Caxias do Sul – February 19, 2013.

**Full-Year 2012 Results**

# MANAGEMENT REPORT

Dear Shareholders:

The Board of Directors of Marcopolo S.A. submits for your consideration the Board of Directors' Report and the Financial Statements in relation to the year ending at December 31, 2012, along with the report from the independent auditors. The financial statements are presented in accordance with accounting policies adopted in Brazil and International Financial Reporting Standards (IFRS), established by the IASB (International Accounting Standards Board).

## 1. OPERATING CONTEXT

Marcopolo is a publicly traded corporation, headquartered in Caxias do Sul, Rio Grande do Sul, founded on August 6, 1949, whose main goal is to manufacture buses, bus bodies and components.

Its product line includes a wide variety of models, composed of groups of intercity, urban, micro and mini buses, as well as the Volare family (a complete bus, with chassis and body).

Bus manufacturing takes place in eighteen plants, with four located in Brazil (two units in Caxias do Sul – RS, one in Duque de Caxias – RJ, in addition to a 45% share in the company San Marino Ônibus e Implementos Ltda., also in Caxias do Sul – RS), plus 15 abroad, with one of its own units in South Africa, four in Australia and affiliates/subsidiaries in Argentina (2), Colombia, Egypt, India (2), Russia and Mexico, in addition to a bus parts and components factory in China. Marcopolo also holds a 40% share of the company, SPHEROS (HVAC), 30% in WSUL (foam for seats) and 26% in MVC – Componentes Plásticos Ltda.

Apart from these companies, Marcopolo fully controls Banco Moneo S.A., created to provide support for the financing of Marcopolo products.

## 2. PERFORMANCE INDICATORS

The table below presents some important indicators with respect to management and the Company's performance in 2012.

**SELECTED INFORMATION**

**(R$ million, unless otherwise indicated)**

| CONSOLIDATED DATA | 2012 | 2011 | Var. % |
|---|---|---|---|
| **Operational Performance:** | | | |
| Net Operating Revenue | 3,817.1 | 3,368.9 | 13.3 |
| - Revenue in Brazil | 2,446.3 | 2,456.6 | (0.4) |
| - Revenue abroad | 1,370.8 | 912.3 | 50.3 |
| Gross profit | 776.0 | 741.7 | 4.6 |
| EBITDA [(1)] | 439.8 | 464.1 | (5.2) |
| Net Profit | 302.4 | 344.0 | (12.1) |
| Earnings per share | 0.676 | 0.771 | (12.3) |
| Return on Invested Capital – ROIC [(2)] | 17.0% | 23.4% | (6.4) pp |
| Return on Equity (ROE) [(3)] | 26.0% | 36.0% | (10.0) pp |
| Investments | 277.2 | 74.7 | 271.1 |
| Net Equity | 1,299.9 | 1,162.1 | 11.9 |
| **Financial Position: INDUSTRIAL SECTOR** | | | |
| Cash, Cash Equivalents and Financial Investments | 495.3 | 969.0 | (48.9) |
| Short-term Financial Liabilities | 563.3 | 434.5 | 29.6 |
| Long-term Financial Liabilities | 162.8 | 481.4 | (66.2) |
| Net Cash | (230.9) | 53.1 | - |
| **Financial Position: Industrial and Financial Segments** | | | |
| Cash, Cash Equivalents and Financial Investments | 529.6 | 1,023.1 | (48.2) |
| Short-term Financial Liabilities | 757.6 | 617.2 | 22.7 |
| Long-term Financial Liabilities | 583.3 | 869.8 | (32.9) |
| Net Financial Liabilities | 811.3 | 463.9 | 74.9 |
| **Margins** | | | |
| Gross Margin | 20.3% | 22.0% | (1.7) pp |
| EBITDA Margin | 11.5% | 13.8% | (2.3) pp |
| Net Margin | 7.9% | 10.2% | (2.3) pp |

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

## 3. PERFORMANCE OF THE BUS INDUSTRY IN BRAZIL

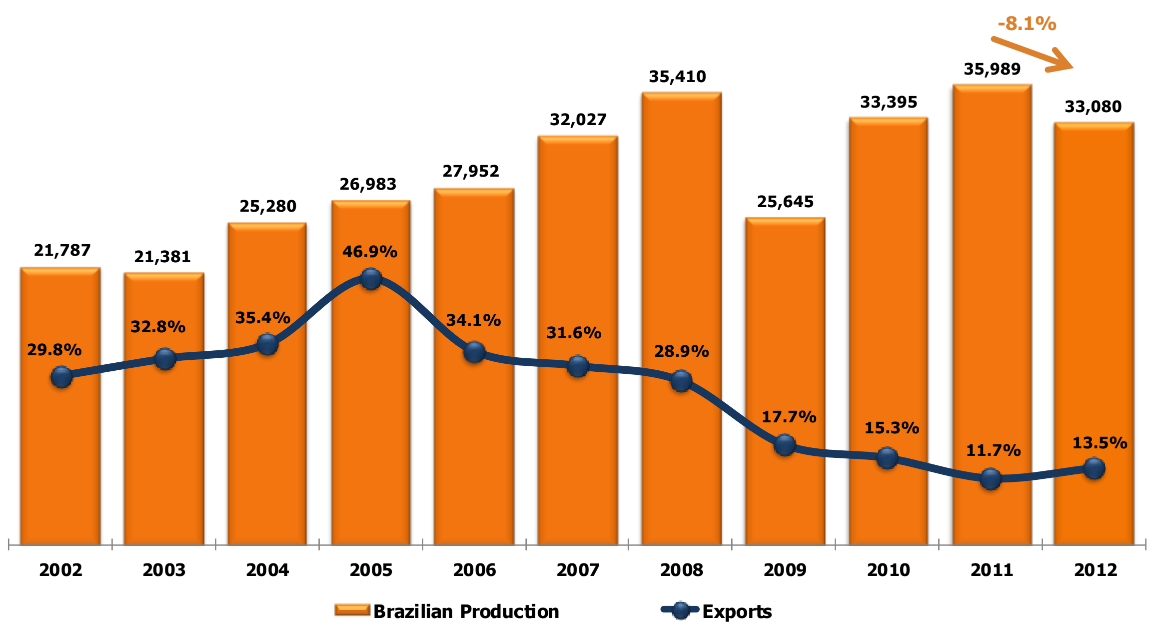
Brazilian production in 2012 totaled 33,080 units, 8.1% below the 35,989 units manufactured in 2011. Since it is a vehicle that is sold complete, VOLARE is not counted in Brazilian bus body production. If the manufacture of this type of vehicle were to be included, domestic production would be 37,745 units in 2012.

Domestic market demand accounted for 28,622 units, a drop of 9.9% in relation to 2011, while production for the external market was 4,458 units, 5.4% higher than exports last year.

