targets for growth, as well as of investments of R\$ 350 million for the same period.

The Brazilian domestic market continued being the major driver of demand. Marcopolo operated throughout the year with high utilization of its installed capacity and made significant investments in expansion and modernization of its manufacturing plants, as well as improved operational efficiency and management of the quality of its products.

The results presented in the year were benefited from several factors: the growth of the country's Gross Domestic Product (GDP), despite being lower than expected by the market, the favorable financing conditions, a more competitive exchange rate for the company's exports (especially from the month of September on), the strong demand for buses with a chassis still under the Euro 3 emission standards, and the "Way to School" program of the Federal Government.

The highlights abroad for 2011 were on account of Superpolo in Colombia, Metalpar in Argentina, and Tata Marcopolo Motors Lmt. in India, which increased their production by 42.5%, 78.8%, and 20.9%, respectively. Marcopolo's international operations contributed with 32.8% of its consolidated production with a volume of 10,337 units. Additional information about the performance of its subsidiaries/associated companies abroad and of the Moneo Bank is described in item 15 of this report.

Also in 2011, Marcopolo launched a BRT (Bus Rapid Transit) model that will be used in the modernization of the transport systems in large urban centers. The Company also complemented the Generation 7 of coach buses by launching the models Double Decker and Low Driver, as well as the new generation of Volare called W FLY in the following versions: Urban, Executive, and Limousine.

## 4.1 Units Recorded in Net Revenue

In 2011, 30,766 units were recorded in net revenue for the year with 20,813 units being domestic representing 67.6% of consolidated revenues, and 9,953 units going to the export market representing the remaining 32.4% of the total, as shown in table below:

OPERATIONS	2011	2010	Var. %
<b>BRAZIL:</b>			
- Domestic Market	18,692	16,634	12.4
- External Market	2,251	2,426	(7.2)
<b>SUBTOTAL</b>	<b>20,943</b>	<b>19,060</b>	<b>9.9</b>
Exclusion exported KDs <sup>(1)</sup>	130	427	(69.6)
<b>TOTAL IN BRAZIL</b>	<b>20,813</b>	<b>18,633</b>	<b>11.7</b>
<b>INTERNATIONAL:</b>			
- Mexico	1,234	1,255	(1.7)
- South Africa	241	678	(64.5)
- Colombia (50%)	1,056	758	39.3
- India (49%) <sup>(2)</sup>	5,932	5,216	13.7
- Egypt (49%)	184	334	(44.9)
- Argentina (50%)	1,306	723	80.6
<b>TOTAL INTERNATIONAL</b>	<b>9,953</b>	<b>8,964</b>	<b>11.0</b>
<b>GENERAL TOTAL</b>	<b>30,766</b>	<b>27,597</b>	<b>11.5</b>

Notes: <sup>(1)</sup> KD (Knock Down) = Bodies partially or completely knocked down; <sup>(2)</sup> India includes the units invoiced at the factory in Lucknow.

## 4.2 Production

In 2011, Marcopolo's consolidated production totaled 31,526 units, which is 14.3% higher than the 27,580 units produced in the year 2010. Of this total, 67.2% were produced in Brazil and the remaining 32.8% abroad. The data on Marcopolo's world production is presented on the tables below:

### MARCOPOLO - CONSOLIDATED WORLDWIDE PRODUCTION

OPERATIONS (in units)	2011	2010	Var. %
<b>BRAZIL:</b> <sup>(1)</sup>			
- Domestic Market	19,046	16,795	13.4
- External Market	2,274	2,547	(10.7)
<b>SUBTOTAL</b>	<b>21,320</b>	<b>19,342</b>	<b>10.2</b>
Exclusion exported KD's <sup>(2)</sup>	131	442	(70.4)
<b>TOTAL IN BRAZIL</b>	<b>21,189</b>	<b>18,900</b>	<b>12.1</b>

<b>INTERNATIONAL:</b>			
- Mexico	1,234	1,255	(1.7)
- South Africa	240	416	(42.3)
- Colombia (50%)	1,049	736	42.5
- India (49%) <sup>(3)</sup>	6,308	5,216	20.9
- Egypt (49%)	213	334	(36.2)
- Argentina (50%)	1,293	723	78.8
<b>TOTAL INTERNATIONAL</b>	<b>10,337</b>	<b>8,680</b>	<b>19.1</b>
<b>GENERAL TOTAL</b>	<b>31,526</b>	<b>27,580</b>	<b>14.3</b>

Notes: <sup>(1)</sup> Includes the production of the Volare model as well as the production of the companies Ciferal (6,297 units in 2011) and 45.0% from San Marino (1,738 units in 2011), which corresponds to Marcopolo's participation in the company; <sup>(2)</sup> Bodies partially or completely knocked down; <sup>(3)</sup> India includes the units produced at the factory in Lucknow.

