To our shareholders:

Marcopolo S.A. (BOVESPA: POMO3, POMO4), one of the global leaders in providing passenger transport solutions. In accordance to corporate provisions, we are submitting the Administration Report, Balance Sheet and other Financial Reports of Marcopolo S.A. pertaining to the fiscal year ending Dec.31, 2007. These are accompanied by the opinion of independent auditors. Except when otherwise indicated, operational and financial data are consolidated and expressed in Reais in accordance to Brazilian Corporate Legislation and with note of reconciliation of equity and the result of the year to International Financial Reporting Standards (IFRS). As will be clearly shown in the text, such information may refer to consolidated data or that from the parent company.

Net revenue grows 21.6% and consolidated production increases 20.1% in 2007

- Consolidated net revenue grows 21.6% in 2007 over 2006 to R$ 2,129.2 million from R$ 1,750.3 million.
- Gross profit increases 9.9% to R$ 362.5 million in 2007 from R$ 329.7 million in 2006.
- Gross margin falls 1.8 percentage point to 17.0% in 2007.
- Net profit rises 9.5% to R$ 132.3 million in 2007.
- Adjusted EBITDA increases 11.1% to R$ 229.1 million in 2007.
- Adjusted EBITDA margin declines to 10.8% from 11.8% in 2006.
- Consolidated production increases 20.1% in 2007 to 17,807 units.

(R$ millions; except % and earnings per share)

Financial Highlights	2007	2006	△
Net operating income	2.129,2	1.750,3	21,6%
Income from operations in Brazil	1.231,2	929,5	32,5%
Income from exports and overseas operations	898,0	820,8	9,4%
Gross profit	362,5	329,7	9,9%
Gross margin	*17,0%*	*18,8%*	(1.8)pp
Operating profit before financial results	133,3	134,1	-0,6%
Net income	132,3	120,8	9,5%
Net margin	*6,2%*	*6,9%*	(0.7)pp
Earnings per share[(1)]	0,591	0,540	9,4%
Adjusted EBITDA[(2)]	229,1	206,3	11,1%
EBITDA margin adjusted	*10,8%*	*11,8%*	(1.0)pp
Cash and cash equivalents	566,6	440,5	28,6%
Return on invested capital (ROIC) [(3)]	*15,6%*	*21,2%*	(5.6)pp
Return on Equity (ROE) [(4)]	*24,7%*	*26,0%*	(1.3)pp

[(1)] Figures have been updated to reflect the 100% stock dividend agreed to during the 08.25.06 Board meeting;

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

[(3)] ROIC (Return on Invested Capital) = EBIT (inventory + clients + property plant and equipment - suppliers) = average;

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

pp= percentage points

Sector Performance

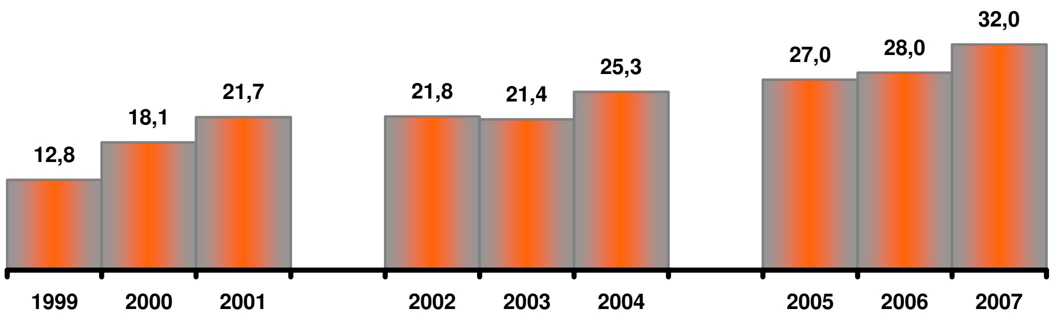
According to the Brazilian Association of Bus Coach Manufacturers (known locally as FABUS) and the Interstate Association of Rail and Highway Material and Equipment Industries (in Portuguese, SIMEFRE), the bus bodies produced in 2007 totaled 32,027 units, as compared with 27,952 in 2006, up 14.6%. Including production of vehicle type Volare, local production reached 35,186 units, up 14.2% over the 30,807 units manufactured in 2006. With the exception of the minibuses (other than the Volare models), all the bus body groups recorded a significant growth in 2007.

The local market, relatively stable between 2003 and 2005, registered a surge in demand in 2007 that resulted in a growth of 19.1% over 2006 (excluding the VOLARE). The fact is even more significant considering that the 2006 production rose 22.7% over the 2003/2005 average. The continuous upsurge in demand in the local market is due, not exclusively, but mainly, to the following factors: (i) an increase in volume of loans by the National Development Bank (known locally as BNDES), extension of grace periods and of loan amortization and declining interest rates; (ii) an increase in the number of passengers, resulting from the growth of stable employment, disposable income, bus chartering and an increase in tourism; and (iii) the perception, by transporters, of the fuel economy and the decrease of vehicle maintenance expenses and the lowering of pollution levels enabled by Euro III engines.

In the external market, 10,105 units were exported in 2007, up 5.9% over the volume of 2006. Intercity and micro bus body exports shrank but this was fully compensated by the 16.8% growth in urban bus body models. Historically, demand in Latin American markets has shown small fluctuations and continuous cycles of modest growth. Prompt orders for large quantities in some years (as exemplified in 2005) and the absence of this fact in others, requires a large amount of production flexibility and speed to fill the orders of the local industry. In other external markets, such as the Middle East, the competitive capacity was hindered by the appreciation of the Real.

The graph below shows that in the course of the past nine years production per triennium is growing to increasingly higher levels. For example, in 1999/2001, the yearly average was around 17.5 thousand bus bodies. In the 2002/2004 triennium, it jumped to 22.8 thousand units, a notable growth of 30.3% over the preceding triennium. More recently, from 2005 to 2007, the annual average was 29 thousand bus bodies, a new and substantial leap of 27.2% when compared with the previous triennium. The Management, therefore, understands that, due to the scale of the markets served by the local manufacturers, the latter should demand a larger number of buses, at least, to follow the marginal growth of the population and for the technological development of the vehicles, in order to avoid obsolescence and reduced safety of the older models. The production data of the past three trienniums can be seen in the graph below:

BRAZILIAN PRODUCTION BY TRIENNIUM
(in thousand units)



BRAZILIAN PRODUCTION OF BUS BODIES
TOTAL (in units)

Products [3]	2007	2006	2005 [2]	2004 [2]	2003 [2]
Intercity buses	7.969	6.937	6.989	6.251	4.662
Urban buses	19.343	16.155	15.804	12.727	10.643
Micros	4.303	4.217	3.473	5.074	4.613
SUBTOTAL	**31.615**	**27.309**	**26.266**	**24.052**	**19.918**
Minis (LCV)[1]	412	643	717	1.228	1.463
TOTAL	**32,027 [4]**	**27.952**	**26.983**	**25.280**	**21.381**

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

(1) Production figures of mini buses (LCV - Light Commercial Vehicles) do not include production of complete units, like the Volare;
(2) In face of the association with FABUS of the new producer Mascarelllo Carrocerias e Ônibus, 604 units were included in 2004 and 849 units in 2005, which had not been previously registered then. Irizar 2002 production data was also ajusted in 2003. They had not been considered then;
(3) Since 2001, the exported KD units have been included in total production;
(4) Maxibus 4Q07 and 2007 figures are not included in the Brazil's 2007 production.

BRAZILIAN PRODUCTION OF BUS BODIES- DESTINATION
DOMESTIC MARKET (in units)

Products	2007	2006	2005	2004	2003
Intercity buses	4.352	3.312	3.463	2.635	2.053
Urban buses	14.497	12.005	8.493	9.338	7.619
Micros	2.661	2.452	1.734	3.211	3.248
SUBTOTAL	**21.510**	**17.769**	**13.690**	**15.184**	**12.920**
Minis (LCV)	412	639	630	1.149	1.448
TOTAL	**21.922**	**18.408**	**14.320**	**16.333**	**14.368**

Source: FABUS and SIMEFRE.
See table notes - Brazilian Production of Bus Bodies – TOTAL.

EXTERNAL MARKET (in units)

PRODUCTS	2007	2006	2005	2004	2003
Intercity buses	3.617	3.625	3.526	3.616	2.609
Urban buses	4.846	4.150	7.311	3.389	3.024
Micros	1.642	1.765	1.739	1.863	1.365
SUBTOTAL	**10.105**	**9.540**	**12.576**	**8.868**	**6.998**
Minis (LCV)	-	4	87	79	15
TOTAL	**10.105**	**9.544**	**12.663**	**8.947**	**7.013**

Source: FABUS and SIMEFRE.
See table notes - Brazilian Production of Bus Bodies – TOTAL.

Marcopolo – Operating Performance

The Management understands that, in light of the circumstances mentioned below, the year of 2007 was better than expectations. A retrospective analysis shows that the assumptions which served as a basis for the initial forecasts from October to November 2006, were of a boost in growth in the global economy, which should favor the Company's activities overseas. On the other hand, the domestic economy would perform, on average, much the same as it did in the past years. The forecasts on foreign exchange, a vital component in the results of the company, were also not very encouraging. The possibility of ongoing and significant appreciation of the real was considered to be remote and it was estimated that the dollar would fluctuate between R$ 2.15 and R$ 2.20 during the year.

The most important would be the stability of the FX rate, a factor that would facilitate pricing and enable more accuracy and control over export margins. Therefore, due to the large share of exports in the revenue of the company, the exchange would continue to be a source of great concern. It was also considered that eventual increases in the cost of raw materials would become another obstacle preventing the achievement of the projected profitability due to the limited possibility of transferring these costs to prices. All of the above led to cautious optimism for 2007. As a result, the Consolidated Annual Budget contemplated the production of 16,800 bus bodies and net revenue of R$ 1,850.00 million, a growth of 5.7% in revenue and 7.2% in volume compared with 2006.

Throughout the year, the Management went through moments of some frustration and others of intense satisfaction. The first quarter of 2007 (1Q07) was little encouraging and generated some anxiety when it was confirmed that the automakers underestimated demand, which resulted in an erratic and insufficient supply of chassis. The serious unavailability of mechanical components forced the company to prolong the holidays, which began at the end of December of 2006 and were extended to mid January and February, when the first signs of the problem began to appear. Even with the heating up of the domestic economy, the Brazilian production of bus bodies in 1Q07 simply equaled the volume manufactured in the same period of 2006. In the case of Marcopolo, despite counting on a backlog above normal for that time of year, production shrank by approximately 4.0% when compared with the first quarter of 2006 (1Q06). The immediate consequence was a decline in market share, which, from a historic average of 40.0%, fell to 34.5%.

With the gradual regularization of the chassis supply starting in March, the Management decided to counteract the behavior of the competitors and, through a more aggressive price policy, increased production and sales and recovered its market share, even knowing that it would be inevitable to give up a part of the profits. This strategy certainly caused a loss in revenue throughout the year, which was, nevertheless, offset by volume increase.

As of the second quarter, after the automakers returned to full operation, sector production resumed its upward curve. The Company's performance turned more encouraging: production in Brazil grew around 19.0% over the second quarter of 2006 (2Q06) and the bus bodies sold abroad increased 8.0%, leading to an increase of around 36.6% in consolidated net revenue (R$ 540.0 versus R$ 395.4 in 2Q06). The market share jumped to 39.2%.

In the third quarter of 2007 (3Q07), when the market responded better to the new credit conditions and, in light of the firm increase in employment levels and in the number of transported passengers - besides other favorable macroeconomic factors, all triggered by the aggregate demand for consumption goods and capital goods -, the sector production increased over 25.0% in comparison with the third quarter of 2006 (3Q06). The production of other manufacturers grew around 15.0% and Marcopolo's rose by over 41.0%. The fourth quarter of 2007 (4Q07) was also encouraging. Despite the lower number of business days in December, this period recorded the second largest production volume, the highest net revenue and net profit of the year. The local plants manufactured 4,990 units, up 52.4% over the 3,274 units in the fourth quarter of 2006 (4Q06), enough growth to offset the 7.5% drop in production of the units abroad.

Similarly, the foreign subsidiaries of most potential were facing a few hurdles of their own during the year. In India, the Lucknow factory ended up being set up in a rush at Tata Motors, responding to market demand (winning the bid in New Delhi), while the plant in Dharwad had its construction work begun after a year of delay in relation to the original forecast, which dampened the production expectation of this unit for 2007. In Russia, the Golitsino plant suffered from a delay in the receipt of chassis and, subsequently, from a delay in the approval of the produced vehicles, subject to compliance of the strict requirements of European norms and of the vast amount of Russian norms. The Mexico unit faced difficulties stemming from market conditions, once the renewal of its fleet in 2007 was lower than expected. In Colombia, the transfer to the new factory concluded in July, besides the natural loss of production deriving from an atypical and complex process that caused an unexpected staff turnover, compromised efficiency and production volume. Likewise, the plants in Portugal and Africa would have presented a better performance if it were not for the irregularity in the delivery of the chassis.

The moments of satisfaction, however, resulted in events that, at the end, led to a prodigious year of realizations. The Brazilian bus body sector grew 14.6% (and 14.2% considering the Volare) and Marcopolo grew 20.1% (and 18.5% with the Volare), more than offsetting the slump of 8.0% in the production of the subsidiaries abroad. The market share hit 43.6% in 4Q07 and 41.5% in the annual average. The profit target was also surpassed, even in an environment of sales prices lower than in 2006 arising from the heated competition. Significant interest in bus body manufacturers NEOBUS, from Caxias do Sul, and METALPAR of Argentina were acquired in December 2007, opening up new perspectives for growth and consolidation in the market position of Marcopolo.

The first two models of coaches manufactured on the temporary premises of Lucknow, through a joint venture with TATA, were presented in Auto Expo 2008, the main auto fair in India, held in New Delhi. In September 2007, the construction of the definitive factory was started in Dharwad and the factories are now scheduled to start operating in 4Q08. In Russia, the chassis supply problems in the plant of Golitsino were solved. Production began in October but is still low in volume. In December 2007, the first 15 units were delivered to the market. By request of associate Рuspormauto, Marcopolo also ventured into the adaptation of a second factory in Pavlov, where urban microbuses will be produced. This project had not yet been contemplated in the original agreement and is expected to increase the initial volume and revenue projections in Russia.

In general, the consolidated revenue and earnings continue to be hampered by the foreign exchange situation. The abundant dollar supply prevented the currency from reaching the forecast rates at any time during the year. In order to counteract the appreciation of the real, in light of the new dollar x real levels, drastic changes in the manufacturing strategy were adopted. The Management decided to accelerate the local manufacturing and global sourcing processes.

The subsidiaries abroad were instructed and began to migrate from the system of importing complete knocked down (CKD) bus bodies from Brazil, the old strategy, to manufacturing and/or acquiring components from local or global markets where, keeping with the level of quality, prices are more competitive. For those readers more familiar with industrial and/or manufacturing activities, the magnitude of this transformation can be more readily understood.

The fact is that the company will no longer be an exporter of kits and a local bus body assembly plant. Hence, the competitive edge, which before was based on the competitiveness of the exported kits, logistics and the capacity of local assembly, will now become a competition based solely on the know-how and knowledge effectively transferred to the foreign plants. Within this new context, every plant must be trained to manufacture independently, even though it is monitored by the central engineering department in Caxias do Sul. This is a significant transformation in the manufacturing strategy, which is under way, with success and high expectations, despite being in its initial stage. In this complex context, the purchasing office established in China has already taken the first steps towards materializing this process. The company expects to reach cost savings that should increase its competitive edge in all markets where it operates, including Brazil.

Consolidated Production

In 2007, consolidated production totaled 17,807 units or 20.1% above the 14,824 units manufactured during 2006 (the amount has been adjusted in relation to the correct share of Superpolo - minus 847 units). For the purpose of comparison, if the 999 units manufactured by NEOBUS were eliminated in 2007, the consolidated production would be 16,808 units, a growth of 13.4% between periods. In 2007, 17,637 units were sold against 13,902 in 2006. Data about global production is shown in the table below.

