(A free translation of the original in Portuguese)

MARCOPOLO S.A.
Consolidated Information

Caxias do Sul, February 19, 2013.

2012 Fiscal year Results

MANAGEMENT REPORT

Dear Stockholders:

The management of Marcopolo S.A. submits for your appreciation the Management Report and Financial Statements for the year ended December 31, 2012, accompanied by the Report of Independent Auditors. The financial information is presented in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB).

1. Operational Context

Marcopolo is a publicy-traded corporation headquartered in Caxias do Sul, State of Rio Grande do Sul, which was founded on August 6, 1949 and has as its main objective the manufacture of buses, bus bodies and components.

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

The buses are manufactured in eighteen manufacturing units, four in Brazil (two in Caxias do Sul - RS and one in Duque de Caxias - RJ, in addition to a 45% interest in the company San Marino Ônibus e Implementos Ltda., also located in Caxias do Sul - RS) and fourteen abroad, including a wholly-owned unit in South Africa, four in Australia, and subsidiaries/affiliates in Argentina (2), Colombia, egyot, India (2), Russia, Mexico and factory parts and components for bus bodies in China The Company also holds a 40% interest in SPHEROS (ventilation and air conditioning), a 30% interest in WSUL (foam for seats) and a 26% interest in MVC – Componentes Plásticos Ltda.

In addition to the companies mentioned above, Marcopolo has full control of Banco Moneo S.A., which was established to provide financing for the Company's products.

2. Performance Indicators

The table below lists some indicators relevant to management of the business and analysis of the Company's performance in 2012.

SELECTED INFORMATIONS

(R$ million, unless otherwise stated)

CONSOLIDATED DATA	2012	2011	Var. %
Operating Performance:			
Net revenues	3,817.1	3,368.9	13.3
- Revenues in Brazil	2,446.3	2,456.6	(0.4)
- Revenues Abroad	1,370.8	912.3	50.3
Gross profit	776.0	741.7	4.6
EBITDA [(1)]	439.8	464.1	(5.2)
Profit	302.4	344.0	(12.1)
Earnings per Share	0.676	0.771	(12.3)
Return on Invested Capital – ROIC [(2)]	17.0%	23.4%	(6.4)pp
Return on Equity – ROE [(3)]	26.0%	36.0%	(10.0)pp
Investments	277.2	74.7	271.1
Equity	1,299.9	1,162.1	11.9
Financial Position: Industrial segment			
Cash and Cash Equivalents and Financial Investments	495.3	969.0	(48.9)
Short-term Financial Liabilities	563.3	434.5	29.6
Long-term Financial Liabilities	162.8	481.4	(66.2)
Net Cash	(230.9)	53.1	-
Financial Position: Industrial and Financial Segments			
Cash and Cash Equivalents and Financial Investments	529.6	1.023.1	(48.2)
Short-term Financial Liabilities	757.6	617.2	22.7
Long-term Financial Liabilities	583.3	869.8	(32.9)
Net Financial Liabilities	811.3	463.9	74.9
Margins			
Gross margin	20.3%	22.0%	(1.7)pp
EBITDA margin	11.5%	13.8%	(2.3)pp
Net margin	7.9%	10.2%	(2.3)pp

Notes: [(1)] EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization); [(2)] ROIC (Return on Invested Capital) = EBIT (inventories + trade receivables + fixed assets - suppliers); [(3)] ROE (Return on Equity) = Net profit/Initial equity; pp = percentage points.