### MARCOPOLO - CONSOLIDATED WORLDWIDE PRODUCTION BY MODEL

<b>PRODUCTS / MARKETS<sup>(2)</sup></b> (in units)	<b>2011</b>			<b>2010</b>		
	<b>DM</b>	<b>EM<sup>(1)</sup></b>	<b>TOTAL</b>	<b>DM</b>	<b>EM<sup>(1)</sup></b>	<b>TOTAL</b>
Intercity	5,202	1,563	<b>6,765</b>	4,546	1,478	<b>6,024</b>
Urban	7,556	3,556	<b>11,112</b>	6,420	4,145	<b>10,565</b>
Micros	1,668	699	<b>2,367</b>	1,566	716	<b>2,282</b>
Minis (LCV)	-	6,412	<b>6,412</b>	498	4,315	<b>4,813</b>
<b>SUBTOTAL</b>	<b>14,426</b>	<b>12,230</b>	<b>26,656</b>	<b>13,030</b>	<b>10,654</b>	<b>23,684</b>
Volares <sup>(3)</sup>	4,620	250	<b>4,870</b>	3,765	131	<b>3,896</b>
<b>TOTAL PRODUCTION</b>	<b>19,046</b>	<b>12,480</b>	<b>31,526</b>	<b>16,795</b>	<b>10,785</b>	<b>27,580</b>

Notes: <sup>(1)</sup> The total production of EM includes units exported in KD (partially or completely knocked down bodies), which in 2011 totaled 131 units against 442 units in 2010; <sup>(2)</sup> DM = Domestic Market; EM = External Market; <sup>(3)</sup> The production of Volares is not a part of the data from SIMEFRE and FABUS, nor of the production for the sector.

### MARCOPOLO - PRODUCTION IN BRAZIL

<b>PRODUCTS / MARKETS<sup>(2)</sup></b> (in units)	<b>2011</b>			<b>2010</b>		
	<b>DM</b>	<b>EM<sup>(1)</sup></b>	<b>TOTAL</b>	<b>DM</b>	<b>EM<sup>(1)</sup></b>	<b>TOTAL</b>
Intercity	5,202	1,366	6,568	4,546	1,375	5,921
Urban	7,556	264	7,820	6,420	803	7,223
Micros	1,668	394	2,062	1,566	238	1,804
Minis (LCV)	-	-	-	498	-	498
<b>SUBTOTAL</b>	<b>14,426</b>	<b>2,024</b>	<b>16,450</b>	<b>13,030</b>	<b>2,416</b>	<b>15,446</b>
Volares <sup>(3)</sup>	4,620	250	4,870	3,765	131	3,896
<b>TOTAL PRODUCTION</b>	<b>19,046</b>	<b>2,274</b>	<b>21,320</b>	<b>16,795</b>	<b>2,547</b>	<b>19,342</b>

Note: See notes under the Consolidated World Production by Model.

## 4.3 Brazilian Market Share

Marcopolo maintained its leadership position in the Brazilian market, registering a market share of 45.7% in 2011. The table below shows Marcopolo's market share in Brazilian production by product line.

## MARKET SHARE IN BRAZILIAN PRODUCTION (%)

PRODUCTS <sup>(1)</sup>	2007	2008	2009	2010	2011
Intercity	48.5	49.3	56.9	66.5	62.8
Urban	45.6	41.6	36.5	37.8	38.4
Micros	35.4	38.6	37.1	42.0	40.4
Minis <sup>(2)</sup>	21.8	13.8	35.7	46.9	-
<b>TOTAL</b>	<b>44.7</b>	<b>43.0</b>	<b>41.7</b>	<b>46.3</b>	<b>45.7</b>

Source: FABUS and SIMEFRE

Notes: <sup>(1)</sup> Includes Ciferal and 100.0% of the proportionate share in the production of San Marino; <sup>(2)</sup> Volare is not counted for purposes of market share.

## 5. Net Revenue

Consolidated net revenue reached R\$ 3,368.9 million in 2011, which is 13.6% higher than the R\$ 2,964.5 million in the year 2010. Sales to the domestic market generated revenues of R\$ 2,456.6 million, 18.1% higher than R\$ 2,079.7 million in the previous year, representing 72.9% of total net revenues (70.2% in 2010). The exports added to the business overseas reached revenues of R\$ 912.3 million against R\$ 884.8 million in the previous year, which is an increase of 3.1%. Revenues by product and market destination are presented in the table below:

### TOTAL CONSOLIDATED NET REVENUE By Products and Markets (R\$ million)

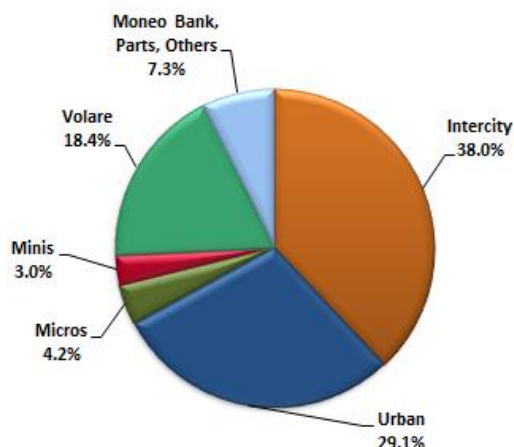
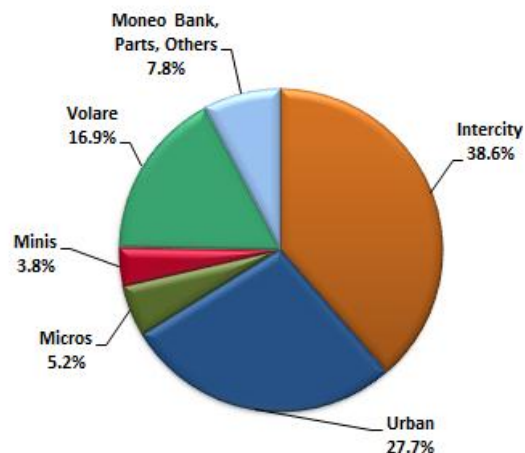
PRODUCTS/MARKETS	2011		2010		TOTAL	
	DM	EM	DM	EM	2011	2010
Intercity	902.3	376.6	750.4	393.2	1,278.9	1,143.6
Urban	699.1	282.1	569.0	251.8	981.2	820.8
Micros	98.5	42.5	114.8	38.9	141.0	153.7
Minis - LCV	15.4	86.0	45.8	68.0	101.4	113.8
<b>Subtotal bodies</b>	<b>1,715.3</b>	<b>787.2</b>	<b>1,480.0</b>	<b>751.9</b>	<b>2,502.5</b>	<b>2,231.9</b>
Volares <sup>(1)</sup>	585.8	32.8	481.8	20.3	618.6	502.1
Moneo Bank, Parts & Others	155.5	92.3	117.9	112.6	247.8	230.5
<b>GENERAL TOTAL</b>	<b>2,456.6</b>	<b>912.3</b>	<b>2,079.7</b>	<b>884.8</b>	<b>3,368.9</b>	<b>2,964.5</b>

Note: <sup>(1)</sup> Revenues from Volares includes the chassis.

### 5.1 Composition of Consolidated Net Revenue (%)

Of the total consolidated net revenue in 2011, 74.3% was derived from sales of bus bodies, 18.4% from the sale of Volares, and 7.3% from revenue from parts and Moneo Bank. The graphs below show in more detail the source of consolidated revenue per product line (in %).



**2011**

**2010**


## 6. Gross Profit and Margins

In 2011, gross profit totaled R\$ 741.7 million, 17.5% higher than the R\$ 631.3 million in 2010, or 22.0% of net revenue (21.3% in 2010). It should be noted that the improvement in profitability presented in recent years is the result primarily of an investment plan that aimed at, along with maintained and expanding its industrial park, it also included the technological upgrading of machinery and equipment, which provided greater efficiency and cost savings. The launching of new products, the management of materials with a focus on waste reduction, and the high volume of production that diluted fixed costs, also all contributed to the results achieved.

## 7. Selling Expenses

Selling expenses increased from R\$ 162.7 million in 2010 to R\$ 173.5 million in 2011, explained by the higher sales volume. It should be pointed out, however, that the participation in relation to net revenue decreased from 5.5% to 5.2% in the period analyzed.

## 8. General & Administrative Expenses

General & administrative expenses totaled R\$ 144.8 million in 2011, or 4.3% of net revenue. In 2010 these expenses totaled R\$ 138.2 million, representing 4.7% of net revenue.

## 9. Other Operating Revenue/Expenses

In 2011, the net balance of other operating revenues and expenses was R\$ 3.3 million negative, primarily due to costs with law suits, against R\$ 26.2 million positive in 2010, explained largely by the success in proceedings relating to the Social Integration Program (PIS) and Contribution for the Financing of Social Security (COFINS).

## 10. Net Financial Income

The net financial income was positive by R\$ 67.5 million in 2011, in comparison with an also positive result of R\$ 78.2 million in 2010. This result was originated mainly due to investments and the net present value of sales and layaways. Financial revenues totaled R\$ 249.8 million in the year against R\$ 208.8 million last year, and financial costs were R\$ 182.3 million in 2011 and R\$ 130.6 million in 2010. See Note 25 of the Financial Statements.

## 11. EBITDA

EBITDA reached R\$ 464.1 million in 2011, which is 16.5% higher than the R\$ 398.3 million recorded in 2010. EBITDA margin was 13.8% in 2011, 0.4 percentage points above the margin of the previous year. The table below shows the accounts that make up the EBITDA:

### EBITDA

<i>(R\$ million)</i>	2011	2010	Var. %
Operating Income	496.0	442.0	12.2
Financial Revenue	(249.8)	(208.8)	(19.6)
Financial Expenses	182.3	130.6	39.6
Depreciation / Amortization	35.6	34.5	3.2
<b>EBITDA</b>	<b>464.1</b>	<b>398.3</b>	<b>16.5</b>

## 12. Net Income

Net income for 2011 reached R\$ 344.0 million, a growth of 16.3% over the R\$ 295.8 million last year. The net margin stood at 10.2% in 2011, in line with the 2010 margin.

## 13. Financial Indebtedness

The net financial indebtedness was R\$ 463.9 million as of 12/31/2011 (R\$ 508.4 million as of 12/31/2010). Of this total, R\$ 517.0 million came from the financial sector, while the industrial sector had a net cash of R\$ 53.1 million.

It is important to point out that the indebtedness of the financial sector comes from the consolidation of the activities of Moneo Bank and should be analyzed separately since it has different characteristics from that of the Company's operating activities. The financial liability of Moneo Bank has as its counter entry the account of "Clients" in the bank's assets. The doubtful accounts are properly provisioned. Since it has to do with transfers from FINAME, each disbursement coming from the Bank for Economic and Social Development (BNDES) has an exact counter entry in the account receivables of clients of the Moneo Bank both in term and fixed rate. See Note 27 of the Financial Statements.