MARCOPOLO – CONSOLIDATED GLOBAL PRODUCTION
By company (in units)

Companies	2007	2006	△%
BRAZIL			
Marcopolo [1]	12.764	10.576	20,7
Associated companies [2]	4.701	3.243	45,0
SUBTOTAL	**17.465**	**13.819**	**26,4**
KD [3] exports not included	3.524	3.244	8,6
TOTAL IN BRAZIL	**13.941**	**10.575**	**31,8**
OVERSEAS			
Mexico	2.587	2.898	(10,7)
Portugal	166	190	(12,6)
Russia [4]	15	-	100,0
South Africa	331	314	5,4
Colombia [4]	767	847	(9,4)
TOTAL OVERSEAS	**3.866**	**4.249**	**(9,0)**
TOTAL	**17.807**	**14.824**	**20,1**

(1) Includes production of Volare;
(2) Refers to Ciferal (3,702 units) and San Marino (2,884 units) 2007 production. Out of San Marino's total production, only 999 units, or 39.6% were included in the table above;
(3) Bus body partially or totally knocked down;
(4) Figures consolidate 50.0% of production.

MARCOPOLO – CONSOLIDATED GLOBAL PRODUCTION
By products and markets (in units)

Products / Markets [1]	2007			2006		
	DM	EM [2]	TOTAL	DM	EM [2]	TOTAL
Intercity buses	2.485	1.856	**4.341**	1.615	1.821	**3.436**
Urban buses	4.964	3.292	**8.256**	3.690	3.048	**6.738**
Micro buses	953	951	**1.904**	558	860	**1.418**
Minis buses (LCV)	90	57	**147**	117	260	**377**
SUBTOTAL	**8.492**	**6.156**	**14.648**	**5.980**	**5.989**	**11.969**
Volare [3]	2.830	329	**3.159**	2.607	248	**2.855**
TOTAL PRODUCTION	**11.322**	**6.485**	**17.807**	**8.587**	**6.237**	**14.824**

(1) DM = Domestic Market, EM = External Market;
(2) External market production figures include exports of partially or completely KD units. In 2007 3,524 units were exported and in 2006 3,244 units were exported;
(3) Volare units are only included in Marcopolo table production to allow better understanding of the vast product line, its production capacity and because they are included in the net operating revenue. Production of these vehicles is not part of the SIMEFRE and FABUS data or Marcopolo's market share or sector production.

MARCOPOLO – PRODUCTION IN BRAZIL AND TOTAL SALES
By products and markets (in units)

Products / Markets [1]	2007			2006		
	DM	EM [2]	TOTAL	DM	EM [2]	TOTAL
Intercity buses	2.485	1.690	**4.175**	1.615	1.603	3.218
Urban buses	4.964	3.555	**8.519**	3.690	2.988	6.678
Micro buses	953	569	**1.522**	558	391	949
Minis buses (LCV)	90	-	**90**	117	2	119
SUBTOTAL	**8.492**	**5.814**	**14.306**	**5.980**	**4.984**	**10.964**
Volare [3]	2.830	329	**3.159**	2.607	248	2.855
TOTAL PRODUCTION	**11.322**	**6.143**	**17.465**	**8.587**	**5.232**	**13.819**
TOTAL SALES	**11.487**	**6.150**	**17.637**	**8.618**	**5.284**	**13.902**

See table notes - Consolidated Global Production - By Products and Markets.

Market Share

In recent years, the growth in local demand and the opening of new markets abroad have encouraged the appearance of new manufacturers and an increase in the installed capacity of traditional manufacturers has led to more competitiveness for volume and market share.

Marcopolo has been maintaining a policy of fair prices, pursuing results that enable a fair payback of the capital invested in the business and enough profitability to expand the company. At the beginning of 2007, in retaliation to the actions of the competitors and to put a stop to its shrinking market share, the Management decided to adopt a more aggressive price policy. At the end of the year, the share returned to a level considered to be more comfortable by the Management.

SHARE IN BRAZILIAN PRODUCTION – Marcopolo/Ciferal (%)

Products [1]	2007	2006	2005	2004	2003
Intercity buses	51,3	46,4	47,2	56,5	65,0
Urban buses	41,7	41,3	45,7	48,2	44,9
Micro buses	25,8	22,5	23,6	33,4	38,5
Minis buses (LCV) [2]	12,1	18,5	27,8	18,9	31,7
TOTAL	**41,5**	**39,2**	**42,8**	**45,9**	**47,0**

Source: FABUS and SIMEFRE.

[1] This table does not include San Marino's market share

[2] Volare is not included in market share figures

Net Revenue

Consolidated net revenue reached R$ 2,129.2 million, up 21.6% over the R$ 1,750.3 million in 2006. Sales in the local market generated revenue of R$ 1,231.2 million, up 32.5% over the R$ 929.5 million of the prior-year period, accounting for 57.8% of total net revenue (versus 53.1% in 2006). Exports and foreign business hit R$ 898.0 million as compared with R$ 820.8 million in the previous year, up 9.4% in comparison with 2006.

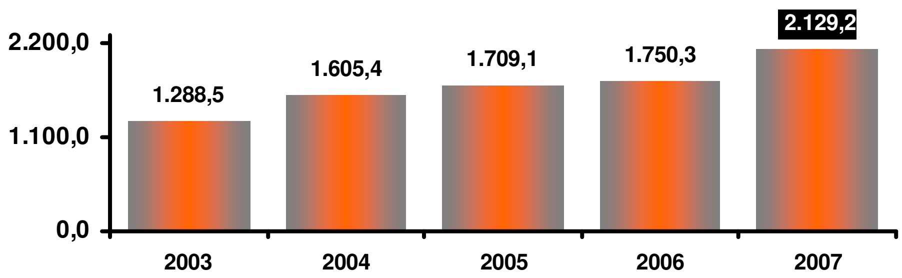
The appreciation of the Brazilian currency throughout the year continued harming the performance of the company under several aspects: it affected the physical volume exported, the nominal value of revenues, the margins and the general performance, which otherwise would have been higher. Revenue by product and target market is shown in the table and graph below.

TOTAL CONSOLIDATED NET REVENUE - By product and market (R$ 000)

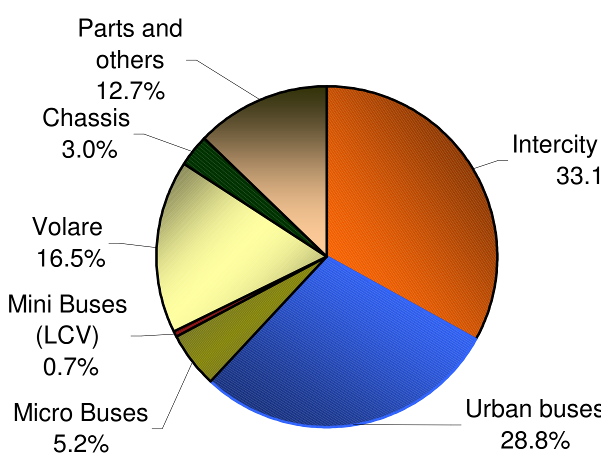
Products [3]	2007		2006		Total	
	DM	EM	DM	EM	2007	2006
Intercity buses	351.595	352.395	250.417	356.270	703.990	606.687
Urban buses	355.290	258.826	268.069	271.376	614.116	539.445
Micro buses	57.661	53.799	34.298	51.371	111.460	85.669
Mini buses (LCV)	9.691	5.758	6.556	13.854	15.449	20.410
Subtotal bus bodies	**774.237**	**670.778**	**559.340**	**692.871**	**1.445.015**	**1.252.211**
Volare [1]	314.778	37.309	276.551	20.121	352.087	296.672
Total bus bodies / Volare	**1.089.015**	**708.087**	**835.891**	**712.992**	**1.797.102**	**1.548.883**
Chassis [2]	3.308	59.873	1.090	24.237	63.181	25.327
Parts and others	138.897	129.984	92.475	83.600	268.881	176.075
Total chassis/parts/others	**142.205**	**189.857**	**93.565**	**107.837**	**332.062**	**201.402**
TOTAL	1.231.220	897.944	929.456	820.829	2.129.164	1.750.285

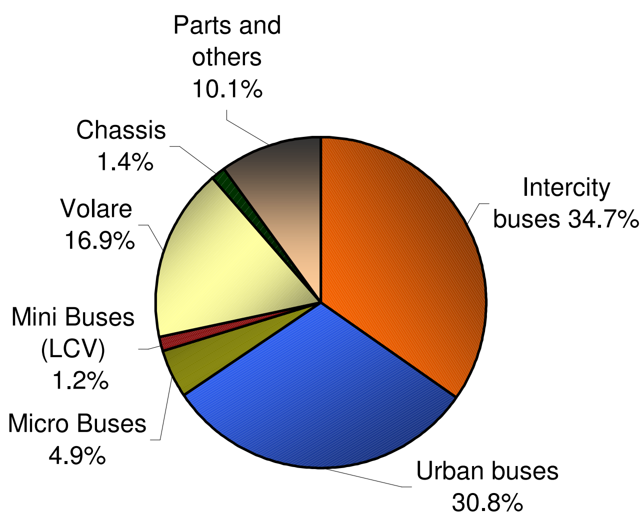
[1] Volare revenues include chassis;
[2] Revenues from chassis refer to other units sold, except Volare models;
[3] DM = Domestic Market; EM = External Market.

NET REVENUE (R$ million)



Of the total consolidated net revenue in 2007, 84.3% derived from bus body sales, 3.0% from chassis sales and 12.7% from the revenue of parts, components and Banco Moneo. The graphs below show the origin of the consolidated revenue by product line (in %) in more detail.





Cost of Products Sold and Gross Profit

In 2007, the Cost of Products Sold (COPS) totaled R$ 1,766.6 million, or 83.0% of net revenue (81.2% in 2006). The 1.8 percentage point growth in COPS basically stemmed from the continuous appreciation in the Brazilian real, which led to a reduction in the nominal revenue denominated in reais and the share of gross margin in exports, and the decision of adopting a more aggressive price policy, which made them more competitive in relation to the competitors. This measure led to a gain in volume and the recovery of the market share, and, on the other hand, to part of the loss in gross margin.

The negative effects of the foreign exchange and the price policy were partially offset by: (i) an increase in volume, savings in purchases and more emphasis on organizational restructuring; (ii) greater proportion of revenue in the local market; (iii) lowering of manufacturing costs through the introduction of modular engineering concepts; (iv) lower fixed costs per unit and, (v) more financial gain arising from hedging policies.

Operating Expenses

Sales expenses grew 15.2%, while revenue rose 21.6%. Strict control of all commercial expenses was maintained during the year. The nominal increase in these expenses, around R$ 17.0 million, arose basically from sales commissions and, on a lesser scale, from compulsory wage adjustments established by union agreement and by the inclusion of expenses of the new subsidiaries in the consolidated data. Sales expenses represented respectively 6.1% and 6.4% of net revenue in 2007 and 2006.

General and administrative expenses totaling R$ 79.4 million accounted for 3.7% of net revenue, as compared with R$ 72.8 million, or 4.2% of net revenue in 2006. Similarly to the other accounts, expenses were controlled and, the increase partly stemmed from wage adjustments agreed upon with the trade unions and, mainly, from the consolidation of expenses for the new joint ventures in the country and abroad.

Other Operating Revenue and Expenses

In 2007, the net balance of these accounts was a negative R$ 20.8 million as compared with R$ 12.3 million, also negative, in 2006. The debts in this account refer mainly to accounting entries for the updating of historic values due to exchange variations on permanent assets but do not represent effective losses, nor cash outflow in both periods.

The balance of 2007 is comprised of: (i) R$ 14.5 million of negative exchange variation on investments in the subsidiaries abroad; (ii) R$ 3.0 million for amortization of part of the goodwill paid at the acquisition of San Marino; and (iii) R$ 3.3 million for the establishment of provisions for lawsuits and tax expenses.

Net Financial Income

Net financial income of R$ 46.8 million rose 22.0% over the R$ 38.3 million posted in 2006. Financial revenues were R$ 172.1 million versus R$ 186.4 million in the previous year. In the financial revenue breakdown of 2007, around R$ 106.1 million resulted from exchange variations on foreign currency-denominated assets and liabilities and in forward transactions linked to exports. Another R$ 66.0 million originated from money market operations. In financial expenses, R$ 58.1 million derived from exchange variations on foreign currency-denominated assets and liabilities, R$ 57.3 million was used to pay interest on loans and financing and banking expenses and R$ 9.9 million was spent on paying taxes on financial transactions. The table below helps to understand better the exchange variations.

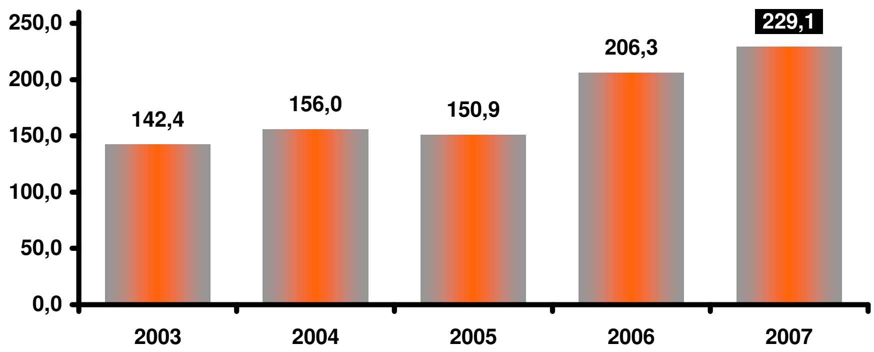
STATEMENT OF POSITION IN US$ SUBJECT TO EXCHANGE VARIATION

US$ thousand	12/31/2007	12/31/2006
Accounts receivable from clients	78.427	65.246
Current account - Overseas Subsidiaries	13.143	11.536
ASSETS	**91.570**	**76.782**
Advances on export contracts - ACE	-	900
Advances on export contracts - (ACC) and pre-payment	21.013	30.893
Forward	127.911	62.200
Loans in foreign currency	7.139	8.501
Commissions and other obligations	10.612	5.212
LIABILITIES	**166.675**	**107.706**
NET FINANCIAL BALANCE	**(75.105)**	**(30.924)**
Investment overseas	42.917	27.413
TOTAL NET POSITION IN US$	**(32.188)**	**(3.511)**

Operating Income and EBITDA (adjusted)

The adjusted EBITDA totaled R$ 229.1 million in 2007 as compared with R$ 206.3 million in the previous year, or 10.8% and 11.8%, respectively, of net revenue. The figures were adjusted according to the understanding of the company to overcome deficiencies in the traditional methodology, which does not properly reflect the results of the operating activities in economies with high exchange volatility and, mainly, in companies with a significant part of the revenue arising from exports and business abroad.

ADJUSTED EBITDA (R$ million)



EBITDA (R$ thousand)	2007	2006	2005	2004	2003
Operating results	180.111	172.404	118.905	114.732	104.526
Financial results	(172.093)	(186.357)	(167.807)	(110.419)	(114.596)
Financial expenses	125.309	148.025	130.733	112.634	87.965
Depreciation / Amortization	33.409	29.863	29.413	28.928	24.623
EBITDA	166.736	163.935	111.244	145.875	102.518
Exchange variation on investment in subsidiaries	14.477	4.255	9.118	2.792	8.635
Exchange variation linked to exports	47.932	38.146	30.574	7.298	31.295
EBITDA (adjusted)	**229.145**	**206.336**	**150.936**	**155.965**	**142.448**

The balance of exchange variations, or R$ 47.9 million, resulted from operating production and sales activities and, according to our understanding, must be treated as operational result and adjusted in the EBITDA. The interpretation is reflected in the table above.

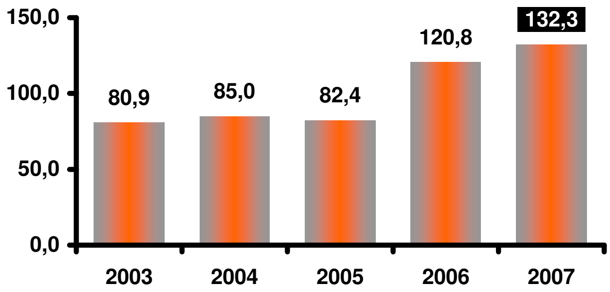
Non-Operating Result

The Non-Operating Revenue/Expense account posted a positive balance of R$ 7.6 million, resulting from the sale of existing plots of land and buildings in São Paulo and Caxias do Sul not needed for the activities of the company.