3. Bus Sector Performance In Brazil

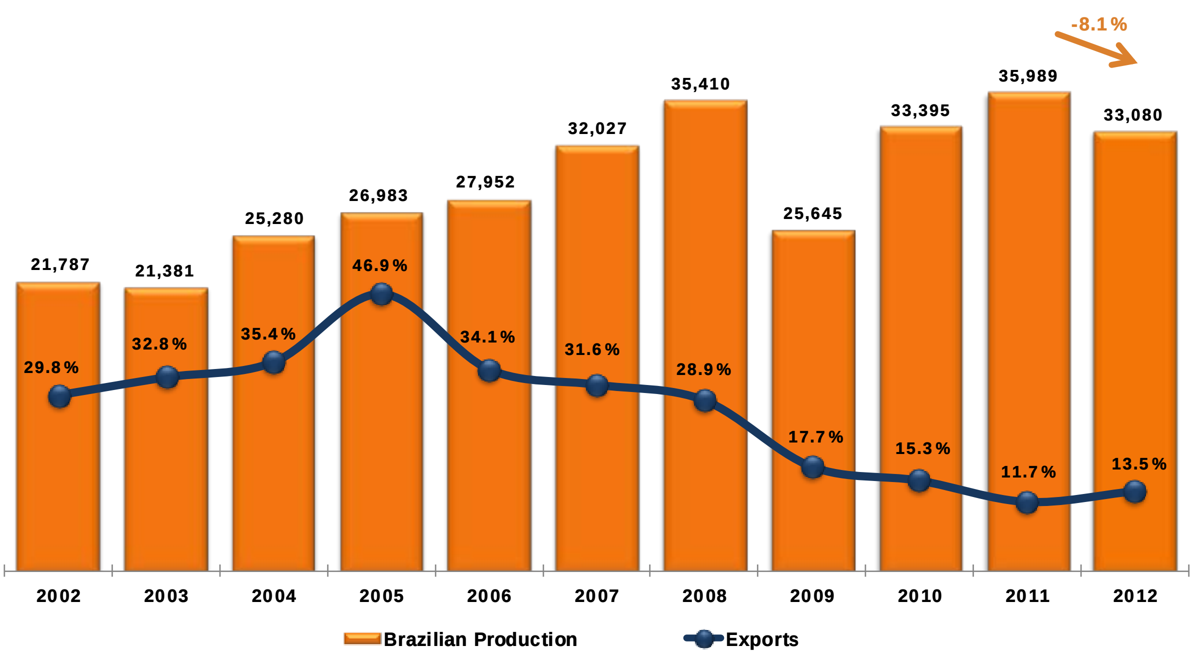
In 2012, 33,080 units were produced for the domestic market, 8.1% lower than the 35,989 units produced during 2011. VOLARE is not included in the Brazilian output of bodies due to the fact that it is sold as a complete vehicle. It the output of VOLARE vehicles were considered, the Brazilian output would have been 37.745 units in 2012.

The demand in the domestic market reached 28,622 units, a down of 9.9% in relation to 2011, while 4,458 units were produced for export, or 5.4% above exports for the previous year.

Data on Brazilian bus body production for the last 10 years is presented in the chart below:

BRAZILIAN BUS BODY EVOLUTION

(in thousands of units)



TOTAL BRAZILIAN BUS BODY PRODUCTION (in units)

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

Sources: FABUS (National Association of Bus Manufactures) and SIMEFRE (Interstate Highway and Railway Material and Equipment Manufactures Association).
Notes: (1) Includes the units exported as KD (disassembled); (2) The production data of Mini does not include the production of complete units such as Volare.

BRAZILIAN BUS BODY PRODUCTION – DOMESTIC MARKET (in units)

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

Note: See table notes – Total Brazilian Bus Body Production.

BRAZILIAN BUS BODY PRODUCTION – FOREIGN MARKET (in units)

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

Note: See table notes – Total Brazilian Bus Body Production.

4. Marcopolo's Operating Performance

2012 was marked by Euro 3 to Euro 5 engine transition challenge in the Brazilian market, as well as the continuation of the oversea geographic expansion plan.

The new engine adoption is necessary to attend to new pollution emission level established through Conama Proconve P7 standard, impacting the Brazilian bus market, and led Marcopolo to adopt the strategy of acquiring Euro 3 chassis in market and sell complete vehicles. The decision deemed correct and partially minimized the implementation effect of Euro 5, resulting in sales of R$ 130.5 million during 2012.