The following graph shows the evolution of Brazilian bus body production over the last 10 years:

**EVOLUTION OF BRAZILIAN BUS PRODUCTION**

**(in thousands of units)**



## BRAZILIAN BUS PRODUCTION – TOTAL (in units)

| PRODUCTS [1] | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Intercity | 9,117 | 10,467 | 8,903 | 6,456 | 9,728 |
| Urban | 18,944 | 20,347 | 19,131 | 15,093 | 21,008 |
| Micros | 5,019 | 5,099 | 4,299 | 3,075 | 4,282 |
| **SUBTOTAL** | **33,080** | **35,913** | **32,333** | **24,624** | **35,018** |
| Minis [2] | - | 76 | 1,062 | 1,021 | 392 |
| **TOTAL** | **33,080** | **35,989** | **33,395** | **25,645** | **35,410** |

Sources: FABUS (National Association of Bus Manufacturers) and SIMEFRE (Interstate Highway and Railway Material and Equipment Manufacturers Association).

Notes: [1] Includes exported KD (unassembled) units; [2] The production data for the Minis does not include the production of complete units, such as Volare.

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

| PRODUCTS [1] | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Intercity | 6,970 | 8,051 | 6,506 | 4,066 | 5,741 |
| Urban | 17,752 | 19,511 | 16,969 | 13,329 | 16,075 |
| Micros | 3,900 | 4,131 | 3,753 | 2,708 | 2,990 |
| **SUBTOTAL** | **28,622** | **31,693** | **27,228** | **20,103** | **24,806** |
| Minis [2] | - | 68 | 1,057 | 1,009 | 365 |
| **TOTAL** | **28,622** | **31,761** | **28,285** | **21,112** | **25,171** |

Note: See notes from the table – Brazilian Bus Production – TOTAL

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

| PRODUCTS [1] | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Intercity | 2,147 | 2,416 | 2,397 | 2,390 | 3,987 |
| Urban | 1,192 | 836 | 2,162 | 1,764 | 4,933 |
| Micros | 1,119 | 968 | 546 | 367 | 1,292 |
| **SUBTOTAL** | **4,458** | **4,220** | **5,105** | **4,521** | **10,212** |
| Minis [2] | - | 8 | 5 | 12 | 27 |
| **TOTAL** | **4,458** | **4,228** | **5,110** | **4,533** | **10,239** |

Note: See notes from the table – Brazilian Bus Production – TOTAL

## 4. MARCOPOLO'S OPERATIONAL PERFORMANCE

2012 was marked by the challenges arising from the transition from the Euro 3 to the Euro 5 engine in the Brazilian market, as well as the continued geographic expansion of Marcopolo abroad.

Switching to this new engine, necessary for complying with the new pollutant emission levels set by the CONAMA Proconve P7 regulations, impacted the Brazilian bus market, and led Marcopolo to adopt the strategy of purchasing Euro 3 chassis available in the market and selling complete vehicles. The decision proved to be correct and partly offset the effect of the implementation of the Euro 5, resulting in chassis sales of R$ 130.5 million during the year.

In its quest to offer the best products and solutions to meet customer needs, Marcopolo launched, in 2012, a new highway and intercity bus model called Audace, which provides greater comfort, ergonomics and safety for passengers, with lower operating costs.

In foreign markets, Marcopolo's exports from Brazil grew 25.9% in relation to 2011, with margins benefiting from the devaluation of the Brazilian Real against the U.S. dollar and from the Special Regime for the Reinstatement of Taxes for Exporting Companies (REINTEGRA), in which the Company determines the amounts corresponding to the tax residue existing in its supply chain, calculated by applying a percentage of 3% on revenue from exports. REINTEGRA was recently extended until the end of 2013.

In addition to REINTEGRA, the Federal Government adopted other measures to stimulate domestic industry, benefiting the capital goods sector. The most noteworthy was the payroll tax exemption on the employers' contribution to the National Social Security Institute (INSS), replaced, in Marcopolo's case, by a collection of contributions calculated at 1% of revenue from the domestic market. This measure went into effect in August and will be in effect until the end of 2014.

Another highlight of the year was the Brazilian Federal Government's decision to purchase up to 8,570 school buses for the "Caminho da Escola" program, through the Growth Acceleration Program (PAC – Equipment). During the year, Marcopolo produced 3,911 school buses for the "Caminho da Escola" program and, via the new electronic auction held in September 2012, was authorized to manufacture and supply up to 4,100 units, to be delivered by October 2013, according to the Relevant Fact published on October 22, 2012.

With regard to financing, the Brazilian Development Bank (BNDES) made successive interest rate cuts in the FINAME PSI line of credit, which was at 10% per year at the beginning of 2012 and closed at 2.5% per year for contracts filed with BNDES until December 31, 2012. With financing terms of up to 10 years, FINAME PSI-4 was extended until the end of 2013, with 3% interest per year for requests registered from January to June and 4% per year from July to December.

In pursuing its expansion strategy, Marcopolo, as shared in the Relevant Fact published on June 11, signed a Memorandum of Understanding with the State Government of Espírito Santo and the Municipality of São Mateus, aimed at installing a new vehicle assembly unit for the Volare line, in the state of Espírito Santo.

On December 14, in a Notice to the Market, the Company announced the signing of a contract, through its affiliate Metalpar Argentina S.A., to acquire a 51% share of the company Metalsur Carrocerias S.R.L., based in Rosário, Argentina. Metalsur specializes in manufacturing intercity bus bodies, particularly double decker models, and produces an average of 200 units per year.

And then, in a Relevant Fact released on January 23, 2013, the Company announced the signing of a strategic investment agreement totaling C$ 116.4 million (Canadian dollars) for purchasing 11,087,834 new common shares to be issued by New Flyer Industries Inc., representing 19.99% of the capital stock of this company. Headquartered in Winnipeg, Canada, New Flyer is the leading manufacturer of city buses in Canada and the United States. It registered net revenues of US$ 926 million and produced 1,800 units in 2011. The investment in New Flyer opens up the possibility of breaking into these markets and is in sync with Marcopolo's growth and geographic expansion strategy.

In relation to Marcopolo's subsidiaries and affiliates abroad, the highlights were India and Mexico, which boosted their production by 23% and 27.3%, respectively, not to mention the beginning of the consolidation of Volgren, in Australia. Marcopolo's international operations accounted for 37.7% of consolidated production, with a volume of 11,813 units. Additional information about the performance of the subsidiaries/affiliates abroad and the Moneo Bank can be found in Section 15 of this report.

## 4.1 Units Recorded in Net Revenue

In 2012, 31,584 units were recorded under net revenue for the year, with 19,754 units in the domestic market, representing 62.5% of consolidated production and 11,830 units in the external market, accounting for the remaining 37.5% of the total, as shown in the following table:

| OPERATIONS (in units) | 2012 | 2011 | Var. % |
|---|---|---|---|
| **BRAZIL:** | | | |
| - Domestic Market | 17,040 | 18,692 | (8.8) |
| - External Market | 2,839 | 2,251 | 26.1 |
| **SUBTOTAL** | **19,879** | **20,943** | **(5.1)** |
| Exclusion exported KD's [1] | 125 | 130 | (3.8) |
| **TOTAL IN BRAZIL** | **19,754** | **20,813** | **(5.1)** |
| **INTERNATIONAL:** | | | |
| - South Africa | 271 | 241 | 12.4 |
| - Argentina (50%) | 747 | 1,306 | (42.8) |
| - Australia | 435 | - | - |
| - Colombia (50%) | 785 | 1,056 | (25.7) |
| - Egypt (49%) | 250 | 184 | 35.9 |
| - India (49%) [2] | 7,771 | 5,932 | 31.0 |
| - Mexico | 1,571 | 1,234 | 27.3 |
| **TOTAL INTERNATIONAL** | **11,830** | **9,953** | **18.9** |
| **GENERAL TOTAL** | **31,584** | **30,766** | **2.7** |

Notes: [1] KD (Knock Down) = Partially or totally unassembled bus bodes; [2] In India, the units produced in the Lucknow factory are counted.