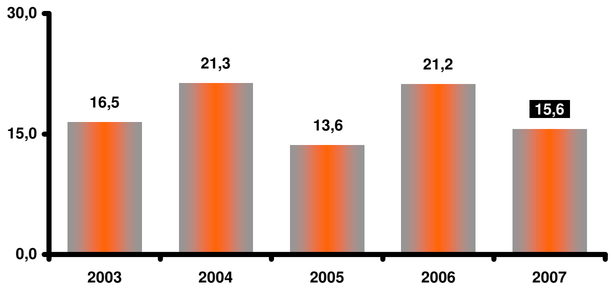
Net Income/ROIC

Net income of 2007 was R$ 132.3 million, a growth of 9.5% on the R$ 120.8 million posted in 2006. The result means a return of 15.6% on the average capital of the year versus 21.2% in 2006. The evolution of net income and the return rate, for the last five-year period, is shown below.

NET INCOME (R$ million)



ROIC (%)



Balance Sheet

Specific asset and liability accounts recorded significant variations in the balance throughout 2007 and, for this reason, are commented on below:

Current Assets: Customer Account

The balance rose to R$ 554.9 million on 12/31/07 from R$ 344.5 million on 12/13/06. This increase of R$ 210.4 million derives partly from the growth of consolidated revenue and partly from financing granted by Banco Moneo totaling R$ 41.3 million.

Long-term Assets: Customer Account

The balance grew R$ 117.4 million and originated from long-term financing by Banco Moneo for Marcopolo customers, with funds from the National Development Bank (BNDES) via Finame, which, through the new conditions, can be extended by up to six years.

Current Liabilities: Loans and Financing

The balance of R$ 417.5 million includes R$ 44.9 million of funds raised by Banco Moneo from BNDES and other financial institutions, which, together with the R$ 40.4 million raised through FIDC, were used to finance Marcopolo customers. The remaining R$ 332.2 million, resulting from loans contracted by the holding company and by the subsidiaries abroad, was allocated to customer financing.

Long-term Liabilities: Loans and Financing

Includes R$ 167.0 million raised by Banco Moneo, R$ 171.6 million for loans contracted by the holding company and affiliates and used to finance Marcopolo customers and another R$ 134.5 million of funds raised by foreign trading companies and invested in the financial market.

Cash Flow

In 2007, the operating activities generated funds of around R$ 347.9 million and consumed R$ 391.9 million. The investment activities demanded R$ 180.7 million, of which R$ 109.6 million in permanent assets and R$ 71.1 million in long-term marketable securities. The financing activities generated R$ 277.2 million. As a result, the initial cash balance of R$ 440.5 million, added to the initial balance of R$ 2.5 million of the subsidiary acquired during the year, increased to R$ 495.5 million by the end of the year. The cash flow statement of the industrial and financial sectors is shown in detail in Explanatory Note no. 26 in the Financial Statements.

Performance of the Subsidiaries

The long-term growth of the company is strongly linked to the international operations. In 2007, the plants abroad produced 3,866 units as compared with 4,249 units in the previous year, or, respectively 21.7% and 28.7% of the consolidated production of the company. With exception of South Africa, the other plants recorded small reductions in the 2007 production, which is explained below:

POLOMEX, located in Mexico, is the subsidiary that is contributing with the largest volume and the highest sales revenue. The production of 2,587 units was 10.7% lower than the 2,898 units manufactured in 2006. The decrease in volume resulted from a slump in the market in general and, mainly, in the demand for intercity bus bodies. During the year, the negative 2006 performance was reversed and the subsidiary ended 2007 with a satisfactory net profit. The improvement in contribution margins of urban models, stemming from the replacement of imports of semi knocked-down units for completely knocked-down units and the nationalization of components, contributed for this outcome. Polomex holds about 30.0% of the Mexican market.

SUPERPOLO, located in Colombia, is currently the second most important plant. In 2007, it manufactured 1,534 units, of which 50.0%, or 767, were accounted for in Marcopolo's consolidated production. In 2006, 1,694 units were manufactured and 847 units were included in the consolidation. The change to the new factory in the city of Cota, concluded in July, caused a production drop and generated an increase in staff turnover and lowered efficiency during the learning curve period. Of the production, 212 units were exported to Venezuela, Costa Rica and Peru. The current plans contemplate expanding sales to Ecuador, Panama and Haiti. Superpolo has a 30.0% share of the local market. The functional staff is comprised of 1,203 collaborators.

PORTUGAL and AFRICA. The overall production of the factories located in these countries was about 500 buses. In Portugal, production fell 13.0% in relation to 2006. The unit was affected by the lack of chassis, due to the fact that European automakers began to direct part of their production to the countries that entered the European community recently. The updated product line was presented at Bus World - 2007 in Kortrijk in Belgium. As such, the volume was still insufficient to reach the financial equilibrium point.

In relation to 2006, the plant in Africa posted a positive net result. Production grew 5.4% year over year. The performance could have been better if it were not for the lack of chassis supplied by the Brazilian automakers and diverted to meet the increase in demand of the Brazilian market. Marcopolo South Africa holds 35.0% of the market in the intercity and urban sectors. Demand should grow as a result of the World Soccer Cup in 2010.

RUSSIA. The manufacturing of the Andare 850 bus model started up in April at the Golitsino plant. After a long and drawn out approval process for the vehicles, which must comply with the norms of the European Community and a surprising number of Russian norms, the first 15 units were delivered. The manufacturing of the Andare 1000 model was started in October and the first units will be sold in March of 2008. During the year, it was decided to setup a branch of the joint venture in the city of Pavlov, where urban microbuses will be manufactured (REAL brand, in honor of the Brazilian currency). Two prototypes, exhibited at the Moscow fair, were assembled and the first 15 units were produced for the city of St. Petersburg. During that period, 313 employees were hired and trained. Under the new strategy, the models manufactured already include around 50.0% of locally acquired components.

INDIA. The joint venture named "TATA MARCOPOLO MOTORS LIMITED", which will be located in Dharwad, should be the largest and most important foreign operation when fully operating. The first bus models were defined, including the "low entry" urban, which will be used in 2010 in the "Commonwealth Games" in New Delhi. The start of production for buses for urban and school transport will begin in 4Q08. Around 50 specialized Marcopolo technicians currently work on the project under an exclusive dedication basis. TATA allocated another 20 employees who are also highly qualified.

MIC and ILMOT (Trading Companies). The subsidiaries Marcopolo International Corp. (MIC) and Ilmot International Corporation S.A. have an important role in the expansion of international business. Its main attributions are: (i) sell company and third-party products; (ii) maintain, coordinate and expand the global network of commercial representatives for the sale of products; (iii) provide technical assistance and post-sale services; (iv) enable participation in fairs and exhibitions; (v) provide the approval of products in several countries; (vi) raise funds for investments in equity interest abroad; (vii) centralize the acquisitions and manage the international financial resources; and (viii) mitigate political and exchange risks for the corporation.

BANCO MONEO. The commercial activities of Banco Moneo began in July 2005. The Bank is authorized to operate in the portfolio of investments, commercial leasing and credit, financing and investments. Currently, the following products are offered: Direct Consumer Credit (CDC in Portuguese), Finame and Finame Leasing, working capital and acceptance of credit, surety and guarantees. With the increase of operations, notably the transfer of Finame funds, during 2007, Banco Moneo posted a net profit of R$ 8.2 million (R$ 6.5 million in 2006). The shareholders' equity increased to R$ 63.7 million at the end of 2007 from R$ 55.9 million in 2006. The credit operations of the bank totaled R$ 294.4 million in December 2007 (R$ 127.8 million in 2006). With the addition of granted surety and guarantee operations totaling R$ 45.3 million (R$ 25.3 million in 2006), credit operations amounted to R$ 339.7 million (R$ 153.1 million in 2006), up 121.9%.

Investments / Fixed Assets

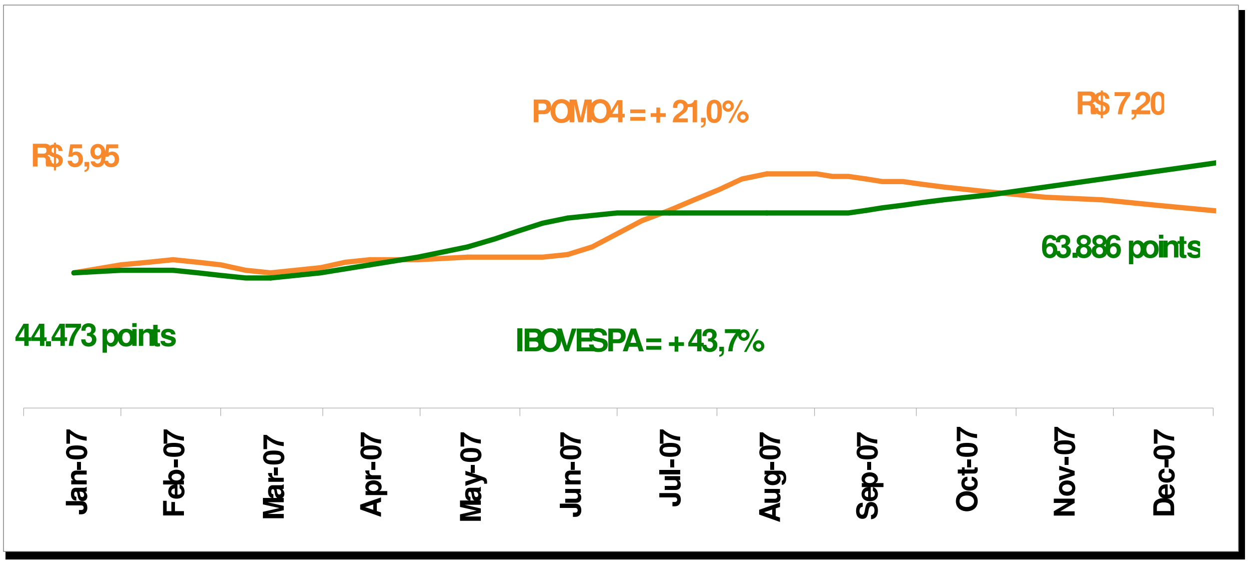
In 2007, Marcopolo allocated R$ 109.6 million for capital investments to several plants (R$ 40.4 million in 2006). Of the total, R$ 22.4 million was invested in production machinery and equipment; R$ 17.1 million in computer equipment and software; R$ 32.6 million in industrial installations, of which R$ 8.8 million in the new factory in Colombia, R$ 0.6 million in the factory in Russia, R$ 12.9 million in India, R$ 10.3 million in factories in Brazil and R$ 37.5 million to acquire interest in other companies.

Capital Markets

The liquidity of Marcopolo stock has been growing exponentially over the past years. In 2007, 51,606 transactions were made, up 154.0% over the 20,319 made in 2006. A total of 119.6 million shares were traded, that is, 53.0% of the shares that represent the capital stock and approximately 79.0% of the free float.

The quotation of the preferred shares (POM04) increased from R$ 5.95 per share at the beginning of the year to R$ 7.20 on 12/31/07, representing an appreciation of 21.0% in the period. Part of the liquidity of the shares is in the hands of foreign shareholders, and on 12/31/07, the latter held 51.5% of the preferred stock and 31.9% of the total of outstanding shares. The graph and table below shows these details more explicitly.

STOCK PERFORMANCE AT THE SÃO PAULO STOCK EXCHANGE (BOVESPA)



Indicators	2007	2006	2005	2004	2003
Number of trades	51.606	20.319	11.878	11.057	13.300
Traded shares (million) (*)	119,6	114,7	93,4	90,3	114,5
Traded value (R$ million)	863,8	424,8	247,8	266,5	229,2
Market value (R$ million) (1)	1.614,4	1.334,1	654,0	768,7	539,4
Outstanding shares (million) (2) (*)	224,2	224,2	224,2	224,2	224,2
Book value per share (R$) (*)	2,66	2,42	2,10	1,94	1,73
Quotation (R$ / preferred shares) (3) (*)	7,20	5,95	2,91	3,42	2,40
Interest Over Own Capital (included on the dividend) and Dividends (R$/stock) (*)	0,335	0,225	0,190	0,170	0,178

(1) The market value was calculated through multiplication of the last closing price of the preferred book entry share in the period by the total number of shares in the referred period;

(2) Total number of shares at the end of the period. On 12/31/07, 484,613 preferred shares were Treasury shares;

(3) Preferred book entry share quotation on the last trading session in the period;

(*) The figures were updated to reflect the 100% bonus granted after the Board meeting held on August 25, 2006.

Shareholder Remuneration

At a meeting held on 12/14/07, the Board of Directors approved the payment of interest on own capital and dividends to the shareholders totaling R$ 75,020,158.80 (seventy-five million, twenty thousand, one hundred and fifty-eight reais and eighty centavos). Of such amount, R$ 34,523,144.95 refers to interest on own capital and R$ 40,497,013.85 for interim dividends, both for 2007.

Gross remuneration, therefore, reached R$ 0.3353 per share. The value was credited to the individual account of each shareholder on December 21, 2007 and will be paid on March 28, 2008. The total amount paid equals to 56.7% of the net profit of the year and represents a growth of 48.8% over the R$ 50,421,137.91 paid in 2006.

Staff

Number of employees	2007	2006	2005	2004
Parent company	6.005	5.269	5.549	5.460
Controlled companies in Brazil	3.918	2.972	3.048	2.914
Parent companies abroad	2.388	1.848 (2)	1.939 (2)	1.764 (2)
Total (1)	**12.311**	**10.089**	**10.536**	**10.138**
Turnover rate (%) (3)	0,89	1,05	1,08	0,84

(1) Includes employees of controlled/associated companies proportionally to Marcopolo's stake
(2) Only considering 50,0% of Superpolo's staff
(3) Parent company

Outlook for 2008

The Consolidated 2008 Annual Budget contemplates a net revenue of R$ 2.3 billion and the production of 20,000 bus bodies, a growth of approximately 8.0% in revenue and 12.3% in volume. Investments in fixed assets will demand resources of around R$ 95.0 million. The figures will be revised throughout the year if and when the conditions favor this action.

While revising the business plans related to exports and production of the subsidiaries, the Management took into account that 2008 began with a few disturbances, concerns, speculations and much caution. The uncertainty of the U.S. economy as a result of sub-prime crisis, besides other latent problems, such as those related to credit cards and credit insurers, keeps the global economy in a state of emergency. There is a consensus among experts that the recession of the United States is inevitable. On the other hand, important countries such as India and China have been developing their domestic markets by increasing consumption and the income base and this growth trend will probably continue on the rise, heating up the dynamics of the global economy.

In the current scenario, the Management understands that Latin America will suffer relatively less, especially Brazil, which has never been so prepared to face this type of situation. A reasonable scenario is predicted for the price of commodities, mainly food products and ores, favoring Latin American countries, although this does not mean that these countries are totally immune.

In relation to the foreign plants, the Management admits that the exchange appreciation may be a longer-lasting phenomena, with implications for their performance and the business of the parent company. As a result, the operating strategy, previously based on exports from Brazil, was radically changed to local acquisition or production. In addition to the actions in the areas of engineering, global sourcing and cost reduction, investments outside the country were intensified.

The current focus contemplates a model of partnerships for production/sale in key markets. The expansion project in Colombia, concluded in 2007, promises to bear fruit in 2008 through the additional production of buses for passenger transport for the city of Cali. Activities in Russia will begin normal production, albeit, the initial volume is still small. The recent partnership with Argentina in 2008 will also contribute to the consolidated results and will integrate the productions statistics of Marcopolo.

The partnership with India, which will begin production in 4Q08, is the most important one. The Management, however, estimates a small increase in the export of ready units and a significant increase in the production of the foreign plants.

In the definition of the performance targets for the local plants, the following was noticed in the most recent date of the National System for Vehicle Registration (known locally as DENATRAN) (www.denatran.gov.br): the bus fleet on 12/31/06 was comprised of 335,000 units and 198,000 microbuses. Therefore, there are more than 500 thousand passenger transport vehicles circulating in Brazil. After many years of stagnation, sales to the domestic market in the triennium of 2003/2005 reached an annual average of 15 thousand units and grew to 20 thousand units a year in 2006/2007.