Making efforts to offer better products and best solutions to attend clients needs, Marcopolo released a new bus road and intercity bus called Audace, which gives more comfort, ergonomics and safety to passengers, with a lower operating cost.

In the foreign market, Marcopolo's exporting from Brazil grew 25.9% when compared to 2011, with higher margins because of Real devaluation against the US dollar and per Reintegration of the Special Values for Tax Exporting Companies (REINTEGRA), in which the Company determined by tax residues in the production chain, estimated by applying 3.0% of exporting revenue, and that was recently extended until the end of 2013.

Besides Reintegra, Federal Government adopt several measures to stimulate national industry, benefiting the capital goods segment, highlighting the exemption of the employer contribution for the National Institute of Social Secutiry (INSS) over payroll, replaced, in Marcopolo's case, by the contribution of 1.0% over internal market sales, which is applicable since August, 2012 up to the end of 2014.

Another positive point of 2012, was the Brazilian Federal Government investment purchasing 8,570 school busses for "Caminho da Escola" finance through the national Growth Acceleration Program (PAC – Equipment). During 2012, Marcopolo produced 3,911 school busses for the mentioned project and, by electronic auction in September 2012, Marcopolo is qualified to provided 4,100 units to be delivered up to October, 2013, as disclosed in October 22nd, 2012 in a Material Fact.

For the Company loans and financings, the National Economic and Social Development Bank (BNDES), practiced successive cuts for the interest rate of FINAME PSI credit lines, which start 2012 in 10.0% and ended with 2.5% for the credit lines filed up to December 31st, 2012, with BNDES. The financing expire in up to 10 years, the FINAME PSI-4 credit line was extended to the end of 2013 with a 3.0% interest rate for requests filed from January up to June and 4.0% from July up to December.

Following the expanding strategy, Marcopolo signed, as disclosed on June 11th as a Material Fact, a Protocol of Intentions with Espírito Santo state government and with the city of São Matheus, looking for the new plant of assembling Volare vehicles, in Espírito Santo state.

In December 14th, the Company informed the market through Market Notice a purchase contract signed, via its Associate Metalpar Argentina S.A., of 51.0% participation in Metalsur Carrocerias S.R.L established in Rosário, Argentina. Metalsur is specialized in manufacture of highway bus body, featuring Double Decker models and produces an average of 200 units per year.

And also, through Material Fact published in January 23rd, 2013, the Company announced the sign of a strategic investment contract of C$ 116.4 million (Canadian dollars) to subscribe 11,087,834 new common shares to be issued by New Flyer Industries Inc., representing 19.99% of the Company's equity. Established in Winnipeg, Canada, New Flyer is a local leader producing urban busses in Canada and United States and presented a net revenue of US$ 926 million, producing 1,800 units in 2011. The investment in New Flyer enables Marcopolo entrance in these markets and it is lined with the growth and geographic expansion plan.

Related to Marcopolo's foreign subsidiaries/associates, the prominence is India and Mexico, which increased their production levels by 23.0% and 27.3%, respectively, and by the consolidation of Volgren, in Australia. Marcopolo's international operations contributed with 37.7% of consolidated production, 11,813 total units. Additional information about the foreign subsidiaries/associates performance and of Moneo Bank are described on item 15 of this report.

4.1 Units Recorded in Net Revenue

In 2012, the 31,584 units included in net revenue comprised 19,754 units in the domestic market, representing 67.6% of the consolidated total, and 11,830 units in the foreign market, representing the remaining 37.5% as shown in the following table:

OPERATIONS (in units)	2012	2011	Var. %
BRAZIL:			
- Domestic market	17,040	18,692	(8.8)
- Foreign market	2,839	2,251	26.1
SUBTOTAL	**19,879**	**20,943**	**(5.1)**
Eliminations of KD's exported [1]	125	130	(3.8)
TOTAL IN BRAZIL	**19,754**	**20,813**	**(5.1)**

ABROAD:			
- South Africa	271	241	12.4
- Argentina (50%)	747	1,306	(42.8)
- Australia	435	-	-
- Colombia (50%)	785	1,056	(25.7)
- Egypt (49%)	250	184	35.9
- India (49%) [2]	7,771	5,932	31.0
- Mexico	1,571	1,234	27.3
TOTAL ABROAD	**11,830**	**9,953**	**18.9**
GRAND GERAL	**31,584**	**30,766**	**2.7**

Notes: [1] KD (Knock Down) = Partially or entire dismantled bodies; [2] In India , the units manufactured at the Lucknow plant are included.