## 14. Operating Cash Generation

In 2011, the operating activities generated cash of R\$ 381.8 million. The investment activities demanded R\$ 74.7 million while financing activities consumed R\$ 78.0 million. As a result the opening cash balance of R\$ 672.1 million, added with the R\$ 3.1 million from exchange rate changes on cash, increased to R\$ 904.3 million at the end of the year. The statement of cash flows for the industrial and financial sectors is presented in detail in Note 28 of the Financial Statements.

## 15. Performance of Subsidiaries/Associated Companies

In 2011, the units abroad produced 10,337 units against 8,680 units last year, which is an increase of 19.1%. This volume represented 32.8% of Marcopolo's consolidated production. The main highlights of the subsidiaries and associated companies abroad and of Moneo Bank are described below:

**POLOMEX.** Located in Mexico, Polomex produced 1,234 units in 2011, in line with the previous year's production. The bus market in the country is recovering in its volume, which is still low compared to normal demand presented in years previous to 2009. The production expected for 2012 is 1,700 units, according to *guidance* issued on December 16, 2011.

**MARCOPOLO SOUTH AFRICA.** In 2011 Marcopolo South Africa - MASA, located in Johannesburg, adjusted its structure to the new realities after the World Cup 2010, reducing fixed costs and inventory levels. This made it possible for the company to operate profitably throughout the year. The BRT project is planned to continue in 2012 with new business in Johannesburg and Cape Town. Throughout the year MASA will launch new models of urban and coach buses. MASA's total production forecast is 300 units.

**SUPERPOLO.** Located in Columbia, Superpolo produced 2,098 units in 2011, and 50.0% of this, or 1,049 units, were considered in Marcopolo's consolidated production. This volume was 42.5% higher than that produced in 2010 due to the high demand for buses in the country, as well as the contract to supply 1,200 buses for the restructuring of public transport in Panama. The expected production for 2012 is 1,800 units, of which 900 are consolidated by Marcopolo.

**METALPAR.** Marcopolo's 50.0% stake in Metalpar, which is located in Argentina, led to the consolidation of 1,293 units in 2011. In 2012 the Company expects to produce a total of 2,600 units, of which 1,300 will be consolidated by Marcopolo. This joint venture produces only urban buses and in this segment it is the leader with a market share greater than 60.0%. Metalpar is studying to launch a new product, a minibus, yet in 2012.

**TATA MARCOPOLO MOTORS LMTD.** Marcopolo's consolidation proportional to its 49.0% ownership in TMML totaled 6,308 units produced in 2011. For TMML, 2011 was a year of high production with a strong demand for customized products. The Company increased its product portfolio focusing on the LCV (Light Commercial Vehicles) segment, on vehicles with higher added value, on the medium vehicle segment, on vehicles powered by natural gas, as well as entering with the configuration to meet BRT systems. The Company was also present in the African market and the Middle East through exports. The expected production for 2012 is 15,400 units, and of this total, 7,700 should be consolidated by Marcopolo.

**GB POLO.** This is Marcopolo's joint venture in Egypt located in the city of Suez, which provided the consolidation of 213 units referring to Marcopolo's 49.0% stake in the company. Because of the country's moment of political transition, the bus market in Egypt continues to be small, and demand will continue low throughout 2012. GB Polo is developing new products with specifications to meet the local market, the North African market, as well as for the Middle East. The expected consolidation of production for 2012 is 200 units.

**MARCOPOLO CHINA - MAC.** Located in Jiangyin, Marcopolo China is geared towards the production of parts and components for bus bodies. MAC will be the supplier of the knocked down bodies for the commercial joint venture between PoloAutoRus LLC, which is Marcopolo's subsidiary with the Group OJSC Kamaz from Russia. In addition, the Company will continue developing parts and components to supply Marcopolo's associated companies and subsidiaries in Brazil and worldwide.

**BANCO MONEO.** The activities of Banco Moneo S.A. began in July 2005 with the purpose of financing Marcopolo products. The Bank is authorized to work with a portfolio of commercial leasing, credit, financing, and investments. In 2011, the bank's profit was R\$ 25.8 million mostly due to reducing levels of default payments, a lower provision for non-performing loans, and recovery of losses from previous periods. The loan and guarantee operations at 12/31/2011 totaled R\$ 754.3 million, against R\$ 744.3 million at 12/31/2010. Also in 2011 the Bank consolidated its operational structure by investing in the qualification of its credit rating and approval systems, emphasizing the quality of its loan portfolio and not prioritizing its nominal growth, which is a policy that has already been reflected in the low levels of the portfolio's provisioning.

## 16. Corporate Governance

Marcopolo adopts good Corporate Governance practices in accordance with the principles of transparency, fairness, accountability, and corporate responsibility. Its shares have been listed as Level 2 of Corporate Governance at BM&FBovespa since 2002. The Company is subject to the arbitration of the Market Arbitration Board in accordance with its Commitment Clause contained in its By-laws.

The Marcopolo's management is formalized based on the distinction between the roles and responsibilities of the Board of Directors, the Fiscal Council, and the Executive Board. The Board of Directors consists of seven members, three of which are external and independent, one elected by the minority shareholders, one by the holders of preferred shares, and the other by the controlling shareholders. The Fiscal Council is composed of three members, one appointed by the minority shareholders, one by the holders of preferred shares, and one by the controlling shareholders. The responsibilities of each body are defined in the Company's By-laws. The Board of Directors has the following Committees to assist it, provide feedback, and give support in conducting its business: (i) Executive Committee, (ii) Audit & Risks, (iii) Human Resources & Ethics, and (iv) Strategy & Innovation.