Even so, the replacement and expansion rates are considered to be insufficient, placing the average age of the fleet above the ideal. The Management also considered the probable reflexes of the federal Acceleration Program (known as PAC).

Investments to build and duplicate 45 thousand kilometers of roadways in four years will help to relieve many bottlenecks in the economy and will heat up aggregate demand. In addition, another set of positive factors has given reason to believe that the year will be very favorable for bus manufacturers. Given the increased demand for funds by the private sector, the BNDES announced that it plans to increase the volume of loans in 2007 by more than 23.0%.

Credit expansion and the favorable financing conditions - great drivers for the acceleration of business - will continue to favor the bus segment in general. The “Programa Caminho da Escola” (Path to School Program), created in March 2007 by the Education Ministry, is another factor that will boost production. In 2008, municipal elections will be held in Brazil. This event traditionally encourages the renewal and expansion of the fleet, especially of urban buses. All of the above, allied to sound and stable institutions, points towards the continuation of an upsurge in demand, which reinforces the forecasts of growth in the domestic market. In an attempt to interpret the macroeconomic situation, the Management understands that any final conclusion about the course of the global economy, at this moment, is premature and the damaging effects of the current U.S. crisis can only be assessed in the future.

On the other hand, it is a certainty that passenger bus transport will continue being the most important method of locomotion for the population of urban areas. The confirmation of the low rate of fleet renewal is unequivocal, mainly in Latin American countries, supplied exclusively by the Brazilian bus industry. Therefore, the systematic evaluation of the potential of the most important markets to the company will continue to be carried out.

Since one of the focus is growth, the Management has established that the upkeep of the organic expansion process will be grounded on maintaining the services to all traditional customers and on internationalization for markets with large population density and low income, where the buses will continue to be, for many years, the most convenient method of passenger transport. The growth strategy will continue to be linked to the generation of value for the shareholders and the perpetuation of the activities of the company.

Caxias do Sul, February 21, 2008.

The Administration

(A free translation of the original in Portuguese)

Marcopolo S.A.
and Subsidiaries

Financial Statements
at December 31, 2007 and 2006
and Report of Independent Auditors

(A free translation of the original in Portuguese)

Report of Independent Auditors

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

1 We have audited the accompanying balance sheets of Marcopolo S.A. and the consolidated balance sheets of Marcopolo S.A. and its subsidiaries as of December 31, 2007 and 2006, and the related statements of income, of changes in stockholders' equity and of changes in financial position of Marcopolo S.A., as well as the related consolidated statements of income and of changes in financial position, for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The audits of the financial statements of the indirect subsidiary Polomex S.A. de C.V. were conducted by other independent auditors. In the financial statements of Marcopolo S.A., the direct investment in this company is recorded on the equity method of accounting and is equivalent to an investment of R$ 1,041 thousand at December 31, 2007 (2006 - R$ 969 thousand) and the equity in the earnings (direct and indirect interest) for the year then ended amounts to R$ 73 thousand (2006 - loss of R$ 4,085 thousand). The financial statements of Polomex S.A. de C.V., with total assets of R$ 53,719 thousand at December 31, 2007 (2006 - R$ 58,475 thousand) are included in the consolidated financial statements. Our report, insofar as it relates to the amounts relating to this company, is based solely on the reports of the other auditors.

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

3 Based on our audits and on the reports of the other independent auditors, in our opinion the financial statements audited by us present fairly, in all material respects, the financial position of Marcopolo S.A. and of Marcopolo S.A. and its subsidiaries at December 31, 2007 and 2006, and the results of operations, the changes in stockholders' equity and the changes in financial position of Marcopolo S.A., as well as the consolidated results of operations and of changes in financial position, for the years then ended, in accordance with accounting practices adopted in Brazil.

4 Our audits were conducted for the purpose of issuing a report on the financial statements referred to in paragraph 1 above. The statements of cash flows and of added-value are presented for purposes of additional analysis of the Company and its subsidiaries and are not a required part of the financial statements. This information has been subjected to the auditing procedures described in paragraph 2 above and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Porto Alegre, February 19, 2008

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

Carlos Biedermann
Contador CRC 1RS029321/O-4

(A free translation of the original in Portuguese)

Marcopolo S. A . and Subsidiaries

Listed Company

Balance Sheet at December 31

(In thousands of reais)

	Parent Company		Consolidated	
Assets	**2007**	**2006**	**2007**	**2006**
Current assets				
Cash and banks (Note 4)	53,212	6,416	146,879	40,065
Financial investments (Note 4)	254,926	349,573	348,646	400,479
Trade accounts receivable (Note 5)	291,175	249,708	554,925	344,548
Inventories (Note 6)	127,382	99,835	229,820	191,257
Taxes recoverable (Note 7)	130,075	107,223	147,817	121,267
Deferred income tax and social contribution on net income(Note 15)	22,420	31,071	27,806	40,425
Dividends receivable	14,910	1,597	-	-
Other accounts receivable	17,335	9,774	34,000	24,295
	911,435	855,197	1,489,893	1,162,336
Non-current assets				
Long-term receivables				
Financial investments (Note 4)	-	-	71,067	-
Related parties (Note 11)	25,469	25,872	-	-
Trade accounts receivable (Note 5)	20	470	196,001	78,547
Taxes recoverable (Note 7)	905	844	943	844
Deferred income tax and social contribution on net income (Note 15)	11,109	-	14,337	2,336
Judicial deposits (Note 13)	3,579	3,531	4,830	4,279
Other accounts receivable	237	227	674	1,198
	41,319	30,944	287,852	87,204
Permanent assets				
Investments (Note 8)	301,174	222,573	32,848	5,385
Property, plant and equipment (Note 9)	114,180	93,117	230,082	178,789
Deferred charges (Note 10)	-	-	5,995	5,828
	415,354	315,690	268,925	190,002
Total assets	1,368,108	1,201,831	2,046,670	1,439,542

	Parent Company		Consolidated	
Liabilities and stockholders' equity	**2007**	**2006**	**2007**	**2006**
Current liabilities				
Accounts payable	141,982	78,395	197,979	109,885
Loans and financing (Note 12)	238,265	147,016	417,496	221,304
Salaries and vacation pay	49,108	35,646	59,383	44,525
Taxes and contributions payable	12,067	9,307	24,581	17,231
Related parties (Note 11)	18,353	9,087	5,726	-
Advances from customers	6,771	6,291	25,535	10,710
Commissioned representatives	7,449	10,433	15,983	27,885
Interest on own capital and dividends (Nota 17)	75,020	50,421	75,020	50,421
Management profit sharing	6,561	6,031	6,561	6,031
Other accounts payable	34,425	22,373	75,319	35,017
	590,001	375,000	903,583	523,009
Non-current liabilities				
Long-term liabilities				
Loans and financing (Note 12)	136,068	236,021	473,059	303,850
Provision for contingencies (Note 13)	32,674	32,748	42,648	40,925
Benefits to employees (Note 14)	13,200	16,431	13,200	16,431
Other accounts payable	-	-	13,796	12,051
	181,942	285,200	542,703	373,257
Minority interest	-	-	7,836	7,295
Stockholders' equity				
Capital (Note 16)	450,000	450,000	450,000	450,000
Capital reserves (Note 16)	1,186	1,056	1,186	1,056
Revenue reserves (Note 16)	148,341	93,099	144,724	87,449
Treasury stock (Note 16)	(3,362)	(2,524)	(3,362)	(2,524)
	596,165	541,631	592,548	535,981
Total liabilities and stockholders' equity	1,368,108	1,201,831	2,046,670	1,439,542

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

(A free translation of the original in Portuguese)

Marcopolo S.A . and Subsidiaries

Listed Company

Statement of Income

Years ended December 31

(In thousands of reais, unless otherwise indicated)

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Gross sales and service revenues	1,677,970	1,404,676	2,495,089	2,034,263
Sales deductions				
Taxes and returns	(262,391)	(210,181)	(365,925)	(283,978)
Net sales and service revenues	1,415,579	1,194,495	2,129,164	1,750,285
Cost of sales and services	(1,218,159)	(1,016,655)	(1,766,616)	(1,420,545)
Gross profit	197,420	177,840	362,548	329,740
Operating (expenses) income				
Selling expenses	(73,311)	(56,263)	(129,042)	(111,971)
Management fees	(7,600)	(6,915)	(7,600)	(6,915)
Administrative expenses	(35,867)	(35,863)	(71,805)	(65,922)
Financial expenses (Note 22)	(98,419)	(135,518)	(125,309)	(148,025)
Financial income (Note 22)	144,426	174,684	172,093	186,357
Equity in the earnings of subsidiary and associated companies (Nota 8)	41,761	32,164	-	1,469
Other operating income (expenses), net	(10,503)	(3,864)	(20,774)	(12,329)
Operating profit	157,907	146,265	180,111	172,404
Non-operating expenses, net	(118)	(684)	7,574	(1,041)
Income before taxation and profit sharing	157,789	145,581	187,685	171,363
Income tax and social contribution on net income (Note 15)				
For the year	(37,079)	(32,969)	(66,287)	(59,492)
Deferred	16,113	13,947	19,240	14,951
Management profit sharing	(6,561)	(6,031)	(6,561)	(6,031)
Net income before minority interest	130,262	120,528	134,077	120,791
Minority interest	-	-	(1,782)	50
Net income for the year	130,262	120,528	132,295	120,841
Net income per share - R$	0.582	0.539		
Book value per share - R$	2.665	2.421		

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

(A free translation of the original in Portuguese)

Marcopolo S.A . and Subsidiaries

Listed Company

Statement of Changes in Stockholders' Equity

(In thousands of reais)

		Capital reserves		Revenue reserves							
	Capital	**Investment subsidies**	**Gain on sales of treasury stock**	**Legal**	**For future capital increase**	**For payment of interim dividends**	**For purchase of own shares**	**For re-invest-ment**	**Retained earnings**	**Treasury stock**	**Total**
Balances at December 31, 2005	226,000	688	212	34,556	135,600	22,600	22,600	31,636	-	(3,819)	470,073
Sale of treasury stock		-	156							1,295	1,451
Capital increase	224,000			(34,556)	(135,208)		(22,600)	(31,636)			-
Net income for the year	-	-	-	-	-	-	-	-	120,528		120,528
Appropriations:											
Legal reserve	-	-	-	6,026	-	-	-	-	(6,026)		-
Interest on own capital											
Common shares - R$ 0.1654 per share	-	-	-	-	-	-	-	-	(14,126)		(14,126)
Preferred shares - R$ 0.1654 per share	-	-	-	-	-	-	-	-	(22,873)		(22,873)
Proposed dividends											
Common shares - R$ 0.06 per share	-	-	-	-	-	-	-	-	(5,124)		(5,124)
Preferred shares - R$ 0.06 per share	-	-	-	-	-	-	-	-	(8,298)		(8,298)
Reserve for future capital increase	-	-	-	-	44,857	-	-	-	(44,857)		-
Reserve for payment of interim dividends	-	-	-	-	-	9,612	-	-	(9,612)		-
Reserve for purchase of own shares	-	-	-	-	-	-	9,612	-	(9,612)		-
Balances at December 31, 2006	450,000	688	368	6,026	45,249	32,212	9,612	-	-	(2,524)	541,631
Sale of treasury stock			130							1,642	1,772
Purchase of shares			-							(2,480)	(2,480)
Net income for the year	-	-	-	-	-	-	-	-	130,262		130,262
Appropriations:											
Legal reserve	-	-	-	6,514	-	-	-	-	(6,514)		-
Interest on own capital and dividends											
Common shares - R$ 0.1543 per share	-	-	-	-	-	-	-	-	(13,178)		(13,178)
Preferred shares - R$ 0.1543 per share	-	-	-	-	-	-	-	-	(21,345)		(21,345)
Proposed dividends											
Common shares - R$ 0.1810 per share	-	-	-	-	-	-	-	-	(15,459)		(15,459)
Preferred shares - R$ 0.1810 per share	-	-	-	-	-	-	-	-	(25,038)		(25,038)
Reserve for future capital increase	-	-	-	-	34,110	-	-	-	(34,110)		-
Reserve for payment of interim dividends	-	-	-	-	-	7,309	-	-	(7,309)		-
Reserve for purchase of own shares	-	-	-	-	-	-	7,309	-	(7,309)		-
Balances at December 31, 2007	450,000	688	498	12,540	79,359	39,521	16,921	-	-	(3,362)	596,165

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

(A free translation of the original in Portuguese)

Marcopolo S.A . and Subsidiaries

Open Capital Company

Statement of Changes in Financial Position

Years ended December 31

(In thousands of reais)

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Financial resources were provided by				
Operations				
Net income for the year	130,262	120,528	132,295	120,841
Items not affecting working capital				
Depreciation and amortization	19,639	15,011	33,409	29,863
Equity in the earnings of subsidiaries	(41,761)	(32,164)	-	(1,469)
Post-employment benefits	(3,231)	(2,593)	(3,231)	(2,593)
Cost of property, plant and equipment and investment written off or sold	743	1,033	5,699	6,297
Foreign exchange variations of investments abroad	-	-	3,587	3,619
Minority interest	-	-	541	(541)
Total from operations	105,652	101,815	172,300	156,017
From stockholders and related parties				
Dividends received	14,910	1,597	-	-
Dividends reversed	(1,570)	(327)	-	-
Sale of treasury stock	1,772	1,451	1,772	1,451
Capital reduction in subsidiaries	-	64,878	-	-
From third parties				
Decrease in long-term receivables	-	58,348	-	-
Increase in long-term liabilities	-	-	161,199	1,408
Total funds provided	120,764	227,762	335,271	158,876
Financial resources were used for				
Permanent investments in other companies	53,169	44,318	37,500	41
Purchases of property, plant and equipment	38,456	30,194	72,139	40,404
Increase in long-term receivables	10,375	-	200,144	21,231
Interest on own capital and dividends proposed	75,020	50,421	75,020	50,421
Decrease in long-term liabilities	100,027	49,759	-	-
Treasury stock	2,480	-	2,480	-
Total funds used	279,527	174,692	387,283	112,097
Increase (decrease) in working capital	(158,763)	53,070	(52,012)	46,779
Changes in working capital				
At the beginning of the year	480,197	427,127	639,327	592,548
From subsidiaries acquired in the year			1,005	
At the end of the year	321,434	480,197	586,310	639,327
Increase (decrease) in working capital	(158,763)	53,070	(52,012)	46,779

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

Supplementary Information

Statement of Added Value

Years ended December 31

(In thousands of reais)

	Parent Company		Consolidated	
	2007	2006	2007	2006
1. Revenues				
1.1. Sales of goods, products and services	1,624,928	1,356,002	2,455,180	1,978,933
1.2. Allowance for doubtful accounts	(7,219)	(3,864)	(11,975)	(4,486)
1.3. Non-operating income (expenses), net	(118)	(684)	7,574	(536)
	1,617,591	1,351,454	2,450,779	1,973,911
2. Inputs purchased from third parties (include State Value-Added Tax - ICMS - and Excise Tax - IPI)				
2.1. Raw materials consumed	1,154,287	1,005,013	1,642,333	1,286,124
2.2. Materials, energy, third-party services and other	183,011	145,712	322,518	282,963
	1,337,298	1,150,725	1,964,851	1,569,087
3. Gross added value (1-2)	280,293	200,729	485,928	404,824
4. Retentions				
4.1. Depreciation and amortization	19,639	15,011	33,409	29,863
5. Net added value produced by the Company (3-4)	260,654	185,718	452,519	374,961
6. Added value received on transfer				
6.1. Equity in earnings of subsidiary and associated company	41,761	32,164	-	1,469
6.2. Financial income	144,426	174,684	172,093	186,357
	186,187	206,848	172,093	187,826
7. Total added value distributable (5+6)	446,841	392,566	624,612	562,787
8. Distribution of added value				
8.1. Personnel and charges	237,147	188,774	335,117	298,476
8.2. Fees, taxes and contributions	(11,915)	(45,023)	40,547	4,526
8.3. Interest and rentals	91,347	128,287	116,653	138,944
8.4. Interest on own capital and dividends	75,020	50,421	75,020	50,421
8.5. Profits retained	55,242	70,107	57,275	70,420
	446,841	392,566	624,612	562,787

1 Operations

Marcopolo S.A. is a limited liability company headquartered in Caxias do Sul, State of Rio Grande do Sul.