4.2 Production

In 2012, the consolidated output of Marcopolo totaled 31,296 units, 0.7% less the 31,526 units manufactured in 2011. Of this total, 62.3% was produced in Brazil and 37.7% abroad. Details about Marcopolo's worldwide production are presented in the following tables:

MARCOPOLO – CONSOLIDATED WORLDWIDE PRODUCTION

OPERATIONS (in units)	2012	2011	Var. %
BRAZIL: [1]			
- Domestic market	16,747	19,046	(12.1)
- Foreign market	2,864	2,274	25.9
SUBTOTAL	**19,611**	**21,320**	**(8.0)**
Eliminations of KD's exported [2]	128	131	(2.3)
TOTAL IN BRAZIL	**19,483**	**21,189**	**(8.1)**
ABROAD:			
- South Africa	244	240	1.7
- Argentina (50%)	747	1,293	(42.2)
- Australia	435	-	-
- Colombia (50%)	807	1,049	(23.1)
- Egypt (49%)	250	213	17.4
- India (49%) [3]	7,759	6,308	23.0
- Mexico	1,571	1,234	27.3
TOTAL ABROAD	**11,813**	**10,337**	**14.3**
GRAND GERAL	**31,296**	**31,526**	**(0.7)**

Notes: [1] Included the production of Volare, as well as the production of companies Ciferal (5.517 units in 2012) and 45,0% of San Marino (1.880 units in 2012), corresponding to the share of Marcopolo in the company; [2] KD (Knock Down) = Bodies partially or totally dismantled; [3] In India, the units manufactured at the Lucknow plant are included.

MARCOPOLO – CONSOLIDATED WORLDWIDE PRODUCTION BY MODEL

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

Notes: (1) In the total Foreign market (FM) production, dismantled units (bodies partially or totally dismantled) are included, which totaled 128 units in 2012, against 131 in 2011; (2) DM = Domestic Market; FM= Foreign Market; (3)The production of Volare is not included in the data from SIMEFRE or FABUS, nor of the production for the sector.

MARCOPOLO – PRODUCTION IN BRAZIL

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

Note: See notes in table "Consolidated Worldwide Production by Modelo".

4.3 Market Share

In 2012, the Company maintained its leading position in the Brazilian market, with a market share of 45.2%. The table below shows in detail the Company's market share by line of product.

SHARE IN THE BRAZILIAN MARKET (%)

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

Source: FABUS and SIMEFRE
Notes: (1) Includes 100% of Ciferal and a proportional share of the production of San Marino; (2) Volare is not included for the purposes of computing market share.

5. Consolidated Net Revenue

Consolidated net revenue of the Company in 2012 reached R$ 3,817.1 million, 13.3% above the R$ 3,368.9 million reported in 2011. Sales in the domestic market generated revenues of R$ 2,446.3 million or 64.1% of total net revenue (72.9% in 2011). Exports and business abroad totaled R$ 1,370.8 million, as compared to R$ 912.3 million in the previous year, an increase of 50.3%. Net revenue by product and market are presented in the table below:

TOTAL CONSOLIDATED NET REVENUE

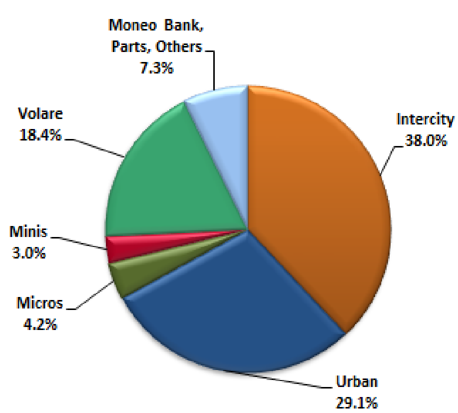
By product and market (R$ million)