The Company provides fair and equal treatment for all minority shareholders, whether of capital or other stakeholders. When disclosing information, it uses high standards of transparency in order to build a climate of trust both internally as well as in the company's relations with third parties. To comply with legal requirements and improve the information it provides to the market in general and in particular to foreign shareholders, the Financial Statements are disclosed under standards established by the International Financial Reporting Standard (IFRS). In 2011 the Company held meetings with the Association of Capital Market Analysts and Professionals (APIMEC) in São Paulo, Rio de Janeiro, and Porto Alegre, as well as non-deal road shows in Brazil and abroad. Marcopolo's relationship with its shareholders and potential investors is made by its Investor Relations area. In 2011 analysts were received from around the country and from abroad, numerous telephone contacts made, and the fifth edition of Marcopolo Day was held, which is an event where the Company receives analysts and investors at its plant in Caxias do Sul for a presentation about the company, its products, and production process. The website of Marcopolo's Investor Relations area is always updated and has the content needed to give support to investors.

## **17. Independent Auditors**

### **17.1 Change of Independent Auditors**

In compliance with legal provision, at a meeting held on 02/16/12, the Board of Directors appointed the Company's auditors, who will review the quarterly financial information of the first quarter of 2012, as being KPMG Independent Auditors with headquarters in Porto Alegre, Av. Borges de Medeiros, 2233, 8th floor, replacing PricewaterhouseCoopers - Independent Auditors.

### **17.2 CVM Instruction 381/03**

In compliance with CVM Instruction 381/03, sections I to IV of Article 2, Marcopolo declares to have other contracts with its Independent Auditors that are unrelated to the audit of the Company's Financial Statements. During the year 2011, PWC network firms abroad were contracted for additional services of advisory and due diligence and the fees were equivalent to R\$ 3,735,400. The responsibility for the definitions inherent to the procedures carried out and their application are prerogatives of the Board of Directors, so it is the understanding both of the Company as well as of its external auditors that such services do not affect their professional independence.

## **18. Capital Market**

### **18.1. Capital Stock**

The Company's capital is R\$ 700.0 million divided into 448,450,042 shares, of which 170,812,872 are common shares (38.1%) and 277,637,170 are preferred shares (61.9%), all nominative, book entry, and without nominal value.

### **18.2 Performance of Marcopolo's Shares on the BM&FBovespa**

Marcopolo's preferred shares appreciated in 2011, against an 18.1% devaluation of the Ibovespa index. In 2011, there were 396,800 transactions, which is an increase of 101.2% over the 197,200 performed in 2010, and 298.2 million shares were traded. Trading with Marcopolo shares circulated R\$ 2.0 billion in the year, which is an amount 40.0% higher than in 2010. The participation of foreign investors in Marcopolo's capital totaled 51.5% of preferred shares and 32.3% of total capital on 12/31/11. The following table shows the evolution of the key indicators related to capital markets:

INDICATORS	2011	2010
Number of transactions (thousands)	396.8	197.2
Shares Traded (million)	298.2	198.9
Value traded (R\$ million)	2,010.2	1,435.6
Market value (R\$ million) <sup>(1)</sup>	3,179.5	3,135.0
Book value per share (R\$)	2.59	2.13
POMO4 stock quote (last day)	7.09	6.99
Interest on Own Capital and Dividends per share (R\$/share)	0.372	0.335

Note: <sup>(1)</sup> Quote of the last transaction of the period for a Book Entry Preferred (PE) share multiplied by the total shares (OE+PE) from the same period.

## 19. Dividends/Interest on Shareholders' Equity

At the Board of Directors Meeting held on December 9, 2011, the payment was approved of interest as return on capital and dividends totaling R\$ 127.2 million, and of that amount R\$ 15.6 million will be paid as interest on capital - 4th. Stage 2011, and R\$ 111.6 million will be paid as dividends for the year 2011. The values of interest and dividends will be paid beginning on 03/30/2012. With this resolution, the total amount proposed for payment of interest as return on capital and dividends for year 2011 totaled R\$ 166.1 million, R\$ 54.5 million as interest on capital, and R\$ 111.6 million as dividends. The total amount distributed equals 48.3% of the Company's adjusted net profit in 2011 and represents a yield (dividend per share divided by initial stock price) of 5.3%.

## 20. Capital Expenditures/Fixed Assets

In 2011, Marcopolo invested R\$ 74.7 million in capital goods of which R\$ 46.3 million was spent in the parent company and invested as follows: R\$ 18.1 million in machinery and equipment; R\$ 11.8 million to acquire additional stake in Loma Hermosa (Argentina), which rose to 50.0%; R\$ 4.2 million in buildings, land, and improvements; and R\$ 12.2 million in other fixed assets. R\$ 28.4 million was invested in subsidiaries and associated companies as follows: R\$ 15.2 million in Ciferal, R\$ 9.2 million in San Marino, and R\$ 4.0 million in other units.