## 4.2 Production

In 2012, Marcopolo's consolidated production totaled 31,296 units, 0.7% lower than the 31,526 units manufactured in 2011. Of this total, 62.3% were produced in Brazil and the remaining 37.7% abroad. The data on Marcopolo's worldwide production is presented in the following tables:

**MARCOPOLO - CONSOLIDATED WORLDWIDE PRODUCTION**

| OPERATIONS (in units) | 2012 | 2011 | Var. % |
|---|---|---|---|
| **BRAZIL:** [1] | | | |
| - Domestic Market | 16,747 | 19,046 | (12.1) |
| - External Market | 2,864 | 2,274 | 25.9 |
| **SUBTOTAL** | **19,611** | **21,320** | **(8.0)** |
| Exclusion exported KD's [2] | 128 | 131 | (2.3) |
| **TOTAL IN BRAZIL** | **19,483** | **21,189** | **(8.1)** |

| | | | |
|---|---|---|---|
| **INTERNATIONAL:** | | | |
| - South Africa | 244 | 240 | 1.7 |
| - Argentina (50%) | 747 | 1,293 | (42.2) |
| - Australia | 435 | - | - |
| - Colombia (50%) | 807 | 1,049 | (23.1) |
| - Egypt (49%) | 250 | 213 | 17.4 |
| - India (49%) [3] | 7,759 | 6,308 | 23.0 |
| - Mexico | 1,571 | 1,234 | 27.3 |
| **TOTAL INTERNATIONAL** | **11,813** | **10,337** | **14.3** |
| **GENERAL TOTAL** | **31,296** | **31,526** | **(0.7)** |

Notes: [1] Includes production of the Volare model, as well as production from Ciferal (5,517 units in 2012) and 45% from San Marino (1,880 units in 2012), corresponding to Marcopolo's share in the company; [2] KD (Knock Down) = Partially or totally unassembled bus bodies; [3] In India, the units produced at the Lucknow factory are counted.

## MARCOPOLO – CONSOLIDATED WORLDWIDE PRODUCTION BY MODEL

| PRODUCTS/MARKETS [2] (in units) | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | DM | EM [1] | TOTAL | DM | EM [1] | TOTAL |
| Intercity | 4,407 | 1,237 | **5,644** | 5,202 | 1,563 | **6,765** |
| Urban | 6,538 | 3,834 | **10,372** | 7,556 | 3,556 | **11,112** |
| Micros | 1,642 | 1,104 | **2,746** | 1,668 | 699 | **2,367** |
| Minis (LCV) | - | 7,869 | **7,869** | - | 6,412 | **6,412** |
| **SUBTOTAL** | **12,587** | **14,044** | **26,631** | **14,426** | **12,230** | **26,656** |
| Volares [3] | 4,160 | 505 | **4,665** | 4,620 | 250 | **4,870** |
| **TOTAL PRODUCTION** | **16,747** | **14,549** | **31,296** | **19,046** | **12,480** | **31,526** |

Notes: [1] Exported KD units (totally or partially unassembled bus bodies) are included in total EM production, which in 2012 totaled 128 units, as opposed to 131 units in 2011; [2] DM = Domestic Market; EM = External Market; [3] Volares production is not part of the data of SIMEFRE and FABUS, or the production of the sector.

## MARCOPOLO - PRODUCTION IN BRAZIL

| PRODUCTS/MARKETS [2] (in units) | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | DM | EM [1] | TOTAL | DM | EM [1] | TOTAL |
| Intercity | 4,407 | 1,088 | 5,495 | 5,202 | 1,366 | 6,568 |
| Urban | 6,538 | 565 | 7,103 | 7,556 | 264 | 7,820 |
| Micros | 1,642 | 706 | 2,348 | 1,668 | 394 | 2,062 |
| Minis (LCV) | - | - | - | - | - | - |
| **SUBTOTAL** | **12,587** | **2,359** | **14,946** | **14,426** | **2,024** | **16,450** |
| Volares [3] | 4,160 | 505 | 4,665 | 4,620 | 250 | 4,870 |
| **TOTAL PRODUCTION** | **16,747** | **2,864** | **19,611** | **19,046** | **2,274** | **21,320** |

Note: See notes from the table for Consolidated World Production by Model.

## 4.3 Brazilian Market Share

Marcopolo maintained its leadership position in the Brazilian market, registering a market share of 45.2% in 2012. The table below highlights Marcopolo's market share in Brazilian production according to product line.

**MARKET SHARE IN BRAZILIAN PRODUCTION (%)**

| PRODUCTS [1] | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Intercity | 60.3 | 62.8 | 66.5 | 56.9 | 49.3 |
| Urban | 37.5 | 38.4 | 37.8 | 36.5 | 41.6 |
| Micros | 46.8 | 40.4 | 42.0 | 37.1 | 38.6 |
| Minis [2] | - | - | 46.9 | 35.7 | 13.8 |
| **TOTAL** | **45.2** | **45.7** | **46.3** | **41.7** | **43.0** |

Source: FABUS and SIMEFRE

Notes: [1] Includes 100% of Ciferal and the proportionate share of the San Marino production; [3] The Volare is not counted for market share purposes.

## 5. CONSOLIDATED NET REVENUE

Consolidated net revenue was R$ 3,817.1 million in 2012, 13.3% higher than the R$ 3,368.9 million in 2011. Domestic market sales generated revenues of R$ 2,446.3 million or 64.1% of total net revenue (72.9% in 2011). Export revenue, plus overseas business, totaled R$ 1,370.8 million, compared with R$ 912.3 million from last year, an increase of 50.3%. Revenues by product and destination market are presented in the table below:

**TOTAL CONSOLIDATED NET REVENUE**

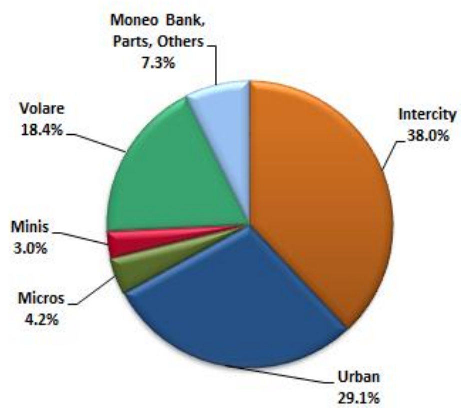
**By Products and Markets (R$ millions)**

| PRODUCTS | 2012 | | 2011 | | TOTAL | |
|---|---|---|---|---|---|---|
| | DM | EM | DM | EM | 2012 | 2011 |
| Intercity | 800.6 | 373.1 | 902.3 | 376.6 | 1,173.7 | 1,278.9 |
| Urban | 626.5 | 552.5 | 699.1 | 282.1 | 1,179.0 | 981.2 |
| Micros | 144.4 | 100.9 | 98.5 | 42.5 | 245.3 | 141.0 |
| Minis – LCV | - | 117.5 | 15.4 | 86.0 | 117.5 | 101.4 |
| **Subtotal bodies** | **1,571.5** | **1,144.0** | **1,715.3** | **787.2** | **2,715.5** | **2,502.5** |
| Volares [1] | 693.1 | 67.9 | 585.8 | 32.8 | 761.0 | 618.6 |
| Chassis | 87.5 | 43.0 | - | - | 130.5 | - |
| Moneo Bank,Parts & Others | 94.2 | 115.9 | 155.5 | 92.3 | 210.1 | 247.8 |
| **GENERAL TOTAL** | **2,446.3** | **1,370.8** | **2,456.6** | **912.3** | **3,817.1** | **3,368.9** |

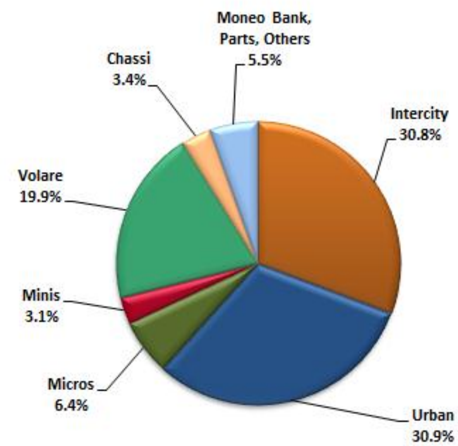
Note: [1] The revenue from the Volares includes the chassis.

Of the total consolidated net revenue in 2012, 71.2% came from bus body sales, 19.9% from Volare sales and 8.9% from parts, Moneo Bank and chassis. The graphs below show in greater detail the origin of consolidated revenue by product line (in %):

**2011**




**2012**




## 6. GROSS PROFIT AND MARGINS

In 2012, gross profit totaled R$ 776 million, 4.6% higher than the R$ 741.7 million in 2011, or 20.3% of net revenue (22% in 2011). The lower revenue percentage is due to the sale of complete vehicles, including chassis, which lowered the margin on bus bodies. The contraction of the Argentine market, which affected Metalpar's performance, as well as the consolidation of Volgren, in Australia, also contributed to this reduction.

## 7. SELLING EXPENSES

Selling expenses totaled R$ 220.2 million in 2012, or 5.8% of net revenue, compared to R$ 173.5 million, or 5.2% of revenue, in 2011. The increase in these expenses is mainly due to the consolidation of Volgren, the adjustment of Volare's distribution network, the commissions on the larger export volume, in addition to the provision for doubtful accounts which, in 2012, amounted to R$ 12.2 million, while in 2011 there was a reversal of R$ 5.8 million.

## 8. GENERAL & ADMINISTRATIVE EXPENSES

General and administrative expenses totaled R$ 173.2 million in 2012, against R$ 144.8 million in 2011, representing 4.5% and 4.3% of net revenue, respectively. This is due to the wage adjustments resulting from the collective bargaining agreement and the consolidation of Volgren's expenses, in Australia.

## 9. OTHER OPERATING INCOME/EXPENSES

In 2012, the net balance of other operating income and expenses was minus R$ 0.7 million against minus R$ 3.3 million in 2011.

## 10. NET FINANCIAL INCOME

Net financial income for 2012 was positive at R$ 17.9 million, as opposed to a likewise positive result of R$ 67.5 million in 2011. The lower result in 2012 was due to the drop in interest rates for financial investments and the lower volume invested, as well as and the larger financial cycle for the operations of the "Road to School" Program. Financial revenues totaled R$ 209.7 million during the year, compared to R$ 249.8 million from the previous year, whereas financial expenses were R$ 191.8 million in 2012 and R$ 182.3 million in 2011. See Explanatory Note 26 to the Financial Statements.

## 11. EBITDA

EBITDA amounted to R$ 439.8 million, with a margin of 11.5% in 2012, as opposed to R$ 464.1 million and a margin of 13.8% in 2011. The margin shrinkage is due to the same factors that resulted in the decline in the gross margin. The table below shows the accounts that make up EBITDA:

**EBITDA**

| (R$ millions) | 2012 | 2011 | Var. % |
|---|---|---|---|
| Operating Income | 409.2 | 496.0 | (17.5) |
| Financial Income | (209.7) | (249.8) | 16.1 |
| Financial Expenses | 191.8 | 182.3 | 5.2 |
| Depreciation / Amortization | 48.5 | 35.6 | 36.2 |
| **EBITDA** | **439.8** | **464.1** | **(5.2)** |

## 12. NET INCOME

Net income in 2012 amounted to R$ 302.4 million, with a margin of 7.9%, as opposed to R$ 344 million and a margin of 10.2% in 2011. The lower percentage is due to the same factors that resulted in the decline in the gross margin, plus the lower financial income.

## 13. FINANCIAL INDEBTEDNESS

Net financial indebtedness totaled R$ 811.3 million at December 31, 2012 (R$ 463.9 million at December 31, 2011). Of this total, R$ 580.4 million came from the financial segment, whereas the industrial segment had liabilities of R$ 230.9 million.

It is important to point out that the indebtedness of the financial segment stems from the consolidation of the activities of the Moneo Bank and should be analyzed separately, since it has different characteristics from that resulting from the Company's operating activities. The financial liabilities of the Moneo Bank are offset in the "Clients" account in the Bank's Assets. The credit risk is duly provided for. Since it involves transfers from FINAME, each disbursement from BNDES (Brazilian Development Bank) has an exact balancing entry in the account receivables of clients of the Moneo Bank, both in terms of maturity and fixed rate. See Explanatory Note 28 to the Financial Statements.

As of December 31, the net financial indebtedness of the industrial segment represented 0.5 times the EBITDA for the last 12 months.

## 14. OPERATING CASH GENERATION

In 2012, operating activities generated funds totaling R$ 132.9 million. Investment activities required R$ 277.2 million, while financing activities consumed R$ 368.3 million. As a result, the initial cash balance of R$ 904.3 million, with an additional R$ 2.2 million from exchange rate variations on cash, decreased to R$ 393.9 million at the end of the year. The statement of cash flows for the industrial and financial segments is presented in detail in Note 29 to the Financial Statements.

## 15. PERFORMANCE OF SUBSIDIARIES/ASSOCIATED COMPANIES

In 2012, the units abroad produced 11,813 units, as opposed to 10,337 units the year before, representing a growth of 14.3%. This volume accounted for 37.7% of Marcopolo's consolidated production. The main highlights of the subsidiaries and affiliates abroad, as well as the Moneo Bank, are described below:

**AUSTRALIA:** Volgren, which is headquartered in Melbourne, produced 435 units in 2012. During the year, the Company invested in production process improvements, aimed at achieving gains in efficiency. For 2013, Volgren has plans to develop a new model catering to the intercity bus market. In 2013, the Company expects to produce 500 units, according to guidance disclosed on December 19, 2012.