PRODUCTS	2012		2011		TOTAL	
	DM	FM	DM	FM	2012	2011
Intercity	800.6	373.1	902.3	376.6	1,173.7	1,278.9
Urban	626.5	552.5	699.1	282.1	1.179.0	981.2
Micro	144.4	100.9	98.5	42.5	245.3	141.0
Mini – LCV	-	117.5	15.4	86.0	117.5	101.4
Subtotal - Bodies	**1,571.5**	**1,144.0**	**1,715.3**	**787.2**	**2,715.5**	**2,502.5**
Volares [1]	693.1	67.9	585.8	32.8	761.0	618.6
Chassi	87.5	43.0	-	-	130.5	-
Banl Moneo, Parts, Other	94.2	115.9	155.5	92.3	210.1	247.8
TOTAL GERAL	2.446,3	1.370,8	2.456,6	912,3	3.817,1	3.368,9

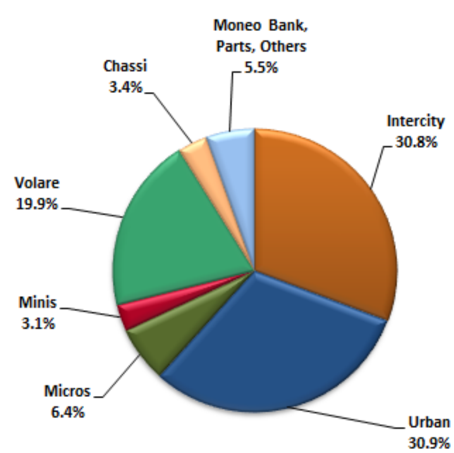
Note: [1] Revenue for the Volares includes the chassis.

Of the total consolidated net revenue in 2012, 71.2% originated from sales of bodies, 19.9% from the sales of Volares and 8.9% from sales of parts and from Banco Moneo and chassis. The charts below show in further detail the origin of consolidated revenues by line of products (in %).

2011



2012



6. Gross Profit and Margins

In 2012, gross profit totaled R$ 776.0 million, 4.6% above the R$ 741.7 million in 2011 or 20.3% of net revenue (22.0% in 2011).

The lowets percentage of revenue reflects the sale of complete vehicles, including chassis, which diluted the margin f the body. In addition, the Argentine market downturn, which affected performance at Metalpar and the consolidation at Volgren, Australia, also contributed to this reduction.

7. Selling Expenses

Seeling expenses totaled R$ 220.2 million in 2012 or 5.8% of net revenue, against R$ 173.5 million or 5.2% of net revenue in 2011. The increased in these expenses is mainly due to the consolidation of Volgren, the adequacy of the distribution network of Volare, the commissioning of the highest volume of exports, besides the effect of the provision for doubtful that, in 2012, totaled R$ 12.2 million while in 2011 there was a reversal of R$ 5.8 million

8. General and Administrative Expenses

General and administrative expenses totaled R$ 173.2 million in 2012 and R$ 144.8 million in 2011, representing 4.5 % and 4.3% of net revenue, respectively. The increase is explained by salary adjustment from the collective agreement and the consolidations of expenditure of consolidations Volgren, in the Australia.

9. Other Operating Income/Expenses

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

10. Net Financial Result

Net financial result in 2012 was positive in R$ 17.9 million, against an also positive result of R$ 67.5 million in 2011. The lower result was due to the fall in interest rates of financial investments and lower volume applied due to greater investment and financial cycle of operations of the “Caminho da Escola” Finance income totaled R$ 209.7 million in 2012 against R$ 249.8 million in the previous year and finance costs amounted to R$ 191.8 million in 2012 and R$ 182.3 million in 2011. See note 26 to the financial statements.