## 21. Social and Environmental Responsibility

The social-environmental responsibility is an important aspect of sustainability. The company develops a range of programs and tools to control the production system. Marcopolo's System of Partnership Production (SIMPS) constitutes a strategy of industrial competition for growth, market leadership, productivity, quality, improvement of the work environment, and profitability of products and services. The system provides conditions to continuously improve the quality of its products, processes, and services, managing the impacts to the environment as well as the

health and safety of employees, eliminating waste wherever it is occurring, while maintaining a fully integrated chain. Marcopolo remains certified in the following international management standards: ISO 14001 - Environment, ISO 9001 - Quality, OHSAS 18001 - Health & Safety, and SA 8000 - Social Responsibility.

### **21.1 Social Responsibility**

Marcopolo and its employees develop social responsibility under the coordination of the Marcopolo Foundation through several programs. The SuperAction Program aims to promote the social development of children and adolescents in the communities where the company maintains manufacturing facilities, including projects focused on education and health. The School Project is aimed at improving the school community. The Volunteer Program operates in Educational Centers and nursing homes, and includes social-educational activities, physical facilities, and campaigns to collect food for children and the elderly. The Marcopolo Foundation also conducts monthly contributions to institutions in the community in the area of health and education such as its support of the Oncology Service of the General Hospital in Caxias do Sul, which helps patients in the government's Unified Health System (SUS).

Marcopolo, Moneo Bank, and Ciferal pass 1.0% of its Income Tax Due to the Municipal Fund of the Rights of the Child and Adolescent in the cities of Caxias do Sul (RS) and Duque de Caxias (RJ), which is where the companies are located.

In units outside Brazil, specific actions are performed according to the needs identified in the local community with a special attention to demands in the area of health and education.

### **21.2 Employee Satisfaction**

The company's employee satisfaction is measured through the internal Organizational Climate Survey that occurs every two years. The last survey was conducted in October 2011 and obtained 75.0% as the average overall satisfaction in the units in Caxias do Sul (RS) and 72.0% in Ciferal (RJ). A set of improvement actions has been defined by the board and will be implemented between 2012 and 2013 with regular monitoring of its progress in all areas.

### **21.3 Education and Training**

The training programs covered employees from the operational, administrative, and technical areas. In Brazil, open courses were made available to the employees interested outside working hours as a way to enhance access to new functions. The Education Incentive Program offered scholarships to various forms of education and to learn foreign languages.

The Marcopolo Vocational Training School (EFPM), which completed 20 years in 2010, maintains industrial training courses for young people, including those in situations of



social vulnerability, providing benefits, the first paid job, and access to the company's career plan. Currently the EFPM has four units in Brazil and one in South Africa with the associated company MASA. The number of young people participating in vocational training programs in these EFPM Units in Brazil is currently at 170 people as a way of promoting sustainability in the communities where the company operates. Marcopolo's associated companies abroad keep vocational training courses for young people in accordance with current regulations and then hiring them as permanent employees whenever possible. In 2011 special training programs were also offered to women in the community who were able to apply with better preparation to the openings offered by the Company.

In the EFPM unit of the Reolon district, continuity was given to the training program to more than 25 people with disabilities who then joined the company's staff.

#### **21.4 Quality of Life**

The quality of life programs for employees and their families are adapted to the reality of each country where Marcopolo has subsidiaries or associated companies. In Brazil, several activities were undertaken by the Marcopolo Foundation, including education, recreation, culture, and sports. The units of Caxias do Sul (RS) and Ciferal (RJ) have the structure of Recreational Centers suitable to be enjoyed by the employees and their families. In Mexico and Colombia specific activities are offered in the form of workshops, tours, and tournaments. In India, various recreational, educational, and religious celebrations involving employees and their families were conducted on the company's premises.

#### **21.5 Environment**

The constant identification and assessment of applicable legislation together with the control aspects arising from activities that have the potential to cause impacts to the environment have a relevant importance to organization's sustainable development. Every year the company performs specific actions to commemorate the World Environment day. In 2011 the First Show of Nature versus Waste was held whose purpose was to engage employees in the struggle to combat waste. Also this year, Marcopolo won the Preliminary License for a new landfill for non-hazardous industrial solid waste. The objective of this landfill is to maintain absolute control over the company's environmental liabilities. In addition, the work to expand and modernize the Wastewater Treatment Plant at the Ana Rech Unit was completed.

#### **6.21 Compensation and Plan for Granting Stock Options**

The compensation of employees comprises of a fixed part linked to skills and abilities, and a variable part resulting from the achievement of the goals set in the Profit

Sharing Program. Salary surveys are conducted periodically for assessing the amounts paid to employees and make sure they are within the regional standards, allowing the company to maintain competitiveness in the labor market.

The shareholders gathered at the Extraordinary General Meeting held on December 22, 2005 approved the "Stock Option Plan". The plan has as its participants the executives of the Company and its subsidiaries (except the controlling directors) and its main objectives are as follows: (i) align the interests of the participants to that of the shareholders, (ii) get the participants to be committed with the company's short, medium, and long-term results, (iii) encourage and stimulate the sense of ownership, and (iv) attract and retain talent. The Plan is monitored by the HR & Ethics Committee and approved by the Board of Directors.