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

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

2 Presentation of the Financial Statements

These financial statements were approved by the Company's Board of Directors on February 19, 2008.

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

Significant accounting practices

a. Determination of net income

Net income is determined on the accrual basis of accounting.

b. Accounting estimates

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

c. *Foreign currency*

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

d. *Current assets and long-term receivables*

- **Financial investments**

  Financial investments are stated at cost plus income accrued up to the balance sheet date, not exceeding market value (Note 4).

- **Allowance for doubtful accounts**

  The allowance for doubtful accounts is recorded based on the individual evaluation of the total portfolio of receivables from customers at an amount considered sufficient by management to cover possible losses on the realization of the receivables (Note 5).

- **Inventories**

  Inventories are stated at average purchase or production cost, not exceeding market value.

  The cost of inventories includes expenses incurred on the purchase, freight and storage of inventories. In the case of finished products and work in process, cost includes part of the general manufacturing expenses, the allocation of which is based on the normal operating capacity (Note 6).

- **Other current assets and long-term receivables**

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

e. *Permanent assets*

- **Investments**

  Investments in subsidiary and associated companies are recorded on the equity method of accounting. Goodwill paid on the acquisition of investments is amortized over the period of expected future profitability. Other permanent investments are recorded at restated cost less allowance for impairment, when applicable (Note 8).

- **Corporate investments abroad**

  The principles to determine the net income or loss in the financial statements of foreign investees, when different from accounting practices adopted in Brazil, are adjusted, considering the significance of the information. These financial statements are converted into local currency as required by CVM Resolution 28/86 (Note 8).

- **Property, plant and equipment**

  Property, plant and equipment are stated at cost of purchase, formation or construction. Depreciation is calculated on the straight-line method at the rates listed in Note 9.

  Costs arising from the replacement of a component of a property, plant and equipment item, and which are recorded separately, including inspections and appraisals, are recorded in property, plant and equipment. Other costs are only capitalized when there is an increase in the economic benefits of the property, plant and equipment item. Any other type of cost is recorded as an expense.

f. Current and non-current liabilities

These liabilities are stated at known or estimated amounts including, when applicable, accrued charges and monetary and/or foreign exchange variations incurred through the balance sheet date (Notes 11, 12, 13 and 14).

g. Provisions

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

h. Pension plan and post-employment benefits to employees

The costs of sponsoring the employee pension and benefits plan are recorded in accordance with CVM Resolution 371 of December 13, 2000.

i. Income tax and social contribution on net income

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

Deferred tax credits arising from income tax and social contribution losses and temporary differences are recorded in accordance with CVM Instruction 371 and take into consideration the history of profitability and expectation of the generation of future taxable income based on a technical feasibility study.

The deferred income tax credits are recognized only in proportion to the realization of future taxable income available, for which tax losses and credits may be used (Note 15).

j. Statement of cash flows

The Company is presenting as supplementary information a statement of cash flows prepared in accordance with the Accounting Standards and Procedures (NPC) 22 - Statement of Cash Flows, issued by the Institute of Independent Auditors of Brazil (IBRACON).

k. Statement of added value

The Company is also presenting a statement of added value prepared in accordance with CVM/SNC/SEP Official Letter No. 01/07 for purposes of showing the value of wealth generated by the Company and the appropriation to the corresponding elements that contributed to its generation.

All the information presented was obtained from the Company's and its subsidiaries' accounting records. Reclassifications of certain information contained in the traditional statement of income have been made, as, in the statement of added value, such information is considered a distribution of the generated added value.

l. Exclusive investment funds

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

m. Reclassification

In 2007, management decided to reclassify the provisions for contingencies from current to long-term liabilities, which is considered more appropriate. For comparison purposes, the amounts of R$ 32,748 of the parent company and R$ 40,925 in the consolidated financial statements for 2006 were reclassified.

3 Consolidated Financial Statements

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

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

All amounts in thousands of reais unless otherwise indicated

	Percentage holding			
	2007		2006	
Subsidiaries	**Direct**	**Indirect**	**Direct**	**Indirect**
Banco Moneo S.A.	-	100.00	-	100.00
Brasa Middle East FZE (1)	-	100.00	-	100.00
Ciferal Indústria de Ônibus Ltda.	9999	0.01	99.99	0.01
Ilmot International Corporation S.A. (1)	100.00	-	100.00	-
Laureano S.A. (1)	-	100.00	-	100.00
Marcopolo Auto Components Co. (1)	100.00	-	100.00	-
Marcopolo Indústria de Carroçarias S.A. (1)	-	100.00	-	100.00
Marcopolo International Corp. (1)	-	100.00	-	100.00
Marcopolo Latinoamérica S.A. (1)	99.99	0.01	99.99	0.01
Marcopolo Of América (1)	-	-	-	100.00
Marcopolo South Africa Pty Ltd (1)	-	100.00	-	100.00
Marcopolo Trading S.A.	99.99	0.01	99.99	0.01
Moneo Investimentos S.A.	100.00	-	100.00	-
MVC Componentes Plásticos Ltda.	99.99	0.01	99.99	0.01
Polo Serviços em Plásticos Ltda.	99.00	1.00	99.00	1.00
Polomex S.A. de C.V. (1)	3.61	70.39	3.61	70.39
Poloplast Componentes S.A. de C.V. (1)	-	100.00	-	100.00
Syncroparts Com. e Dist. de Peças Ltda.	99.99	0.01	99.99	0.01
Jointly-owned subsidiaries	**Direct**	**Indirect**	**Direct**	**Indirect**
Pólo Plastic Component (1)	-	50.00	-	50.00
Russian Busses Marco (1)		50.00	-	50.00
San Marino Ônibus e Implementos Ltda	39.59	-	-	-
Spheros Climatização do Brasil S/A	40.00	-	-	-
Superpolo S.A. (1)	-	50.00	-	50.00
Tata Marcopolo Motors Limited (1)	49.00	-	-	-
Wsul Espumas Indústria e Comércio Ltda.	30.00	-	-	-

(1) Foreign subsidiaries

Exclusive investment funds	**Direct**	**Indirect**	**Direct**	**Indirect**
Fundo de Investimento Paradiso Multimercado	100.00	-	100.00	-
Fundo de Investimento Renda Fixa Andare	-	-	100.00	-
Gran – Vialle Fundo de Investimento Multimercado	-	-	100.00	-
FIDC – Marcopolo Financeiro	100.00	-	100.00	-

All amounts in thousands of reais unless otherwise indicated

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

a. Intercompany balances were eliminated on consolidation;

b. Equity investments, reserves and retained earnings of subsidiaries were eliminated;

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

d. Taxes on unrealized profits were eliminated and presented as deferred taxes in the consolidated financial statements;

e. The minority interest amounts are shown separately in the consolidated financial statements; and

f. The financial statements of Superpolo S.A., Pólo Plastic Component, Russian Buses Marco, San Marino Ônibus e Implementos Ltda., Spheros Climatização do Brasil S.A., Tata Marcopolo Motors Limited and Wsul Espumas Indústria e Comércio Ltda. are consolidated in proportion to the investment in their capital. The amounts of the main balances in the financial statements of these companies are as follows:

	Superpolo		Pólo		Russian .	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Assets						
Current	67,781	47,502	7,241	3,624	29,920	1,894
Long-term receivables	-	-	-	-	-	1,218
Permanent assets	33,123	17,792	1,499	892	3,150	2,832
Total assets	100,904	65,294	8,740	4,516	33,070	5,944
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Liabilities and stockholders'						
Current	73,374	33,306	2,830	1,122	31,580	1,314
Long-term liabilities	6,180	10,238	-	-	-	-
Stockholders' equity	21,350	21,750	5,910	3,394	1,490	4,630
Total liabilities and stockholders' equity	100,904	65,294	8,740	4,516	33,070	5,944
	2007	**2006**	**2007**	**2006**	**2007**	**2006**

Statement of Income						
Net operating revenues	126,392	115,298	19,764	2,052	7,942	1,004
Gross profit	15,780	16,290	3,372	234	(2,028)	64
Operating profit	1,216	4,580	2,326	234	(3,858)	(8)
Profit before taxation	1,078	4,580	2,230	224	(3,450)	6
Income tax and social contribution on net income	130	(1,064)	(426)	(54)	832	(2)
Net income (loss) for the year	1,208	3,516	1,804	170	(2,618)	4

	Wsul (**)	San Marino (*)	Spheros (*)
	2007	**2007**	**2007**
Assets			
Current	3,020	100,965	22,729
Long-term receivables	-	65	328
Permanent assets	5,454	46,100	2,388
Total assets	8,474	147,130	25,445
	2007	**2007**	**2007**
Liabilities and stockholders' equity			
Current	2,747	91,011	10,768
Long-term liabilities	-	45,052	-
Stockholders' equity	5,727	11,067	14,677
Total liabilities and stockholders' equity	8,474	147,130	25,445
	2007	**2007**	**2007**
Statement of Income			
Net operating revenues	5,360	193,487	61,707
Gross profit	690	41,283	12,789
Operating profit	(373)	5,459	6,856
Profit before taxation	(373)	5,459	6,870
Income tax and social contribution on net income	-	(765)	(2,551)
Net income (loss) for the period	(373)	4,694	4,319

All amounts in thousands of reais unless otherwise indicated

	Tata (***)
	2007
Assets	
Current	14,450
Permanent assets	26,401
Total assets	40,851
	2007
Liabilities and stockholders'	
Current	15,048
Stockholders' equity	25,803
Total liabilities and stockholders' equity	40,851
	2007
Statement of Income	
Net operating revenues	505
Gross loss	(1,143)
Operating loss	(1,153)
Loss before taxation	(1,153)
Loss for the period	(1,153)

(*) As from the second quarter of 2007, these companies became proportionately consolidated due to shared ownership.
(**) As from the third quarter of 2007, this company was incorporated and started to be proportionally consolidated.
(***) As from the fourth quarter of 2007, this company was incorporated and started to be proportionally consolidated..

All amounts in thousands of reais unless otherwise indicated

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

	Net income for the year		Stockholders' equity	
	2007	2006	2007	2006
Parent company	130,262	120,528	596,165	541,631
Realization of profits recorded by the parent company in transactions with subsidiaries, net of income tax and social contribution on net income	5,650	5,963	-	-
Elimination of profits recorded by the parent company in transactions with subsidiaries, net of income tax and social contribution on net income	(3,617)	(5,650)	(3,617)	(5,650)
Consolidated	132,295	120,841	592,548	535,981

4 Cash and Banks and Financial Investments

	Parent Company		Consolidated	
Current assets:	2007	2006	2007	2006
Cash and banks				
In Brazil	53,212	6,416	69,155	9,036
Abroad	-	-	77,724	31,029
	53,212	6,416	146,879	40,065
Financial investments				
In Brazil	254,926	349,573	299,751	364,170
FIDC – Marcopolo Financeiro	-	-	11,819	15,493
Abroad	-	-	37,076	20,816
	254,926	349,573	348,646	400,479
	308,138	355,989	495,525	440,544

All amounts in thousands of reais unless otherwise indicated

	Parent Company		Consolidated	
Long-term receivables:				
Financial investments				
Abroad	-	-	71,067	-
	308,138	355,989	566,592	440,544

The long-term amounts are as follows:

	Parent Company		Consolidated	
Maturity date:	**2007**	**2006**	**2007**	**2006**
From 13 to 24 months	-	-	33,629	-
From 25 to 36 months	-	-	26,300	-
After 36 months	-	-	11,138	-
	-	-	71,067	-

The financial investments mainly refer to bank deposit certificates and fixed income funds, remunerated at rates that vary from 100.00% to 102.5% of the Interbank Deposit Certificate (CDI) interest rate, resulting in a weighted average of 100.05% of the CDI. Financial investments abroad are remunerated at the average rate of 3.41% per annum plus U.S. dollar exchange variation. The banks that manage the funds are considered premier banks.

The amounts invested in shares of the financial investment fund correspond to funds invested in the Marcopolo Credit Rights Investment Fund (FIDC) (Senior shares). The objective of the Fund is to provide its shareholders appreciation through the purchase of Credit Rights on a definitive basis and without any kind of co-obligation by the assignors.

5 Trade Accounts Receivable

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Current assets:				
Domestic market	204,676	142,981	308,858	181,947
Foreign market	102,982	118,304	166,681	128,792
FIDC – Marcopolo Financeiro	-	-	36,188	34,386
Interbank accounts	-	-	73,460	30,315

	Parent Company		Consolidated	

	2007	2006	2007	2006
Less:				
Discounted bills	-	(1,936)	-	(1,936)
Allowance for doubtful accounts	(16,483)	(9,641)	(30,262)	(28,956)
	291,175	249,708	554,925	344,548

	Parent Company		Consolidated	
	2007	2006	2007	2006
Long-term receivables:				
Domestic market	20	64	20	64
Foreign market	-	406	7,590	15,407
Interbank accounts	-	-	188,391	63,076
	20	470	196,001	78,547
	291,195	250,178	750,926	423,095

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

6 Inventories

	Parent Company		Consolidated	
	2007	2006	2007	2006
Finished products	20,998	23,606	29,540	41,865
Work in process	10,605	9,567	25,826	25,680
Raw and auxiliary materials	87,905	69,801	155,206	116,051
Merchandise	360	479	476	551
Advances to suppliers and others	8,499	1,921	20,297	12,740
Provision for losses on inventories	(985)	(5,539)	(1,525)	(5,630)
	127,382	99,835	229,820	191,257

All amounts in thousands of reais unless otherwise indicated

7 Taxes and Contributions Recoverable

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Current assets:				
Corporate Income Tax (IRPJ)	61,163	45,236	63,035	46,514
Social Contribution on Net Income (CSLL)	17,621	15,749	17,895	15,773
Excise Tax (IPI)	6,690	4,918	8,166	5,683
State Value-added Tax on Sales and Services (ICMS)	28,515	26,976	30,665	30,152
Social Integration Program (PIS)	3,349	3,088	3,973	3,680
Social Contribution on Revenues (COFINS)	12,737	11,256	14,680	12,178
Other	-	-	9,403	7,287
	130,075	107,223	147,817	121,267
Long-term receivables:				
State Value–added Tax (ICMS)	905	844	943	844
	130,980	108,067	148,760	122,111

8 Investments

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
In subsidiary and jointly-owned subsidiaries	300,430	221,845	31,986	4,580
Other investments	744	728	862	805
	301,174	222,573	32,848	5,385

All amounts in thousands of reais unless otherwise indicated

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

	Subsidiaries										Jointly-owned subsidiaries				Total	
	Ciferal	Ilmot	Mac	Mapla	Moneo	Mvc	Polo	Polomex	Syncro	Trading	San Marino	Spheros	Tata	Wsul	2007	2006
		(1)	(1)	(1)				(1)			(2)		(1)			
	*	*	*	*	*	*	*	*	*	*	*	*	*	*		
Investment details																
Capital	20,000	27,266	489	1,124	50,000	45,000	500	13,517	4,000	1,000	14,611	3,300	26,955	6,100		
Adjusted stockholders' equity	63,871	33,179	458	27,751	64,219	27,087	6,903	28,847	11,563	7,828	11,067	14,788	25,803	5,727		
Shares or quotas held	499,953	50,000	1	4,000	50,000	1	1	3,011,659	1	3,450,103	6,578,738	244,898	24,500	1,830,000		
Percentage holding	99.99	100.00	100.00	99.99	100.00	99.99	99.00	3.61	99.99	99.99	39.59	40.00	49.00	30.00		
Net income (loss) for the year	24,881	6,307	(39)	10,659	8,176	(6,973)	489	6,855	3,622	2,432	4,694	4,319	(1,153)	(373)		
Changes in investments																
Opening balances:																
Net equity	50,990	32,419	471	21,646	56,415	34,059	6,350	968	7,941	6,005	-	4,581	-	-	221,845	211,511
Acquisitions	-	-	-	-	-	-	-	-	-	-	2,568	-	13,823	1,830	18,221	44,318
Unamortized goodwill	-	-	-	-	-	-	-	-	-	-	34,932	-	-	-	34,932	-
Dividends received	(12,000)	-	-	-	(1,942)	-	-	-	-	(610)	-	(358)	-	-	(14,910)	(1,597)
Reversal of dividends	-	-	-	-	1,570	-	-	-	-	-	-	-	-	-	1,570	327
Goodwill amortization	-	-	-	-	-	-	-	-	-	-	(2,989)	-	-	-	(2,989)	-
Equity in the earnings (loss)	24,881	760	(13)	6,103	8,176	(6,972)	485	73	3,622	2,431	1,815	1,692	(1,180)	(112)	41,761	32,164
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(64,878)
Closing balances:																
Net equity	63,871	33,179	458	27,749	64,219	27,087	6,835	1,041	11,563	7,826	36,326	5,915	12,643	1,718	300,430	221,845