11. EBITDA

EBITDA reached R$ 439.8 million with a margin of 11.5% in 2012, against R$ 464.1 million and margin of 13.8% in 2011. The decline in margin is explained by the same factors cited for the declined in gross margin. The table below shows the accounts that comprise the EBITDA margin:

EBITDA

(R$ million)	2012	2011	Var. %
Operating income	409.2	496.0	(17.5)
Finance income	(209.7)	(249.8)	16.1
Finance costs	191.8	182.3	5.2
Depreciation / Amortization	48.5	35.6	36.2
EBITDA	**439.8**	**464.1**	**(5.2)**

12. Profit

In 2012, the Company's profit reached R$ 302.4 million with a margin of 7.9%, against R$ 344.0 million and margin of R$ 10.2% in 2011. The lower result is explained by same factors cited for the declined in gross margin, as well as by lower financial result.

13. Financial Indebtedness

Net financial indebtedness totaled R$ 811.3 million in 12/31/2012 (R$ 463.9 million in 31/12/2011). Of this total, R$ 580.4 million related to the financial segment while the industrial segment had liabilities of R$ 230.9 million.

It should be pointed out that debt of the financial segment results from the consolidation of the activities of Banco Moneo, and should be analyzed separately, since it has characteristics different from those of the Company's operating activities. Banco Moneo's financial liabilities have a corresponding entry in the "client receivables" account in the Bank's assets. The credit risk is duly provisioned. Because it is a FINAME onlending transaction, each disbursement by the National Economic and Social Development Bank - BNDES has an exact offset in the customer receivables of Banco Moneo both in terms of maturity and fixed rate. See note 28 to the financial statements.

In December 31, 2012, the net financial indebtedness of the industrial segment represented 0.5x EBITDA for the last 12 months.

14. Cash Provided by Operations

In 2012, the operating activities generated cash of R$ 132.9 million. Investing activities required R$ 277.2 million and financing activities consumed R$ 368.3 million. As a result, the opening cash balance of R$ 904.3 million, considering R$ 2.2 million of Exchange rate variations on cash, increased to R$ 393.9 million at December 31, 2012. The statement of cash flows of the industrial and financial segment is presented in detail in note 29 to tje financial statements.

15. Performance of Subsidiary and Associated Companies

In 2012, the companies abroad produced 11.813 units against 10.337 units in the previous year, a growth of 14.3%. This volume represented 37.7% of Marcopolo's consolidated output. The main highlights of foreign subsidiary and associated companies and of Banco Moneo are described below:

AUSTRALIA. Established in Melbourne, Volgren manufactured 435 units in 2012. During the year, the company invested improving its productive process looking after efficiency gains. For 2013, Volgren foresees developing a new model to attend the highway bus market. In 2013, the Company estimates to produce 500units, according to the guidance published on December 19th, 2012.

GB POLO. The joint venture in Egypt, located in the city of Suez, provided consolidation of 250 units, considering the 49% interest of Marcopolo in the entity. Because of the current political scenario, the Egyptian bus market is still slow, and the demand will continue to be affected during 2013. GB Polo has been developing new products with specific features to serve the domestic, the North African and the Middle Eastern markets. For 2013, consolidation of 500 units is expected.

MARCOPOLO CHINA - MAC. Established in Jiangyin, Marcopolo China has a development engineering area focused on spare parts, bus body parts and disassembled bus bodies. In 2013, MAC will start producing and exporting disassembled bus bodies for the commercial joint venture between PoloAutoRus LLC, Marcopolo’s subsidiary, and Group OJSC Kamaz, from Russia, as well as supply spare parts to Volgren, in Australia.

MARCOPOLO SOUTH AFRICA. In 2012, Marcopolo South Africa – MASA, established in Joanesburgo, produced 244 units. To maintain the production levels the Company sought exporting markets, keeping the same production levels when compared to 2011. For 2013, MASA forecasts an increment in the internal market, as well as the ongoing of BRTs project. The total production expectative is of 300 units.