**GB POLO:** Located in the city of Suez, this Marcopolo joint venture in Egypt resulted in the consolidation of 250 units, corresponding to Marcopolo's 49% stake in the company. Due to the political transition taking place, the bus market in Egypt continues to be sluggish, and demand will continue being affected throughout 2013. GB Polo is developing new products with specifications catering to the local market, as well as markets in North Africa and the Middle East. Expected production for 2013 is 500 units.

**MARCOPOLO CHINA – MAC:** Marcopolo China, located in the city of Jiangyin, has a development engineering department and focuses on manufacturing parts, bus body components and disassembled vehicle bodies. In 2013, MAC will begin producing and exporting disassembled vehicle bodies for the commercial joint venture between PoloAutoRus LLC, a subsidiary of Marcopolo, and the OJSC Kamaz Group, from Russia, as well as supply parts and components for Volgren, in Australia.

**MARCOPOLO SOUTH AFRICA:** In 2012, Marcopolo South Africa (MASA), located in Johannesburg, manufactured 244 units. To maintain its production levels, the Company sought out export markets, thereby keeping up the same production levels as 2011. For 2013, plans include improvements in the domestic market as well as carrying on with BRT projects. MASA's expected total production is 300 units.

**METALPAR:** Marcopolo's 50% stake in Metalpar, located in Argentina, resulted in the consolidation of 747 units in 2012. The Argentine bus market continues to be slow mainly due to the subsidy cuts made by the government. In 2013, the Company expects to produce a total of 1,600 units, of which 800 units will be consolidated by Marcopolo.

**POLOMEX:** Located in Mexico, Polomex produced 1,571 units in 2012, an increase of 27.3% in relation to the year before. Although the country's bus market is still recovering, volume is still below normal. In 2013, Polomex will assemble, locally, vehicles from the Generation 7 family of intercity buses, a result of investments made in the unit during 2012. Expected production for 2013 is 1,800 units.

**SUPERPOLO:** Superpolo, which is located in Colombia, produced 1,613 units in 2012, of which 50%, or 807 units, were reflected in Marcopolo's consolidated production. In 2013, the country will implement changes in chassis technology with the introduction of the Euro 4 engine. Superpolo is expected to produce 1,600 units, with 800 units being consolidated by Marcopolo, already taking into consideration the demand for the new Integrated Transport System (SITP) for the city of Bogotá.

**TATA MARCOPOLO MOTORS LMTD:** The consolidated production corresponding to Marcopolo's 49% share of TMML amounted to 7,759 units in 2012, representing a 23% increase over 2011. TMML started implementing its strategic plan aimed at increasing its market share and expanding its presence in export markets. As per guidance announced on December 19, 2012, the expectation for 2013 is to consolidate the production of 9,500 units, proportional to Marcopolo's share in the company.

**BANCO MONEO:** Banco Moneo S.A. started operating in July 2005 for the purpose of financing Marcopolo products. The Bank is authorized to work with investment portfolios, commercial leasing and credit, financing and investments. In 2012, the bank's profit was R$ 25.8 million, and worthy of note was the reduction of default levels. Credit and surety operations at December 31, 2012, totaled R$ 772.9 million, compared to R$ 754.3 million at December 31, 2011. The Bank maintained its policy of prioritizing the quality of its credit portfolio, through a rigorous credit evaluation and approval system, adopted in 2011 and improved in 2012, which has proven to be effective, given the continued positive results, with lower spreads resulting from the drop in market rates.

## 16. CORPORATE GOVERNANCE

Marcopolo adopts Corporate Governance best practices and adheres to principles of transparency, fairness, accountability and corporate responsibility. Its shares have been listed on Corporate Governance Level 2 of BM&FBovespa since 2002. The Company is subject to arbitration in the Market Arbitration Board, as per the Arbitration Clause in its Bylaws.

The management of Marcopolo is based on the differentiation of roles and responsibilities of the Board of Directors, Executive Committee and Executive Board. The Board of Directors consists of seven members, of which four are external and independent; one is elected by the minority shareholders; one by the holders of preferred shares and the other two by the controlling shareholders. The Company also has a Fiscal Council comprised 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 Bylaws. In order to provide assistance, feedback and support in conducting business, the Board of Directors also relies on the following Committees: (i) Audit and Risk; (ii) Human Resources and Ethics; and (iii) Strategy and Innovation.

The Company treats all minority shareholders fairly and equally, whether in terms of capital or other stakeholders. When disclosing information, it uses high standards of transparency and seeks to establish a climate of trust, both internally and in the relationships between the company and third parties. In order to comply with legal provisions as well as enhance the information provided to the market, in general, and to foreign shareholders, in particular, the Financial Statements are disclosed according to standards established by the IFRS (International Financial Reporting Standard). In 2012, the Company held meetings with the Association of Capital Market Investment Analysts and Professionals (APIMEC) in São Paulo, Rio de Janeiro and Porto Alegre, and conducted non-deal road shows in Brazil and abroad. Marcopolo's relationship with its shareholders and potential investors is overseen by the Investor Relations department. In 2012, the Company hosted analysts from Brazil and abroad and extensive telephone communication took place. The sixth edition of Marcopolo Day was also held, an event in which the Company invites analysts and investors to its facilities in Caxias do Sul for a presentation about the company and its strategy, products and production process. The website for Marcopolo’s Investor Relations department (www.marcopolo.com.br/ri) contains updated information for its investor audience.

## 17. INDEPENDENT AUDITORS

### 17.1 Change of Independent Auditors

In 2012, the Company changed its auditors, hiring KPMG Auditores Independentes, headquartered in Porto Alegre, Rio Grande do Sul, Av. Borges de Medeiros, 2233, 8th Floor, in replacement of PricewaterhouseCoopers - Auditores Independentes.

### 17.2 CVM Instruction 381/03

In compliance with CVM Instruction 381/03, Sections I to IV of Article 2, Marcopolo declares that it has other contracts with its Independent Auditors that are unrelated to the audit of the Company's Financial Statements. During 2012, firms from the KPMG network abroad were hired for additional advisory and due diligence services, and the fees amounted to R$ 0.2 million. The responsibility for the definitions inherent to the procedures carried out and their application are prerogatives of the Board of Directors, so it is understood by both the Company and its external auditors that these services do not affect professional independence.

## 18. CAPITAL MARKET

### 18.1. Capital Stock

The Company's capital stock is R$ 700 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, with no par value.