(*)The companies' names are the following:
Ciferal – Ciferal Indústria de Ônibus Ltda;
Ilmot – Ilmot International Corporation;
Mac – Marcopolo Auto Components Co Ltd.
Mapla – Marcopolo Latinoamérica S/A;
Moneo – Moneo Investimentos S/A;
Mvc – Mvc Componentes Plásticos Ltda;
Polo – Polo Serviços em Plásticos Ltda;
Polomex – Polomex S/A C.V.;
Syncro – Syncroparts Comércio e Distribuição de Peças Ltda;
Trading – Marcopolo Trading S/A;
San Marino – San Marino Ônibus e Implementos Ltda.;
Spheros – Spheros Climatização do Brasil S/A;
Tata – Tata Marcopolo Motors Limited
Wsul – Wsul Espumas Indústria e Comércio Ltda;

(1) foreign subsidiary
(2) The acquisition of the investment in San Marino Ônibus e Implementos Ltda.included a goodwill of R$ 34,932, which is based on the expectation of generation of future profits. On December 31, 2007, the amortized goodwill totaled R$ 2,989. The amortization schedule of the remaining balance is as follows:

All amounts in thousands of reais unless otherwise indicated

Period of goodwill amortization	
2008	3,777
2009	4,751
2010	5,490
2011	6,560
2012	7,475
2013	3,890
	31,943

9 Property, Plant and Equipment

	Depreciation rate p.a. %	Parent Company			
		2007			2006
		Cost	Depreciation	Net	Net
Buildings	4	51,657	(28,369)	23,288	21,238
Machinery and equipment	10	91,504	(59,554)	31,950	31,600
Installations	10	36,938	(26,103)	10,835	11,095
Furniture and fixtures	10	4,738	(2,777)	1,961	1,929
Vehicles	20	2,845	(1,754)	1,091	695
Computer equipment	20	18,207	(13,012)	5,195	5,327
Other	20	1,315	(867)	448	466
Land		12,575	-	12,575	10,038
Construction in progress		26,837	-	26,837	10,729
		246,616	(132,436)	114,180	93,117

	Depreciation rate p.a. %	Consolidated			
		2007			2006
		Cost	Depreciation	Net	Net
Buildings	4	95,072	(39,096)	55,976	40,500
Machinery and equipment	10	181,120	(104,209)	76,911	70,171
Installations	10	48,786	(31,363)	17,423	17,064
Furniture and fixtures	10	9,114	(4,942)	4,172	2,841
Vehicles	20	6,810	(3,633)	3,177	2,940
Computer equipment	20	24,475	(16,842)	7,633	5,524
Other	20	3,241	(1,403)	1,838	5,116
Land		18,518	-	18,518	17,270
Construction in progress		44,357	-	44,357	17,363
Advances to suppliers		77	-	77	-
		431,570	(201,488)	230,082	178,789

All amounts in thousands of reais unless otherwise indicated

10 Deferred Charges

	Amortization rate p.a. %	Consolidated			
		2007			2006
		Cost	Amortization	Net	Net
Pre-operating expenses	20	16,707	(10,712)	5,995	5,828
		16,707	(10,712)	5,995	5,828

Pre-operating expenses refer, basically, to the development and implementation of new units, which were deferred during the phase of construction and project development up to the time they started operating normally. These expenses are amortized over five years.

11 Related Parties

The main asset and liability balances at December 31 2007, as well as the transactions with related parties that influenced the results of operations for the year, arise from transactions between the Company and its subsidiaries, which were carried out under normal market conditions for the respective types of transactions.

Subsidiaries:	Asset balances of loans and current accounts	Liability balances of loans and current accounts	Trade accounts receivable	Suppliers	Purchases of products/ services	Sales of products/ services	Financial income	Financial expenses
Banco Moneo (*)	-	16	-	-	-	-	-	-
Brasa (*)	-	-	1,421	-	-	1,461	-	-
Ciferal (*)	-	5,172	-	-	1,281	45,199	10	1,307
Ilmot (*)	596	-	11,458	-	-	42,369	-	51
Mac (*)	906	-	-	-	-	-	77	-
Mpc (*)	-	-	1,150	-	-	646	-	-
Mic (*)	21,787	-	39,060	-	-	213,419	1,847	-
Mapla (*)	-	93	1,384	-	2,506	15	7	-
Masa (*)	-	-	1,000	-	-	2,085	-	-
Trading (*)	-	7,319	-	-	-	28,478	-	758
Moneo (*)	-	27	-	-	-	-	-	3
Mvc (*)	107	-	651	3,405	22,948	2,290	20	-
Polo (*)	425	-	-	-	-	-	10	66
Polomex (*)	-	-	4,152	-	-	11,632	-	-
Russian (*)	-	-	892	-	-	927	-	-
San Marino (*)	-	-	-	-	-	1,333	-	-
Spheros (*)	-	-	-	1,940	15,548	6	-	-
Superpolo (*)	73	-	1,538	-	-	4,518	6	-
Syncroparts (*)	1,492	-	447	-	-	-	49	-
Tata (*)	-	-	100	-	-	100	-	-
Wsul (*)	83	-	-	174	1,608	-	5	-
Individuals	-	5,726	-	-	-	-	-	-
Total in 2007	**25,469**	**18,353**	**63,253**	**5,519**	**43,891**	**354,478**	**2,031**	**2,185**
Total in 2006	**25,872**	**9,087**	**94,925**	**2,979**	**69,297**	**341,099**	**3,805**	**5,144**

All amounts in thousands of reais unless otherwise indicated

(*)The companies' names are the following:
Banco Moneo – Banco Moneo S/A;
Brasa – Brasa Middle East FZE
Ciferal – Ciferal Indústria de Ônibus Ltda;
Ilmot – Ilmot International Corporation;
Mac – Marcopolo Auto Components Co Ltd.
Mpc – Marcopolo Indústria de Carroçarias S/A;
Mic – Marcopolo International Corp.;
Mapla – Marcopolo Latinoamérica S/A;
Masa – Marcopolo South África Pty Ltd;
Trading – Marcopolo Trading S/A;
Moneo – Moneo Investimentos S/A;
Mvc – Mvc Componentes Plásticos Ltda;
Polo – Polo Serviços em Plásticos Ltda;
Polomex – Polomex S/A C.V.;
Russian – Russian Busses Marco;
San Marino – San Marino Ônibus e Implementos Ltda.;
Spheros – Spheros Climatização do Brasil S/A;
Superpolo – Superpolo S/A;
Syncro – Syncroparts Comércio e Distribuição de Peças Ltda;
Tata – Tata Marcopolo Motors Limited;
Wsul – Wsul Espumas Indústria e Comércio Ltda;

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

12 Loans and Financing

	Parent Company		Consolidated	
	2007	2006	2007	2006
Loans and financing				
Local currency:				
FINAME – Long-term interest rate (TJLP) plus interest from 0.87% to 6.50% p.a.	1,393	1,542	2,748	2,378
Bank loans – Referential Rate (TR) + 1.10% p.a. or TJLP plus interest from 1.10% to 7.00% p.a.	20,116	19,794	54,724	63,052
FINEP – TJLP + 3.5% to 4.5% p.a.	72,442	54,634	79,142	63,243
Special pre-shipment – TJLP plus interest from 2.25% to 2.30% p.a.	244,773	220,996	244,773	220,996
FIDC – Marcopolo Financeiro – CDI + 1.4% p.a.	-	-	40,389	49,934

All amounts in thousands of reais unless otherwise indicated

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Foreign currency:				
Advances on exchange contracts in U.S. dollars with interest from 3.80% to 7.20% p.a.	197	11,209	9,648	13,085
Export prepayments in U.S. dollars - semiannual LIBOR + spread from 1.25% to 2.60% p.a.	22,764	56,693	24,293	56,693
Financing in U.S. dollars – semiannual LIBOR plus spread from 1.00% to 4.5% p.a.	12,648	18,169	191,396	33,830
Financing in Colombian pesos - interest from 9.77% to 11.24% p.a.	-	-	22,779	11,003
Financing in South African rands – interest of 12.00% p.a.	-	-	1,054	2,823
Financing in Euros - interest of 5.50% p.a. -	-	-	7,841	8,117
Funds raised in the open market				
Local currency:				
BNDES – TJLP plus interest of 1.00% p.a.	-	-	211,768	-
	374,333	383,037	890,555	525,154
Current liabilities	238,265	147,016	417,496	221,304
Long-term liabilities	136,068	236,021	473,059	303,850

Long-term payments fall due as follows:

	Parent Company		Consolidated	
Due date:	**2007**	**2006**	**2007**	**2006**
From 13 to 24 months	64,043	177,410	166,485	183,683
From 25 to 36 months	7,131	7,588	94,616	58,173
After 36 months	64,894	51,023	211,958	61,994
	136,068	236,021	473,059	303,850

Loans and financing

The FINAME (Government Agency for Machinery and Equipment Financing) loan is guaranteed by liens on the financed assets totaling R$ 2,748 at December 2007 (R$ 2,378 at December 31, 2006) and the FINEP (Fund for Financing Studies and Projects) bank loan has a mortgage guarantee.

All amounts in thousands of reais unless otherwise indicated

The Company has a financing contract with the IFC (International Finance Corporation) totaling US$ 11,035 thousand, which has restrictive covenants with which the Company has been complying, and mortgage guarantees.

Funds raised in the open market

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

13 Provision for Contingencies and Judicial Deposits

Contingent liabilities

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

At December 31, 2007 and 2006, the probable and possible contingent risks, according to the opinion of legal counsel, are as follows:

	2007		2006		2007		2006	
Nature of the	Parent Company		Parent Company		Consolidated		Consolidated	
contingent liability	Probable	Possible	Probable	Possible	Probable	Possible	Probable	Possible
a) Civil	151	127	136	80	376	317	361	637
a) Labor	55	3,893	2,597	2,310	1,069	4,609	3,532	2,526
b) Tax	32,468	40,043	30,015	44,827	41,009	46,563	36,838	53,053
c) Social security	-	-	-	-	194	-	194	-
Total :	32,674	44,063	32,748	47,217	42,648	51,489	40,925	56,216

	2007		2006	
Nature of the judicial deposit	Parent Company	Consolidated	Parent Company	Consolidated
a) Civil	-	512	-	350
a) Labor	361	670	313	517
b) Tax	3,218	3,454	3,218	3,218
c) Social security	-	194	-	194
Total :	3,579	4,830	3,531	4,279

a) Civil and labor contingencies

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

b) Tax contingencies

Provided

Lawsuits regarding the use of price-level restatement of the State Value-added Tax on Sales and Services (ICMS) credit balances in the tax records; transfer of ICMS credits arising from exports to suppliers; payment of trade bills for purchases of inputs; and debts related to interest and fine on ICMS incurred in shipments as sales for future delivery. The lawsuits are in progress with tax collection actions at the Court of Justice of the State of Rio Grande do Sul and at the Federal Supreme Court.

Not provided

Lawsuits regarding State Value-added Tax (ICMS) liabilities from shipments of goods with reduced tax rate to non-taxpayers established out of the state. The lawsuits are in progress at the Court of Justice of the State of Rio Grande do Sul.

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

Lawsuits regarding Corporate Income Tax (IRPJ) for (i) the use of tax losses without any amount or time restrictions, in the determination of taxable income, for the calculation of IRPJ and CSLL, and (ii) tax credit arising from underpaid accumulated inflation gain, and understated interest on own capital in the determination of taxable income. The lawsuits are in progress at the Federal Regional Court and await ruling on the appeal by the Taxpayers' Council.

Lawsuits regarding Corporate Income Tax (IRPJ), Social Contribution on Net Income (CSLL) and Withholding Income Tax (IRRF) for amounts allegedly due on exports intermediated by foreign subsidiaries, carried out in the period from 1999 to 2002, which, according to the tax authorities, characterize a simulated transaction. The lawsuits are awaiting ruling on the appeal filed by the Taxpayers' Council (1999 and 2000) and a decision on challenges at the Federal Revenue Judgment Office (2001 and 2002).

Lawsuits related to the Excise Tax (IPI) premium credit, regarding the use of credits on exports, allegedly not appeable because of the loss of the tax incentive due to the termination of the Special Export Program (BEFIEX). The lawsuit is awaiting judgment by the Superior Board of Tax Appeals.

All amounts in thousands of reais unless otherwise indicated

The subsidiary Ciferal Indústria de Ônibus Ltda received a tax assessment from the Finance Department of the State of Rio de Janeiro, for the payment of ICMS on interstate sales to end non-taxpayer consumers. According to the tax authorities, Ciferal incorrectly applied a lower interstate tax rate, failing to pay ICMS amounts. The Company has not recorded a provision for contingencies for this lawsuit as it considers the tax assessment notice inapplicable, being supported by a reply to a consultation to the Finance Department of that state.

c) Social security contingencies

Lawsuits related to the assessement received from the National Institute of Social Security (INSS) extending the payment of social security contributions to amounts paid to employees as sick pay. The lawsuit is awaiting judgment by the Federal Regional Court.

Contingent assets

The contingent assets at December 31, 2007 and 2006 are summarized below, together with the possibilities of a favorable outcome according to the opinion of legal counsel.

	2007		2006	
Nature of the contingent	**Parent Company**	**Consolidated**	**Parent Company**	**Consolidated**
gain	**Probable**	**Possible**	**Probable**	**Possible**
a) Tax	69,300	11,410	44,424	14,296
b) Social security	2,330	1,200	3,183	-
Total :	71,630	12,610	47,607	14,296

a) Tax contingencies

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

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

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

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

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

Eletrobrás Compulsory Loan: lawsuit claiming the reimbursement of the compulsory loan made to Eletrobrás. Lawsuit awaiting calculations of the price-level restatement and decision, in progress at the Superior Court of Justice.

b) Social security contingencies

The Company is the plaintiff in a lawsuit against the National Institute of Rural Settlement and Agrarian Reform (INCRA) contribution on payrolls, and is awaiting ruling on the appeal filed with the Federal Regional Court of the 1st Region against the decision that was partially favorable to this request.

14 Pension Plan and Post-Employment Benefits to Employees

The Company is the main sponsor of Marcoprev - Sociedade de Previdência Privada, a non-profit pension entity established in December 1995, with the main purpose of supplementing social security benefits to all employees of the sponsors: Marcopolo S.A. (main sponsor), Syncroparts Comércio e Distribuição de Peças Ltda., Marcopolo Trading S.A., MVC Componentes Plásticos Ltda., Polo Serviços em Plásticos Ltda., Banco Moneo S.A. and Fundação Marcopolo. The total contributions for the year amounted to R$ 5,241 (R$ 4,411 in 2006). The actuarial method for the calculation of cost and contributions is that of capitalization. This is a mixed plan, of "defined benefit", where the sponsor is solely responsible for the contributions, and of "defined contribution", where sponsor and participant are responsible for the contributions on an optional basis.