## 22. Management Fees

The annual total amount of the fixed compensation is set by the General Assembly and is distributed among the executive officers by the Board of Directors. The largest fixed individual annual compensation of the Executive Committee/Board of Directors totaled R\$ 2,862,300 in 2011, the average compensation was R\$ 823,700, and the lowest was R\$ 237,000. On the statutory board, the largest fixed individual compensation was R\$ 1,098,400 in 2011, the average was R\$ 849,500, and the lowest was R\$ 668,700. The fixed annual individual compensation for the members of the Fiscal Council was R\$ 140,000.

The largest individual variable compensation of the Executive Committee/Board of Directors was R\$ 2,859,300 in 2011, the average variable compensation was R\$ 1,530,900, and the lowest was R\$ 696,300. On the statutory board, the largest individual variable compensation in 2011 was R\$ 1,037,100, the average was R\$ 828,300, and the lowest was R\$ 666,700. Members of the Board of Directors and the Fiscal Council do not receive variable compensation, only the Executive Officers and Executive Committee members.

## 23. Persons Chart

No. OF COLLABORATORS	2007	2008	2009	2010	2011
Parent company	6,877	7,581	7,040	8,457	8,727
Subsidiaries in Brazil	3,046	3,035	2,656	3,441	4,013
Subsidiaries Abroad	2,449	2,749	4,310	4,181	4,491
<b>TOTAL <sup>(1)</sup></b>	<b>12,372</b>	<b>13,365</b>	<b>14,006</b>	<b>16,079</b>	<b>17,231</b>
<b>GENERAL TOTAL <sup>(2)</sup></b>	<b>14,240</b>	<b>15,393</b>	<b>18,303</b>	<b>20,393</b>	<b>21,993</b>

Notes: <sup>(1)</sup> Includes employees of subsidiaries/associated companies in the proportion of ownership interest; <sup>(2)</sup> Refers to full participation in the subsidiaries/associated companies.

## 24. Outlook for 2012

The market in which Marcopolo operates has a positive outlook in most of the countries in which the Company is present. In Brazil, which currently represents more than 70.0% of Marcopolo's total revenue, the economic fundamentals allow to ensure a GDP growth, although it is not possible to identify clearly the consequences and impacts of the crisis in the eurozone.

The demand for buses in Brazil should continue to be strong over the coming years. Investments in urban infrastructure in order to improve the urban mobility conditions of the population have encouraged the renewal of the Brazilian fleet of buses as well as the implementation of new solutions for public transport. The sporting events that the country will host, among them the 2013 Confederations Cup, the FIFA World Cup in 2014, and the 2016 Olympic Games, are the main promoters of these investments.

In 2012, the factors that should sustain demand for buses at current levels are as follows: the municipal elections of October (this fact usually generates renewal of the fleet of urban buses), the beginning of deliveries of BRT buses, the auction of concessions of interstate and international lines scheduled by the Brazilian Land Transport Regulator (ANTT) to occur in the middle of the year, and the "Way to School" program from the Federal Government whose auction of 2011 was extended until July 2012. Thus, despite the advance purchases made in 2011 due to the emission standards Proconve-7 (equivalent to Euro 5) entering into force, the scenario is still favorable for the sector of bus bodies in the country.

There is also still the possibility of creating a new special line of funding from BNDES, initially called Finame Green, which would create more favorable conditions for entrepreneurs to renew their fleet with new, cleaner engines.

The prospects for 2012 are also positive in the foreign markets. Important export contracts from Brazil are being signed. In relation to its subsidiaries and associated companies, the highlights are still the *joint venture* in India, where the expectation is to increase the production and launch a coach model, and the companies in Argentina and Colombia where the markets continue to show signs of strength. It should also be noted that Marcopolo formalized the acquisition of 75.0% of the Australian company Volgren, which will begin to be consolidated as of February 1 this year.

According to a statement issued by the Company on December 16, 2011, the performance expectations for 2012 are as follows if the current market conditions and the country's economic performance continue as they are: (i) capital expenditures in the amount of R\$ 140.0 million; (ii) reach consolidated net revenues of R\$ 3.6 billion; and (iii) produce 32,500 buses in the units of Brazil and abroad.

## 25. Acknowledgements

Marcopolo is honored to thank customers, suppliers, agents, shareholders, financial institutions, government agencies, the community, and in particular its employees for the effort, dedication, and commitment given.

The Management.