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

Marcopolo's preferred shares appreciated 81.9% in 2012, against a 7.4% appreciation of the Ibovespa index. In 2012, there were 692,500 transactions, representing an increase of 74.5% over the 396,800 performed in 2011, and 328.2 million shares were traded. Trading in Marcopolo shares moved R$ 3.4 billion during the year, a volume

69% higher than in 2011. The share of foreign investors in Marcopolo's capital stock at December 31, 2012, totaled 53% of the preferred shares and 35.2% of total capital. As of September 2012, Marcopolo's preferred shares were included in the MSCI (Emerging Markets Latin America). The following table shows the evolution of the main indicators related to the capital market:

| INDICATORS | 2012 | 2011 |
|---|---|---|
| Number of trades (thousands) | 692.5 | 396.8 |
| Shares traded (millions) | 328.2 | 298.2 |
| Value traded (R$ millions) | 3,397.2 | 2,010.2 |
| Market value (R$ millions) (1) | 5,768.3 | 3,164.8 |
| Equity per share (R$) | 2.90 | 2.59 |
| POMO4 Price (Last business day) | 12.90 | 7.09 |
| Interest on Own Capital and Dividends by share (R$/share) | 0.320 | 0.372 |

Note: (1) Price of the last trade for the period for Registered Preferred shares (PE), multiplied by the total number of shares (OE + PE) minus the total number of preferred shares held by the treasury during the same period.

## 19. DIVIDENDS/INTEREST ON SHAREHOLDERS' EQUITY

In the Board of Director's Meeting, held on December 19, 2012, the payment of interest as return on capital and dividends was approved, totaling R$ 96.1 million, of which R$ 16.1 million will be paid as interest on capital – 4th Stage 2012 – and R$ 80.0 million will be paid as dividends for 2012. The interest and dividends will be paid on March 28, 2013. On the basis of this decision, the total amount proposed for payment of interest as return on capital and dividends for 2012 totaled R$ 143.1 million, with R$ 63.1 million as interest on capital and R$ 80 million as dividends. The total amount distributed equals 47.3% of the Company's adjusted net income in 2012 and corresponds to a yield (dividend per share divided by final stock price) of 2.5%.

## 20. CAPITAL EXPENDITURES/FIXED ASSETS

In 2012, Marcopolo invested R$ 277.2 million in capital goods and fixed assets, of which R$ 51.0 million was spent by the parent company and allocated as follows: R$ 16.5 million in buildings, land and improvements, R$ 14.7 million in machinery and equipment, R$ 7.3 million in computer equipment and software, and R$ 12.5 million in other fixed assets. R$ 226.2 million was invested in subsidiaries and affiliates, of which R$ 146.8 million were for the purchase of Volgren, in Australia, R$ 10.5 million for the purchase of shares in Metalsur, in Argentina, R$ 36 million in San Marino, R$ 8 million in Ciferal, R$ 13.2 million in TMML and R$ 11.7 million in the other units.

## 21. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

In 2012, Marcopolo published its first Sustainability Report related to its operations in Brazil, using the methodology of the Global Reporting Initiative (GRI), as a way of increasing its accountability before stakeholders. The company has developed a series of programs and tools to improve and control its production system. The Marcopolo Solidarity Production System (SIMPS) constitutes an industrial competition strategy for growth, market leadership, productivity, quality, improvements in the working environment and profitability of products and services. The system provides the means to continually improve the quality of the company's products, processes and services, while controlling impacts on the environment and the health and safety of its employees, eliminating waste wherever it may occur and maintaining a fully integrated supply chain. Marcopolo continues to hold certification in the following international management standards: ISO 14001 - Environment; ISO 9001 - Quality; OHSAS 18001 - Occupational Health and Safety; and SA 8000 - Social Responsibility.

### 21.1. Social Responsibility

Marcopolo and its employees engage in social responsibility under the coordination of the Marcopolo Foundation, through different programs in the areas of Education, Culture, Sports and Leisure. Noteworthy among the projects that focus on the community is the *Schools Project,* whose purpose is to help improve the educational environment and the relationships of the school community as well as provide training in the area of civic responsibility. In turn, the *Volunteer Program* operates in Educational Centers and nursing homes, and includes social and educational activities, the renovation of physical facilities and campaigns to collect food for children and seniors. The Marcopolo Foundation also makes monthly contributions to institutions in the community, in the areas of health and education, particularly support for the Oncology service, at the General Hospital in Caxias do Sul, which cares for patients from the SUS (Unified Health System).

Marcopolo, the Moneo Bank and Ciferal transfer 1% of Income Tax Due to the Municipal Fund for the Rights of Children and Adolescents in the cities of Caxias do Sul (Rio Grande do Sul) and Duque de Caxias (Rio de Janeiro), where the companies are located. The Marcopolo Foundation also encourages and facilitates the allocation of 6% of the Personal Income Tax Due of its employees to these Municipal Funds, thereby generating resources for the development of social projects for children and teens in the cities where the companies are based.

In the units outside Brazil, specific activities are conducted according to the needs identified in the local community, with a special focus on health and education.

## 21.2 Employee Satisfaction

Employee satisfaction in the company is measured through the Internal Organizational Climate Survey, which takes place every two years and is conducted by the company's Internal Communications team. The last survey was administered in October 2011, and the results were 75% overall satisfaction in the Caxias do Sul (RS) units and 72% in Ciferal (RJ). Improvements, based on these findings, were launched in 2012 and will continue. A follow-up sample survey was applied in October 2012, in order to align the next set of initiatives with the managers.

## 21.3 Education and Training

On October 22, 2012, Marcopolo opened its new Training Center in the Ana Rech unit. With its extensive facilities and modern equipment, the main goal of the new center is to provide ideal conditions for professional training and enhancing the skills of company employees. Investments in the new Marcopolo Training Center totaled R$ 2 million. With 3.3 million square meters of built area, it has specific and independent areas for each department and/or stage of the Marcopolo production process, such as electrical, mechanical, air conditioning, welding, operation of machinery, plastics and painting. Besides the administrative area, the Training Center has eight classrooms for technical training, including language courses (English and Spanish) and an auditorium which can hold 200 people. By quadrupling its previous size, the number of soldering stations was increased from eight to 40, the number of electronic simulator panels from six to 45 and the number of mechanics benches from 20 to 40, apart from enabling training sessions to be conducted in conditions very similar to those found in Marcopolo's actual production lines. The new structure provides training in jigs, programming and operating a welding robot, as well as in chassis operation and maintenance for the main brands used by Marcopolo/Volare customers in the country.

The training programs conducted in 2012 included employees from the operational, administrative and technical areas. In Brazil, open courses were made available to interested employees outside of office hours, in order to provide access to new skills. The Educational Incentive Program awarded scholarships for different types of regular education and language courses.

The Marcopolo Vocational Training School (EFPM), which has been operating for 22 years, offers industrial apprenticeship courses for young people, including those in socially vulnerable situations, providing them with benefits, a first paying job and access to the company's career plan. The EFPM currently has four units in Brazil and one in South Africa, at the MASA affiliate. It also works with 160 young people, as apprentices, in partnership with SENAI, the University of Caxias do Sul and the Social Assistance Foundation (FAS) of Caxias do Sul. Complementing this structure is the Vocational Training Unit located in the Reolon neighborhood of Caxias do Sul, which is approximately 400 m² in size and caters to 25 students from the community. Marcopolo's affiliates abroad provide Youth Vocational Training courses in accordance with local regulations and hire them as permanent employees whenever possible. Since 2011, special training programs have been offered to women in the community so that they can more effectively compete for job openings in the Company.