All amounts in thousands of reais unless otherwise indicated

In accordance with CVM Resolution 371, of December 13, 2000, the Company, based on an actuarial report, opted to record at the end of 2001 the deficit of the plan against retained earnings "prior year adjustments". At December 31, 2007 and 2006, the amounts related to post-employment benefits were determined by an actuarial appraisal carried out by the independent actuaries Towers Perrin Forster & Crosby Ltda., and were recorded in the financial statements as follows:

	Parent Company	
	2007	**2006**
Present value of totally or partially funded actuarial obligations	(114,066)	(102,323)
Fair value of plan assets	101,414	83,370
Net (gains) losses not recorded in the balance sheet	(548)	2,645
Inclusion of Pólo Serviços em Plástico	-	(123)
Net liability	(13,200)	(16,431)

	Subsidiaries	
	2007	**2006**
Present value of totally or partially funded actuarial obligations	(2,068)	(1,469)
Fair value of plan assets	1,838	1,200
Net (gains) losses not recorded in the balance sheet	986	928
Net assets	756	659

	Consolidated	
	2007	**2006**
Present value of totally or partially funded actuarial obligations	(116,134)	(103,792)
Fair value of plan assets	103,252	84,570
Net (gains) losses not recorded in the balance sheet	438	3,573
Inclusion of Pólo Serviços em Plástico	-	(123)
Non-recognition of assets by subsidiaries (*)	(756)	(659)
Net liability	(13,200)	(16,431)

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

All amounts in thousands of reais unless otherwise indicated

The changes in net actuarial liabilities are as follows:

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Net liabilities at the beginning of the year	(16,431)	(19,024)	(16,431)	(19,024)
Expenses in the year	(1,708)	(1,409)	(1,913)	(1,595)
Company contributions in the year	4,911	4,124	5,241	4,411
Inclusion of Polo Serviços em Plásticos	-	(122)	-	(122)
Other	28	-	(97)	(101)
Net liabilities at the end of the year	(13,200)	(16,431)	(13,200)	(16,431)

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

	Parent Company		Consolidated	
Expenses	**2007**	**2006**	**2007**	**2006**
Cost of current service	3,377	2,930	3,584	3,116
Interest cost	9,297	9,268	9,448	9,382
Actual return on plan assets	(10,605)	(10,430)	(10,790)	(10,580)
Amortization of actuarial losses	-	-	40	36
Employee contributions	(361)	(359)	(369)	(359)
Total expenses for the year	1,708	1,409	1,913	1,595

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

i) 10% of the present value of the total actuarial obligations of the defined benefit,
ii) 10% of the fair value of plan assets.

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

All amounts in thousands of reais unless otherwise indicated

The main actuarial assumptions on the balance sheet date are:

Economic assumptions:

	2007	2006
	% p.a.	% p.a.
Discount rate	9.20	9.20
Expected rate of return on plan assets	10.43	12.56
Future salary increases	7.12	7.12
Inflation	4.00	4.00

Demographic assumptions:

Mortality table	AT 1983
Disability mortality table	RRB 1983
Disability table	RRB 1944

15 Income Tax and Social Contribution on Net Income

(a) Deferred income tax and social contribution

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

	Parent Company		Consolidated	
	2007	2006	2007	2006
Assets				
Provision for technical assistance	13,956	11,300	14,967	12,010
Provision for commissions	7,449	4,851	9,424	5,603
Allowance for doubtful accounts	1,093	1,460	3,062	3,810
Provision for profit sharing	16,643	13,697	17,467	13,697
Provision for contingencies	32,674	32,748	42,648	40,925
Provision for sureties to third parties	11,980	18,381	12,455	19,065
Provision for inventory losses	985	5,539	985	5,630
Temporary provisions	13,177	2,766	13,177	2,766
Other provisions	658	643	1,512	643
Income tax and social contribution losses	-	-	8,253	21,619
Calculation basis	98,615	91,385	123,950	125,768
Standard rate	34%	34%	34%	34%
Deferred income tax and social contribution	33,529	31,071	42,143	42,761
Current	22,420	31,071	27,806	40,425
Long-term	11,109	-	14,337	2,336

All amounts in thousands of reais unless otherwise indicated

(b) Estimate of the realization of deferred tax credits

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

	Parent Company	Consolidated
2008	22,420	27,806
2009	11,109	14,337
	33,529	42,143

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

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Reconciliation				
Profit before taxation and profit sharing	157,789	145,581	187,685	171,363
Permanent additions and deductions				
Equity in the earnings of subsidiaries	(41,761)	(32,164)	-	(1,469)
Interest on own capital	(34,523)	(36,999)	(34,523)	(36,999)
PDI tax incentive	(19,315)	(14,853)	(19,315)	(14,853)
Other additions (deductions)	(525)	(5,618)	4,527	12,962
Calculation basis	61,665	55,947	138,374	131,004
Standard rates of tax	34%	34%	34%	34%
Current income tax and social contribution	(37,079)	(32,969)	(66,287)	(59,492)
Deferred income tax and social contribution	16,113	13,947	19,240	14,951

16 Stockholders' Equity (Parent Company)

a. Capital

The authorized capital comprises 2,000,000,000 shares with no par value, 800,000,000 of which are common and 1,200,000,000 preferred. At December 31, 2007, subscribed and paid-up capital was represented by 224,225,021 (224,225,021 at December 31, 2006) shares, 85,406,436 of which were common and 138,818,585 were preferred.

b. Reserves

- *Legal reserve*

  This reserve is recorded at 5% of net income of each year under Article 193 of Law 6,404/76, up to the limit of 20% of capital.

- *Statutory reserves*

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

b) the remaining balance of net income must be fully appropriated to the following reserves:

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

Reserve for payment of interim dividends - to be used for the payment of interim dividends in accordance with paragraph 1 of Article 33 of the by-laws, and is established as 15% of the remaining balance of net income for each year, but cannot exceed 10% of capital.

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

c. Treasury stock

Treasury stock represents 484,613 preferred shares, purchased at an average cost of R$ 6.95 (in reais) per share, with a minimum cost of R$ 4.77 (in reais) and maximum cost of R$ 8.24 (in reais) per share. The market value of the treasury stock, calculated at the closing date for the period, was R$ 3,362.

The shares will be used, according to paragraph 3 of Article 168 of Brazilian Corporate Law and CVM Instruction 390/03, for granting management and employees a share purchase option, pursuant to the Stock Option Plan approved by the Extraordinary Shareholders Meeting held on December 22, 2005.

All amounts in thousands of reais unless otherwise indicated

17 Interest on Own Capital - Law 9249/95 and Dividends

As provided by Law 9,249/95, the Company calculated interest on capital based on the long-term interest rate (TJLP) in effect in the year, in the amount of R$ 34,523 (R$ 36,999 in 2006) to be paid beginning on March 28, 2008, at R$ 0.1543 per share, for both common and preferred shares, which was recorded as financial expenses, as required by tax legislation. For the purposes of these financial statements, interest on own capital was reversed from financial expenses for the year and charged to retained earnings account as a contra entry to current liabilities.

The income tax and social contribution expense for the year was reduced by R$ 11,738 (R$ 12,580 in 2006) as a result of the deductibility of the interest on own capital credited to the stockholders.

Also, in the year ended December 31, 2007, the Company credited advance dividends for the current year in the amount of R$ 40,497 to be paid beginning on March 28, at R$ 0.1810 per share of the Company's capital, which was approved on December 14, 2007 at a meeting of the Board of Directors.

The calculation of the compulsory minimum dividend is as follows:

	2007	2006
Net income for the year	130,262	120,528
Legal reserve (5%)	(6,514)	(6,026)
Realization of the revaluation reserve	97	97
Dividend calculation basis	123,845	114,599
Amount of the compulsory minimum dividend (25%)	30,961	28,650
Interest on own capital and dividends:		
Gross amount	34,523	36,999
Withholding income tax (15%)	(5,178)	(5,550)
Withholding income tax – Suspended withholding	1,202	1,623
Net amount of interest credited	30,547	33,072
Dividends credited in advance	40,497	13,422
Net amount of interest and dividends credited	71,044	46,494

The amount of this interest was imputed to the compulsory minimum dividend declared in advance for the current year pursuant to item V of CVM Resolution 207/96.

18 Financial Instruments

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

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

a. Analysis of balances

In compliance with CVM Instruction 235/95, the Company calculated the market values of the financial instruments included in the balance sheet at December 31, 2007, which did not indicate market values that are significantly different from the amounts recorded.

b. Criteria and assumptions used and limitations in the calculation of market values

a. *Cash and banks and financial investments*

Current account and financial investment balances with banks have market values that are similar to their recorded values, considering their characteristics and maturities

b. *Intercompany loans receivable/payable*

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

c. *Investments*

Investments are presented at book values because there are no available market quotations.

d. *Loans and financing*

Loans and financing have been recently obtained, and their balances approximate market values.

e. *Derivatives*

The Company's policy is to eliminate market risks, avoiding positions exposed to fluctuations in market values, and to only operate with instruments that allow control of risks. Most of the derivative contracts are related to swap transactions, all of them are registered at the Mercantile and Futures Exchange (BM&F) and involve fixed rates. Forward contracts in U.S. dollars of the BM&F are mainly used as instruments for hedging financing rates. The Company does not expect to incur in losses on these transactions in addition to those recorded in the financial statements. At December 31, 2007, the Company had forward transactions in Brazil in the amount of US$ 127,911 thousand, falling due between January 2008 and August 2008, with fixed U.S. dollar rates between R$ 1,8118 (in reais) and R$ 2,0854 (in reais), and forward transactions in South Africa in the amount of US$ 17,134 thousand, falling due between January 2008 and May 2008, with fixed U.S. dollar rates between Rand $ 6,6348 (in rands) and Rand $ 7,4667 (in rands).

f. Limitations

Market values were estimated at a specific moment, based on the relevant market information. Changes in the assumptions may affect the estimates presented.

c. Credit risk

The sales policies of the Company and its subsidiaries are subordinated to the credit policies determined by management and aim to minimize problems arising from the default of their customers. This objective is achieved by management through a careful selection of the customer portfolio, which considers the payment capacity (credit analysis) of the customers and diversification of sales (risk spread) The Company also recorded allowances for doubtful accounts of R$ 16,483 (Parent company) and R$ 30,262 (Consolidated) (2006 - R$ 9,641 and R$ 28,956), equivalent to 5.4% and 3.9%, respectively, of the outstanding accounts receivables of the parent company and consolidated (2006 – 3.7% and 6.4%), to cover credit risks.

d. Foreign exchange rate risk

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

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

e. Price risk

Considering that exports are equivalent to 37.3% of the projected revenues of the parent company and subsidiaries for 2008, a possible volatility of foreign exchange rates represents, in fact, a price risk that may alter the results planned by management.

All amounts in thousands of reais unless otherwise indicated

f. Interest rate risk

The results of the Company and its subsidiaries are susceptible to significant variations arising from loans and financing contracted at floating interest rates.

Derivative financial instruments are used to hedge or reduce the financial costs of the financing transactions.

Contracting derivative financial instruments, such as swaps, has the objective of minimizing risks in transactions, financing and investments in foreign currencies. According to its financial policies, the Company does not carry out derivative financial investment transactions for speculative purposes.

g. Risk of changes in tax legislation

The results of the Company and its subsidiaries are susceptible to significant variations arising from changes in tax legislation that may establish new taxes, increase tax rates or restrict the realization of tax benefits.

As from April 2008, the social contribution on net income rate on the Bank's taxable income will increase from 9% to 15%, as established by Provisional Measure No. 413, of January 3, 2008

The Company and its subsidiaries monitor and plan their operations to consider the changes in tax legislation in order to minimize their impacts on the operations.

19 Insurance Cover

At December 31, 2007, the Company had insurance cover against fire and sundry risks for property, plant and equipment items and inventories at amounts considered sufficient to cover possible losses.

The main insurance cover is:

	Risk	**2007**	**2006**
Inventories and warehouses	Fire and sundry risks	224,010	215,256
Buildings and contents	Fire and sundry risks	477,960	479,849
Vehicles	Collision, comprehensive civil liability	2,049	1,427
		704,019	696,532

All amounts in thousands of reais unless otherwise indicated

20 Sureties and Guarantees

At December 31, 2007, the Company had sureties and/or guarantees of R$ 64,824 (R$ 44,175 in 2006), and vendor financing agreements in which it participates as guarantor in the amount of R$ 16,168 (R$ 9,931 in 2006)). The vendor operations relate to the financing of customers by banks, which have as a counter guarantee the respective assets financed.

21 Employee Profit Sharing

In 2007, in conformity with the provision in Law 10,101 of December 19, 2000, management decided to pay the employee profit sharing half-yearly, one part being paid in July 2007 and the remaining balance in February 2008.

The employee profit sharing was calculated in accordance with the terms of the Instrument for the Agreement of the Marcopolo Targets/Efficiency Program (EFIMAR), dated April 4, 2007, which was approved by the employees' Union.

The amounts are recorded in the statement of income as follows:

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Cost of sales and services	14,504	11,179	16,158	13,619
Selling expenses	3,479	2,567	3,505	2,590
Administrative expenses	1,654	1,335	2,022	1,466
	19,637	15,081	21,685	17,675

22 Financial Results

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Financial income				
Interest and monetary variations received	6,489	2,227	15,677	9,421
Income from financial investments	42,349	45,885	50,358	48,179
Foreign exchange gains	95,588	126,572	106,058	128,757
	144,426	174,684	172,093	186,357

All amounts in thousands of reais unless otherwise indicated

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Financial expenses				
Interest on loans and financing	41,537	40,749	53,902	48,202
Foreign exchange losses	48,930	86,400	58,126	88,550
Bank expenses	881	1,138	3,340	2,425
Tax on Bank Outflows/Tax on Financial Transactions (CPMF/IOF)	7,071	7,231	9,941	8,848
	98,419	135,518	125,309	148,025
Net financial result	46,007	39,166	46,784	38,332

23 Comparability of the Consolidated Information

As described in Note 3, as from the second quarter of 2007, new companies started to be included in the accounting balances of the consolidated information based on a proportional consolidation, in compliance with the concept of shared control defined in CVM Instruction 247.