**BALANCE SHEETS**
*IFRS (in thousands of reais)*

ASSETS	Consolidated	
	12/31/11	12/31/10
<b>Current assets</b>		
Cash and cash equivalents	904,318	672,123
Financial assets at fair value	2,394	54,092
Trade accounts receivable	920,217	810,464
Inventories	368,330	311,448
Taxes recoverable	53,466	87,144
Other accounts receivable	46,118	55,238
	<b>2,294,843</b>	<b>1,990,509</b>
<b>Non-current assets</b>		
<b>Long-term receivables</b>		
Financial assets available for sale	116,371	128,096
Taxes recoverable	3,792	2,975
Deferred income tax and social contribution	68,593	43,315
Judicial Deposits	10,319	14,365
Trade accounts receivable	433,825	425,700
Other accounts receivable	724	10,766
Investments	21,802	22,272
Property, plant and equipment	353,567	318,761
Intangible assets	77,295	72,842
	<b>1,086,288</b>	<b>1,039,092</b>
<b>TOTAL ASSETS</b>	<b>3,381,131</b>	<b>3,029,601</b>
LIABILITIES AND STOCKHOLDERS' EQUITY	Consolidated	
	12/31/11	12/31/10
<b>Current liabilities</b>		
Suppliers	324,261	306,901
Loans and financing	612,529	267,412
Derivatives	4,690	788
Salaries and vacation pay	124,597	135,427
Taxes and contributions payable	69,774	64,938
Advances from customers	40,909	37,238
Comissioned representatives	27,788	17,031
Interest on own capital and dividends	41,016	35,632
Management profit sharing	7,699	7,060
Other accounts payable	68,002	76,309
	<b>1,321,265</b>	<b>948,736</b>
<b>Non-current liabilities</b>		
Loans and financing	869,809	1,094,439
Provision for contingencies	16,072	17,444
Other accounts payable	2,493	5,592
	<b>888,374</b>	<b>1,117,475</b>
<b>Stockholders' equity</b>		
Capital	700,000	700,000
Capital reserves	(1,578)	(790)
Revenue reserves	502,512	301,863
Treasury stock	(12,485)	(14,054)
Carrying value adjustments	(26,305)	(31,125)
	<b>1,162,144</b>	<b>955,894</b>
<b>Non-controlling Interest</b>	<b>9,348</b>	<b>7,496</b>
	<b>1,171,492</b>	<b>963,390</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>3,381,131</b>	<b>3,029,601</b>

The consolidated financial statements including the notes to financial statements and the report of independent auditors - PRICEWATERHOUSECOOPERS - Auditores independentes - are available at the sites [www.cvm.gov.br](http://www.cvm.gov.br) and [www.bmfbovespa.com.br](http://www.bmfbovespa.com.br).

## STATEMENTS OF INCOME

*IFRS (in thousands of reais)*

ACCOUNTS	Consolidated	
	2011	2010
<b>Net sales and service revenues</b>	<b>3,368,876</b>	<b>2,964,499</b>
Cost of sales and services	(2,627,180)	(2,333,156)
<b>Gross Profit</b>	<b>741,696</b>	<b>631,343</b>
<b>Operating expenses (income)</b>		
Selling expenses	(173,520)	(162,650)
Administrative expenses	(144,799)	(138,174)
Other operating expenses (income), net	(3,299)	26,189
<b>Operating profit before financial income (expenses)</b>	<b>420,078</b>	<b>356,708</b>
Financial income	249,835	208,803
Financial expenses	(182,357)	(130,638)
<b>Financial result net</b>	<b>67,478</b>	<b>78,165</b>
Equity in earnings of affiliates	8,404	7,084
<b>Income before taxation and profit sharing</b>	<b>495,960</b>	<b>441,957</b>
<b>Income tax and social contribution</b>		
For the year	(177,215)	(134,562)
Deferred	25,278	(11,641)
<b>Net income for the year</b>	<b>344,023</b>	<b>295,754</b>
<b>Net income per share - R\$</b>	<b>0.771</b>	<b>0.663</b>

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## CASH FLOWS

*IFRS (in thousands of reais)*

	Consolidated	
	12/31/11	12/31/10
<b>Cash flows from operating activities</b>		
<b>Net income for the year</b>	<b>344,023</b>	<b>295,754</b>
Adjustments to reconcile net income with cash generated by (used in) operating activities:		
Depreciation and amortization	35,584	34,479
Cost of fixed, intangible and investments sales	9,742	12,417
Equity in the results of investees	(8,404)	(7,084)
Provision for credit losses	(5,780)	3,325
Deferred income tax and social contribution	(25,278)	11,641
Interest and appropriated exchange variations	53,603	33,177
Minority interest	879	(784)
<b>Changes in assets and liabilities</b>		
(Increase) decrease in trade accounts receivable	(106,816)	(140,160)
(Increase) decrease in other accounts receivable	56,970	1,208
(Increase) decrease in inventories	(54,468)	(75,610)
Increase (decrease) in short-term investment	63,424	(144,750)
Increase (decrease) in suppliers	16,391	100,052
Increase (decrease) in accounts payable	1,916	134,920
<b>Net cash provided by (used in) operating activities</b>	<b>381,786</b>	<b>258,585</b>
<b>Cash flows from investing activities</b>		
Investments	(86)	-
Dividends from subsidiaries	6,383	2,247
Fixed assets variation	(67,473)	(72,888)
Intangible assets variation	(12,651)	(10,122)
Proceeds from sale of fixed, intangible and investments	(835)	(720)
<b>Net cash used in investing activities</b>	<b>(74,662)</b>	<b>(81,483)</b>
<b>Cash flows from financing activities</b>		
Related parties	-	12
Loans and financing	479,205	595,504
Payment of loans	(342,481)	(457,148)
Payment of interest	(66,160)	(56,437)
Payment of dividends and interest on capital stock	(149,376)	(73,069)
Treasury stock	781	(10,923)
<b>Net cash provided by (used in) financing activities</b>	<b>(78,031)</b>	<b>(2,061)</b>
<b>Foreign exchange variation on cash and cash equivalents</b>	<b>3,102</b>	<b>(1,890)</b>
Cash and cash equivalents at the beginning of the year	672,123	498,972
Cash and cash equivalents at the end of the year	904,318	672,123
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>232,195</b>	<b>173,151</b>

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