## 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 affiliates. In Brazil, different initiatives were undertaken by the Marcopolo Foundation, involving education, recreation, culture and sports. The Ana Rech and Planalto units, in Caxias do Sul (RS), and Ciferal, in Rio de Janeiro (RJ), have their own Recreational Centers which employees and their families can use. In Africa, Mexico and Colombia, specific activities are offered in the form of workshops, excursions and competitions. In India, various recreational, educational and religious celebrations involving employees and their families were held on the company's premises.

## 21.5 Environment

Promoting environmental protection awareness is one of the main activities that strengthen sustainable development. Programs focused on environmental issues are part of Marcopolo's management policy. These include the Recycling with Reuse Program and the Industrial Solid Waste Management Program whose ultimate goals are to reduce environmental liabilities. Marcopolo invests in training and new technologies to minimize and control the environmental impacts of its activities. The main improvements in 2012 include the implementation of the e-coat paint process (water-based) in the structures and seats manufacturing line, in addition to obtaining the license to set up a new landfill for non-hazardous solid industrial waste, which is scheduled to be completed by February 2013. The goal of the landfill is maintain absolute control over the company's environmental liabilities.

## 21.6 Compensation and Plan for Granting Stock Options

The remuneration of employees is comprised of a fixed portion, related to skills and abilities, and a variable portion, tied to achieving the goals of the Profit Sharing Program. Wage surveys are periodically conducted to assess whether the salaries paid to employees are according to regional standards, enabling the company to stay competitive in the labor market.

The shareholders at the Extraordinary General Meeting held on December 22, 2005, approved the "Stock Option Plan". Executives from the Company and its subsidiaries (with the exception of controlling directors) are eligible to participate in the plan, whose main objectives include: (i) aligning the interests of participants with those of shareholders; (ii) committing participants to the company's short, medium and long term results; (iii) encouraging and fostering a sense of ownership; and (iv) attracting and retaining talent. The Plan is monitored by the HR and Ethics Committee and approved by the Board of Directors.

## 22. MANAGEMENT FEES

The total annual fixed remuneration is determined by the General Assembly and distributed to senior officers by the Board of Directors. The highest individual annual fixed salary on the Executive Committee/Board of Directors amounted to R$ 2,206,600 in 2012, the average was R$ 707,800 and the lowest was R$ 320,900. On the statutory board, the highest individual fixed salary in 2012 was R$ 1,366,400, the average was R$ 922,400 and the lowest was R$ 644,800. On the Fiscal Council, the highest individual fixed salary in 2012 was R$ 183,000, the average was R$ 163,000 and the lowest was R$ 153,000.

The highest individual variable salary on the Executive Committee/Board of Directors was R$ 2,203,400 in 2012, the average variable salary was R$ 1,391,200 and the lowest was R$ 853,700. On the statutory board, the highest individual variable salary in 2012 was R$ 1,198,100, the average was R$ 849,000 and the lowest was R$ 584,700. The members of the Board of Directors and the Fiscal Council are not remunerated on a variable basis, only Senior Officers and Executive Committee members.

## 23. PERSONS CHART

| No. OF COLLABORATORS | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Parent Company | 8,212 | 8,727 | 8,457 | 7,040 | 7,581 |
| Subsidiaries in Brazil | 3,504 | 4,013 | 3,441 | 2,656 | 3,035 |
| Subsidiaries Abroad | 4,514 | 4,491 | 4,181 | 4,310 | 2,749 |
| **TOTAL [1]** | **16,230** | **17,231** | **16,079** | **14,006** | **13,365** |
| **GENERAL TOTAL [2]** | **20,508** | **21,993** | **20,393** | **18,303** | **15,393** |

Notes: [1] Includes employees from the subsidiaries/affiliates in proportion to the company's share; [2] Refers to total share in the subsidiaries/affiliates.

## 24. IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 / CPC 36 (in review) introduces a single control model to determine whether an investment must be consolidated. As a result, the Company will need to start working with the new consolidation rule in 2013, changing its current form of accounting. To better understand the effects of this new consolidation rule, the Company has presented a comparative table in relation to the 2012 Financial Statements, as per Note 30.

## 25. OUTLOOK FOR 2013

Initials prospects for Marcopolo in 2013 are positive both in the Brazilian domestic market and in most of the countries where the company operates.

In Brazil, improved credit conditions, the accelerated renewal of the bus fleet, the bids for interstate transportation services and investments in urban infrastructure, especially for implementing BRT (Bus Rapid Transit) systems, will ensure a large number of orders for Marcopolo early this year. The sporting events that Brazil will be hosting, including the Confederations Cup in 2013, the 2104 FIFA World Cup and the 2016 Olympic Games, as well as the continuity of the "Caminho da Escola" program (school buses) by the Federal Government will continue being the main generators of demand for buses.

With regard to financing, the FINAME BNDES PSI-4 line of credit was extended until the end of 2013, with interest rates at 3% per year for requests registered from January to June and 4% per year from July to December, with the financing term being maintained for up to 10 years.

In terms of the stimulus measures adopted by the Federal Government, there is the payroll tax exemption on the employers' contribution to the National Social Security Institute (INSS), replaced by a collection of contributions calculated at 1% of revenue from the domestic market, in effect until December 2014, and the extension of the Special Regime for the Reinstatement of Taxes for Exporting Companies (REINTEGRA) until the end of 2013.

It is also important to note that the government included passenger ground transportation companies under the payroll tax exemption incentive, as of January 2013. Part of this incentive may be directed toward the renewal of the Brazilian bus fleet.

With respect to the "Caminho da Escola" program (school buses), Marcopolo announced on October 22, via a Relevant Fact, that it was authorized to produce and supply up to 4,100 school buses, whose deliveries will continue until October this year.

And lastly, in the bidding timetable for regular interstate passenger transportation services, released by the National Ground Transportation Agency (ANTT), the publication of the bidding notices is scheduled for the first quarter of this year and the public bidding sessions for the month of September. It is expected that ANTT will limit the maximum age of the fleet used for this purpose to 10 years.

In relation to foreign markets, the upturn in exports from Brazil which started in 2012 should continue, with margins benefiting from the more favorable exchange rate. As far as the subsidiaries and affiliates abroad, the main highlights of 2013 should be India and Mexico, whose production is expected to grow by 22.4% and 14.6% respectively, compared to 2012, according to the guidance already published.

According to a statement released by the Company on December 19, 2012, performance expectations for 2013, providing there are no changes in the current market conditions and economic performance of the countries where the Company operates, are: (i) scheduled investments of R$ 200 million, in the existing businesses; (ii) achieve a consolidated net revenue of R$ 4.3 billion; and (iii) produce 35,200 buses in the units in Brazil and abroad.

## 26. ACKNOWLEDGEMENTS

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

The Management.