The table below shows the effects on the accounting balances of the new balance sheet consolidations:

	Consolidated	Consolidated without San Marino	San Marino
	2007	**2007**	**2007**
Assets			
Current assets	1,489,893	1,449,921	39,972
Cash and banks	146,879	143,757	3,122
Financial investments	348,646	348,604	42
Receivables	554,925	526,377	28,548
Inventories	229,820	226,066	3,754
Other accounts receivable	209,623	205,117	4,506
Non-current assets	556,777	538,500	18,277
Long-term receivables	287,852	287,826	26
Financial investments	71,067	71,067	-
Receivables	196,001	196,001	-
Other accounts receivable	20,784	20,758	26
Permanent assets	268,925	250,674	18,251
Total assets	2,046,670	1,988,421	58,249

All amounts in thousands of reais unless otherwise indicated

	Consolidated 2007	Consolidated without Marino 2007	San Marino 2007
Liabilities and stockholders' equity			
Current liabilities	903,583	867,552	36,031
Financial institutions	417,496	403,184	14,312
Suppliers	197,979	184,990	12,989
Other accounts payable	288,108	279,378	8,730
Non-current liabilities	542,703	524,866	17,837
Long-term liabilities	542,703	524,866	17,837
Financial institutions	473,059	455,787	17,272
Other accounts payable	69,644	69,079	565
Minority interest	7,836	7,836	-
Stockholders' equity	592,548	588,167	4,381
Total liabilities and stockholders' equity	2,046,670	1,988,421	58,249

	2007	2007	2007
Statement of Income			
Net revenues	2,129,164	2,052,562	76,602
Cost of sales	(1,766,616)	(1,706,358)	(60,258)
Gross profit	362,548	346,204	16,344
Selling expenses	(129,042)	(118,722)	(10,320)
Administrative expenses	(79,405)	(77,258)	(2,147)
Financial result	46,784	48,544	(1,760)
Other operating income (expenses)	(20,774)	(20,818)	44
Operating profit	180,111	177,950	2,161
Non-operating income, net	7,574	7,574	-
Income tax and social contribution on net income	(47,047)	(46,744)	(303)
Management profit sharing	(6,561)	(6,561)	-
Minority interest	(1,782)	(1,782)	-
Net income for the year	132,295	130,437	1,858

All amounts in thousands of reais unless otherwise indicated

24 Balance Sheets and Statements of Income by Segment

	Consolidated		Industrial Segment		Financial Segment	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Assets						
Current assets	1,489,893	1,162,336	1,346,849	1,075,385	143,044	86,951
Cash and banks	146,879	40,065	146,331	39,901	548	164
Financial investments	348,646	400,479	314,277	379,468	34,369	21,011
Receivables	554,925	344,548	448,905	279,847	106,020	64,701
Inventories	229,820	191,257	229,820	191,257	-	-
Other accounts receivable	209,623	185,987	207,516	184,912	2,107	1,075
Non-current assets	556,777	277,206	368,252	214,033	188,525	63,173
Long-term receivables	287,852	87,204	99,445	24,128	188,407	63,076
Financial investments	71,067	-	71,067	-	-	-
Receivables	196,001	78,547	7,610	15,471	188,391	63,076
Other accounts receivable	20,784	8,657	20,768	8,657	16	-
Permanent assets	268,925	190,002	268,807	189,905	118	97
Total assets	2,046,670	1,439,542	1,715,101	1,289,418	331,569	150,124
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Liabilities and stockholders' equity						
Current liabilities	903,583	563,934	802,628	509,830	100,955	54,104
Financial institutions	417,496	221,304	332,247	172,912	85,249	48,392
Suppliers	197,979	109,885	197,979	109,885	-	-
Other accounts payable	288,108	232,745	272,402	227,033	15,706	5,712
Non-current liabilities	542,703	332,332	375,795	292,241	166,908	40,091
Long-term liabilities	542,703	332,332	375,795	292,241	166,908	40,091
Financial institutions	473,059	303,850	306,151	263,759	166,908	40,091
Other accounts payable	69,644	28,482	69,644	28,482	-	-
Minority interest	7,836	7,295	7,836	7,295	-	-
Stockholders’ equity	592,548	535,981	528,842	480,052	63,706	55,929
Total liabilities and stockholders’ equity	2,046,670	1,439,542	1,715,101	1,289,418	331,569	150,124

All amounts in thousands of reais unless otherwise indicated

	Consolidated		Industrial Segment		Financial Segment	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Statement of Income						
Net revenues	2,129,164	1,750,285	2,107,972	1,735,516	21,192	14,769
Cost of sales	(1,766,616)	(1,420,545)	(1,766,616)	(1,420,545)	-	-
Gross profit	362,548	329,740	341,356	314,971	21,192	14,769
Selling expenses	(129,042)	(111,971)	(124,491)	(110,374)	(4,551)	(1,597)
Administrative expenses	(79,405)	(72,837)	(76,150)	(69,610)	(3,255)	(3,227)
Financial result	46,784	38,332	46,784	38,332	-	-
Other operating expenses	(20,774)	(10,860)	(19,705)	(10,860)	(1,069)	-
Operating profit	180,111	172,404	167,794	162,459	12,317	9,945
Non-operating income (expenses, net)	7,574	(1,041)	7,574	(1,041)	-	-
Income tax and social contribution on net income	(47,047)	(44,541)	(42,883)	(41,169)	(4,164)	(3,372)
Management profit sharing	(6,561)	(6,031)	(6,561)	(6,031)	-	-
Minority interest	(1,782)	50	(1,782)	50	-	-
Net income for the year	132,295	120,841	124,142	114,268	8,153	6,573

25 Statement of Cash Flows by Segment – Indirect Method

	Consolidated		Industrial Segment		Financial Segment	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Cash flows from operating activities						
Net income for the year	**132,295**	**120,841**	**126,078**	**114,268**	**6,217**	**6,573**
Adjustments to reconcile net income with funds provided by operating activities:						
Depreciation and amortization	33,409	29,863	33,377	29,842	32	21
Loss on sales of permanent assets	5,699	6,297	5,699	6,297	-	-
Equity in the earnings of subsidiaries	-	(1,469)	-	(1,469)	-	-
Allowance for doubtful accounts	1,306	(2,229)	(966)	(3,585)	2,272	1,356
Deferred income tax and social contribution on net income	(19,240)	(14,951)	(19,240)	(14,951)	-	-
Interest and monetary variations	14,884	28,588	14,260	28,588	624	-
Exchange variations of investments abroad	3,587	3,619	3,587	3,619	-	-
Minority interest	541	(541)	541	(541)	-	-

All amounts in thousands of reais unless otherwise indicated

	Consolidated		Industrial Segment		Financial Segment	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Changes in assets and liabilities						
(Increase) decrease in trade accounts receivable	(311,486)	(71,980)	(142,580)	1,111	(168,906)	(73,091)
(Increase) decrease in other accounts receivable	(24,730)	34,771	(23,698)	35,761	(1,032)	(990)
(Increase) decrease in inventories	(36,514)	17,558	(36,514)	17,558	-	-
Increase (decrease) in suppliers	81,129	9,819	81,129	9,819	-	-
Increase (decrease) in accounts payable and provisions	75,083	(25,108)	63,524	(25,942)	11,559	834
Net cash provided by (used in) operating activities	**(44,037)**	**135,078**	**105,197**	**200,375**	**(149,234)**	**(65,297)**
Cash flows from investing activities						
Capital increase in subsidiaries	(37,500)	(41)	(37,500)	(27,941)	-	27,900
Financial investments – long-term	(71,067)	-	(71,067)	-	-	-
Purchases of property, plant and equipment.	(72,139)	(40,404)	(72,086)	(40,366)	(53)	(38)
Net cash provided by (used in) investing activities	**(180,706)**	**(40,445)**	**(180,653)**	**(68,307)**	**(53)**	**27,862**
Cash flows from financing activities						
(Increase) decrease in related parties	5,726	1,915	5,747	1,915	(21)	-
New loans	1,057,325	832,233	894,275	783,514	163,050	48,719
Payment of loans and interest	(734,656)	(853,666)	(734,656)	(853,666)	-	-
Decrease in interest on own capital	(50,421)	(38,629)	(50,421)	(38,629)	-	-
Treasury stock	(708)	1,451	(708)	1,451	-	-
Net cash provided by (used in) financing activities	**277,266**	**(56,696)**	**114,237**	**(105,415)**	**163,029**	**48,719**
Increase in cash and cash equivalents	**52,523**	**37,937**	**38,781**	**26,653**	**13,742**	**11,284**
Increase (decrease) in cash and cash equivalents						
At the beginning of the year	440,544	402,607	419,369	392,716	21,175	9,891
From subsidiaries acquired in the year	2,458	-	2,458	-	-	-
At the end of the year	495,525	440,544	460,608	419,369	34,917	21,175
Increase (decrease) in cash and cash equivalents	**52,523**	**37,937**	**38,781**	**26,653**	**13,742**	**11,284**

26 Subsequent Events

a) Material event

MARCOPOLO S.A. (MARCOPOLO) and the METALPAR CHILE (METALPAR CL) group signed, in Buenos Aires, Argentina, an agreement for the purchase and sale of shares issued by LOMA HERMOSA S.A., a wholly-owned subsidiary of the METALPAR CL group.

With this acquisition, MARCOPOLO will become the holder of 1% of the METALPAR ARGENTINA S.A. (METALPAR AR) capital, and 32.65% of the LOMA HERMOSA capital, which in turn, holds 98% of the METALPAR AR capital. Since, according to Argentine legislation, this purchase of shares implies in the filing of a request for approval with the local antitrust authority (Comisión Nacional de Defensa de La Competência), it was agreed that, even though the agreement signed should become effective on January 1, 2008, the actual transfer of shares issued by LOMA HERMOSA to MARCOPOLO occurred on January 24, 2008 through a protocol of the related filing with the local authority.

b) Change in Brazilian Corporation Law for 2008

Law No. 11638 was enacted on December 28, 2007 amending the Brazilian Corporation Law in relation to certain accounting practices, bookkeeping records and the preparation of financial statements, as from the year ending December 31, 2008.

In view of the extent and complexity of the alterations introduced by the new Law, management is analyzing its effects on the Company, while monitoring the discussions and debates on the matter, especially between the accounting profession and the regulators, which may provide guidance as to various aspects of the application of the Law.

* * *

27. Reconciliation of stockholders' equity and net income for the year prepared in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards

In compliance with the Level II Corporate Governance regulations, issued by the São Paulo Stock Exchange (BOVESPA), the reconciliation between stockholders' equity and net income for the year determined in accordance with accounting practices adopted in Brazil (BRGAAP) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), is presented for the first time.

27.1 – Description of the transition to IFRS

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

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

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

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

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

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

27.1.1 - Optional exemptions adopted by the Company for the retrospective treatment of standards

The Company adopted the utilization of the following optional exemptions of full retrospective application:

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

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

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

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

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

Exemption related to the recognition of investments in subsidiaries, jointly-owned subsidiaries, and affiliated companies: The Company's subsidiaries, jointly-owned subsidiaries, and associated companies did not have financial statements under IRFS on the transition date and, for this reason, the Company opted to adopt the same IFRS transition date for all its subsidiaries, jointly-owned subsidiaries, and associated companies.

Exemption related to the classification of financial instruments: The Company opted to classify and value its financial instruments according to IAS 32 and IAS 39 on the IFRS transition date. Retroactive analyses to the original contracting dates of the financial instruments existing on the IFRS transition date were not made.

27.1.2 - Mandatory exceptions adopted by the Company for the retrospective treatment of standards

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

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

a) Proportionate consolidation: in accordance with IFRS, an investor must account for his investment considering the type of joint venture: joint operations, joint assets and jointly-owned entities. The most common type of joint venture is the jointly-owned entity. For such entities, investors include their interest in the investment in their consolidated financial statements using the equity method of accounting or even proportionate consolidation. The Company adopted the equity method in the IFRS reconciliation of the joint ventures. Other cases fall into the concept of subsidiary for full consolidation purposes.

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

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

- Pólo Plastic Component;
- Russian Busses Marco;
- San Marino Ônibus e Implementos Ltda;
- Spheros Climatização de Brasil S.A;
- Superpolo S.A .;
- Tata Marcopolo Motors Limitd;
- Wsul Espumas Industriais Ltda.

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

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

When the recoverable value of the goodwill or of any other asset is less than its carrying amount, an impairment loss must be recorded in income for the year.

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

In accordance with BRGAAP, the following practices must be adopted: goodwill or negative goodwill is calculated by the simple difference between the acquisition cost and the net asset value of the acquired entity per the accounting records. The fair value approach is not used. Goodwill can be attributed to: excess of value of the assets (generally property, plant and equipment), which is added to their book value and is amortized over the same useful life, future profitability, or other reasons. The goodwill based on future profitability must be amortized according to projections of such future profitability over a period of not more than ten years, except when it refers to a concession by a public authority, in which case it will be amortized over the concession term. Goodwill which cannot be economically supported ("without economic basis") must be expensed at the time of the purchase and negative goodwill without economic basis must be recorded as a gain only when the investment is disposed of or discontinued. BRGAAP do not allow transaction costs to be accounted for as part of the acquisition price. Minority interest is recorded at cost.

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

San Marino Ônibus e Implementos Ltda.

A 39.59% interest in San Marino company was acquired on March 5, 2007.

	BR GAAP	**IFRS**
Current assets	72,038	74,660
Non-current assets:	36,255	45,291
Long-term receivables	1,273	1,273
Intangible assets	-	1,037
Property, plant and equipment	34,982	44,018
Current liabilities	(74,576)	(74,576)
Non-current liabilities	(27,231)	(28,994)
Assets, net of liabilities	6,486	16,381
% interest acquired	39.59%	39.59%
Purchase price at fair value/ transaction cost	2,568	6,485
Total purchase price	37,500	37,500
Goodwill	34,932	31,015

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

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

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

In accordance with BRGAAP, financial investments are recorded at cost plus income earned through the date of financial statements according to the rates agreed with the financial institutions, not in excess of market value. This criterion differs from fair value accounting. Derivative financial instruments are not accounted for at fair value in BRGAAP, but at the amounts restated at contract rates (curve).

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

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

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

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

f) Loss of economic value of non-financial assets (impairment): in accordance with IFRS, there are specific rules for analyzing the recovery of all non-financial assets, except inventories, assets from construction contracts, deferred income tax credits, assets related to employee benefits, among others. On the date of each financial statement, the Company must analyze if there is evidence that the book value of an asset will not be recovered. If such evidence is identified, the entity must estimate the recoverable value of the asset.

The recoverable value of an asset is the higher of (a) its fair value minus costs that would be incurred to sell it, and (b) its use value. The use value is equal to the discounted cash flows (before taxes) derived from the continuous use of the asset until the end of its useful life. Regardless of the indication that the book value of an asset will not be recovered, balances of goodwill arising from business combinations and intangible assets with an indefinite useful life must be tested for recoverability at least once a year.

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

For assets recorded at cost, the reduction in recoverable value must be recorded in income for the period. For revalued assets, the reduction must be recorded in the revaluation surplus account.

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

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

In accordance with BRGAAP standards effective up to December 31, 2007, there is no established methodology to calculate the value in use of assets and there is no requirement for calculation of discounted cash flows, although permitted. A change in Brazilian corporate legislation has determined that BRGAAP standards be consistent with IFRS as from 2008.

No differences were identified in the reconciliation of stockholders' equity and net income for the years presented, which resulted from this difference in accounting practices.

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

In accordance with BRGAAP, deferred charges correspond to pre-operating costs and costs incurred with projects in the pre-operating phase which are recorded at cost. Amortizations are calculated on the straight-line method on cost at rates determined based on output of the projects implemented in relation to their installed capacity.

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

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

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

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

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

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

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

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

In accordance with BRGAAP up to December 31, 2007, the gains or losses should be included in income as Equity in earnings (losses) of subsidiaries. An accounting standard issued in 2008 to be applied in BRGAAP eliminated this difference in accounting practices.

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

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

a) Reconciliation of stockholders' equity at December 31

	2007	2006
Stockholders' equity in BRGAAP (net of minority interest)	**592,548**	**535,981**
- Reversal of deferred charges (Note 27.2 g))	(5,996)	(5,828)
- Employee benefits (Note 27.2 e))	319	(2,913)
- Derivative financial instruments (Note 27.2 c))	(510)	2,754
- Reversal of goodwill amortization ((Note 27.2 b))	2,989	-
- Allocation of purchase price in business combination (Note 27.2 c))	(1,317)	-
- Deferred income tax and social contribution on net income (Note 27.2 h))	1,304	55
- Other adjustments	390	(96)
Stockholders' equity in IFRS (net of minority interest)	**589,727**	**529,953**

b) Reconciliation of net income for the year ended December 31,

	2007	2006
Net income in BRGAAP	**132,295**	**120,841**
- Reversal of deferred charges (Note 27.2 g))	(768)	101
- Employee benefits (Note 27.2 e))	6,463	(10,487)
- Derivative financial instruments (Note 27.2 c))	(510)	2,754
- Reversal of goodwill amortization ((Note 27.2 b))	2,989	-
- Allocation of purchase price in business combination (Note 27.2 c))	(1,317)	-
- Accounting for exchange losses on foreign investments (Note 27.2 j))	12,078	3,805
- Deferred income tax and social contribution on net income (Note 27.2 h))	(3,149)	2,505
- Other adjustments	376	1,360
Net income in IFRS	**148,457**	**120,879**

27.4 – Changes in stockholders' equity as defined in IFRS

Changes in stockholders' equity as defined in IFRS for the years ended December 31

	Equity	Minority interest	Sahreholders equito and minority interest total
Balances at Janeiro 1st 2006 (transition date to IFRS)	**464,751**	**7,836**	**472,587**
Net income for the year	107,328	50	107,378

Dividends and interest on own capital for the year, net of the income tax benefit over interest on own capital	(37,841)	-	(37,841)
Sale of own shares	1,451	-	1,451
Currency translation losses on foreign investments	(3,805)	-	(3,805)
Other	(541)	-	(541)
Balances at December 31, 2006	**531,884**	**7,886**	**539,229**
Net income for the year	135,948	(1,782)	134,166
Dividends and interest on own capital for the year, net of the income tax benefit over interest on own capital	(63,282)	-	(63,282)
Purchase of own shares	(708)	-	(708)
Currency translation losses on foreign investments	(12,078)	-	(12,078)
Other	541	-	541
Balances at December 31, 2007	**591,764**	**6,104**	**597,868**