Marcopolo
APROXIMANDO PESSOAS

# BALANCE SHEETS

*IFRS (in thousands of reais)*

| ASSETS | Consolidated | |
|---|---|---|
| | 12/31/2012 | 12/31/11 |
| **Current assets** | | |
| Cash and cash equivalents | 393.945 | 904.318 |
| Financial assets at fair value through profit or loss | 132.167 | 1.803 |
| Derivatives financial instruments | 3.523 | 591 |
| Trade accounts receivable | 1.127.115 | 920.217 |
| Inventories | 409.502 | 368.330 |
| Taxes and contributions recoverable | 101.865 | 53.466 |
| Other accounts receivable | 68.733 | 46.118 |
| | **2.236.850** | **2.294.843** |
| **Non-current assets** | | |
| **Long-term receivables** | | |
| Financial assets available for sale | - | 116.371 |
| Taxes and contributions recoverable | 6.141 | 3.792 |
| Deferred income tax and social contribution | 67.884 | 68.593 |
| Judicial Deposits | 12.990 | 10.319 |
| Trade accounts receivable | 471.964 | 433.825 |
| Other accounts receivable | 1.293 | 724 |
| Investments | 39.198 | 21.802 |
| Property, plant and equipment | 454.915 | 353.567 |
| Goodwill and Intangible assets | 220.840 | 77.295 |
| | **1.275.225** | **1.086.288** |
| **TOTAL ASSETS** | **3.512.075** | **3.381.131** |

| LIABILITIES AND STOCKHOLDERS' EQUITY | Consolidated | |
|---|---|---|
| | 12/31/2012 | 12/31/11 |
| **Current liabilities** | | |
| Suppliers | 382.264 | 324.261 |
| Loans and financing | 757.412 | 612.529 |
| Derivative financial instrucions | 247 | 4.690 |
| Salaries and vacation pay | 104.045 | 124.597 |
| Taxes and contributions payable | 61.482 | 69.774 |
| Advances from customers | 33.710 | 40.909 |
| Comissioned representatives | 32.322 | 27.788 |
| Interest on own capital and dividends | 22.284 | 41.016 |
| Management profit sharing | 7.570 | 7.699 |
| Other accounts payable | 95.443 | 68.002 |
| | **1.496.779** | **1.321.265** |
| **Non-current liabilities** | | |
| Loans and financing | 583.316 | 869.809 |
| Provision | 18.363 | 16.072 |
| Taxes contributions payable | 1.833 | - |
| Employees' pension plan and benefits | 43.368 | - |
| Obligations to purchase equity interests | 53.903 | - |
| Other accounts payable | 2.069 | 2.493 |
| | **702.852** | **888.374** |
| **Stockholders' equity** | | |
| Capital | 700.000 | 700.000 |
| Capital reserves | (999) | (1.578) |
| Revenue reserves | 647.440 | 502.512 |
| Treasury stock | (7.798) | (12.485) |
| Equity valuation adjustments | (38.718) | (26.305) |
| | **1.299.925** | **1.162.144** |
| **Non-controling Interest** | **12.519** | **9.348** |
| | **1.312.444** | **1.171.492** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **3.512.075** | **3.381.131** |

*The consolidated financial statements including the notes to financial statements and the report of independent auditors KPMG Auditores Independentes - are available at the sites www.cvm.gov.br and www.bmfbovespa.com.br.*

# STATEMENTS OF INCOME

*IFRS (in thousands of reais)*

| ACCOUNTS | Consolidated | |
|---|---|---|
| | 2012 | 2011 |
| **Net sales and service revenues** | **3.817.134** | **3.368.876** |
| Cost of sales and services | (3.041.141) | (2.627.180) |
| **Gross Profit** | **775.993** | **741.696** |
| **Operating income (expenses)** | | |
| Selling expenses | (220.223) | (173.520) |
| Administrative expenses | (173.221) | (144.799) |
| Other operating income (expenses), net | (683) | (3.299) |
| Equity in the results of investees | 9.390 | 8.404 |
| **Net income (loss) from operations** | **391.256** | **428.482** |
| Financial revenue | 209.667 | 249.835 |
| Financial expenses | (191.750) | (182.357) |
| **Financial Income/loss** | **17.917** | **67.478** |
| **Profit before income tax and social contribution** | **409.173** | **495.960** |
| **Income taxes and social contribution** | | |
| Current | (106.107) | (177.215) |
| Deferred charges | (709) | 25.278 |
| **Net income from continued operations** | **302.357** | **344.023** |
| **Net income per share - R$** | **0,676** | **0,771** |

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## CASH FLOWS

*IFRS (in thousands of reais)*

| Statement of Cash Flows | Consolidated | |
|---|---|---|
| | 12/31/2012 | 12/31/2011 |
| **Cash flows from operating activities** | | |
| **Net income for the year** | **302.357** | **344.023** |
| Cash flows from operating activities: | | |
| Depreciation and amortization | 48.567 | 35.584 |
| Loss on disposal of investments, fixed and intangible assets | 1.625 | 9.742 |
| Equity in the results of investees | (9.390) | (8.404) |
| Provision for credit losses | 12.155 | (5.780) |
| Deferred income tax and social contribution | 709 | (25.278) |
| Interest and appropriated exchange variations | 47.537 | 53.603 |
| Non-controling Interest | 2.328 | 879 |
| **Changes in assets and liabilities** | | |
| (Increase) decrease in trade accounts receivable | (246.010) | (106.816) |
| (Increase) decrease in other accounts receivable | (73.197) | 56.970 |
| (Increase) decrease in inventories | (29.628) | (54.468) |
| (Increase) decrease in short-term investment | (16.925) | 63.424 |
| Increase (decrease) in actuarial liabilities | 43.368 | - |
| Increase (decrease) in suppliers | 49.585 | 16.391 |
| Increase (decrease) in accounts payable | 105.918 | 179.131 |
| **Cash flows from operating activities** | **238.999** | **559.001** |
| Income taxes paid | (106.107) | (177.215) |
| **Net cash provided by (used in) operating activities** | **132.892** | **381.786** |
| **Cash flows from investing activities** | | |
| Investments | (12.024) | (86) |
| Dividends from subsidiaries, jointly-controlled entities and associates | 4.100 | 6.383 |
| Purchase of fixed assets | (131.134) | (67.473) |
| Purchase of intangible assets | (139.218) | (12.651) |
| Proceeds from sale of fixed | 1.044 | (835) |
| **Net cash obtained in investing activities** | **(277.232)** | **(74.662)** |
| **Cash flows from financing activities** | | |
| Borrowings from trird parties | 538.478 | 479.205 |
| Payment of borrowings - principal | (683.600) | (342.481) |
| Payment of borrowings - interest | (61.284) | (66.160) |
| Interest on capital and dividends | (167.137) | (149.376) |
| Treasury stock | 5.266 | 781 |
| **Net cash applied financing activities** | **(368.277)** | **(78.031)** |
| **Foreign exchange variation on cash and cash equivalents** | **2.244** | **3.102** |
| Cash and cash equivalents at the beginning of the year | 904.318 | 672.123 |
| Cash and cash equivalents at the end of the year | 393.945 | 904.318 |
| **Net increase (decrease) in cash and cash equivalents** | **(510.373)** | **232.195** |

*The consolidated financial statements including the notes to financial statements and the report of independent auditors - KPMG Auditores Independentes - are available at the sites www.cvm.gov.br and www.bmfbovespa.com.br.*