METALPAR. Marcopolo owns 50% of Metalpar shares, established in Argentina, provided a consolidated production of 747 units in 2012. The Argentinean bus market continues retracted mainly related to cut of governmental incentives. In 2013, the Company estimated to produce 1,600 units, which 800 will be consolidated by Marcopolo.

POLOMEX. Established in Mexico, Polomex produced 1,571 units in 2012, growing 27.3% when compared to the previous year. The local bus market continues recovering, however the production volume is still below normality. In 2013, Polomex expects to assemble vehicles for the highway Generation 7 family line, result of the investments made during 2012. The company expects to produce 1,800 units in 2013.

SUPERPOLO. Established in Colombia, Superpolo produces 1,613 units in 2012, where 50.0%, or 807 units, where considered in the Marcopolo's consolidated production. In 2013, the country will implement technological changes in the bus body, with the implementation of Euro 4 engines. Superpolo expects to produce 1,600 units, where 800 units will be consolidated by Marcopolo, considering the demand for the new Integrated Transportation System (SITP) for Bogota city.

TATA MARCOPOLO MOTORS LMTD. The 49.0% proportional consolidation of TMML in Marcopolo, added to Marcopolo's total production 7,759 units in 2012, representing an increment of 23.0% when compared to 2011. TMML started the implementation of a strategic plan aiming to increase its market share and extend the exporting market attendance. As described in guidance published in December 19th, 2012, the Company expects to consolidate in 2013 9,500 units produced, proportional to Marcopolo's share on the TMML.

BANCO MONEO. Moneo Bank activities initiated in July 2005, intended to finance Marcopolo's products. The Bank was authorized to act with investment portfolio, leasing and credit, financing and investment. In 2012, the bank obtained a profit of R$ 25.8 million, emphasizing the reduction on clients' insolvency. The credit and guarantee operation were in 21/31/2012 of R$ 772.9 million, when compared to R$ 754.3 in 12/31/2011. The Bank continued to prioritize the quality on its credit portfolio, through a rigorous rating and credit approval system, adopted in 2011 and improved in 2012, which has been proven correct, since the maintenance of the same positive results decrease the spreads resulted from lower market rates.

16. Corporate Governance

Marcopolo adopts good Corporate Governance practices, following the principles of transparency, equity, accountability and corporate responsibility. Its shares have been listed in Level 2 of BM&FBovespa Corporate Governance since 2002. The Company is subject to arbitration in the Market Arbitration Chamber, according to a commitment clause contained in its bylaws.

The management of Marcopolo is based on the distinction between the functions and responsibilities of the Board of Directors, the Statutory Audit Board and the Executive Board. The Board of Directors is composed of seven members, three of which are external and independent, one elected by minority stockholders, one elected by the preferred stockholders and one by the controlling stockholders. The Statutory Audit Board is composed of three members, one indicated by minority stockholders, one by preferred stockholders and one by the controlling stockholders. The responsibilities of each board are defined in the Company's bylaws. To assist, provide opinions and support the management of the business, the Board of Directors has established the following committees: (i) Executive; (ii) Audit and Risks; (iii) Human Resources and Ethics; and (iv) Strategy and Innovation.

The Company provides fair and equal treatment to minorities, whether stockholders or other stakeholders. In the disclosure of information, it adopts highly transparent standards, seeking to establish an atmosphere of confidence, both internally and in relation to third parties. In order to comply with legal provisions and improve the information presented to the market in general and especially to foreign stockholders, the Financial Statements are disclosed in conformity with International Financial Reporting Standards (IFRS). In 2011, the Company held meetings with the Association of Capital Market Analysts and Investment Professionals (APIMEC) in São Paulo, Rio de Janeiro and Porto Alegre, as well as non-deal road shows in Brazil and abroad. Marcopolo's relationship with its stockholders and potential investors is handled by the Investor Relations area. In 2011, Brazilian and foreign analysts were received personally and various contacts were made by telephone and the 5th edition of Marcopolo Day was held, during which the Company welcomed analysts and investors in its facilities at Caxias do Sul, for a presentation on the Company, its products and production process. Marcopolo's Investor Relations website is constantly updated and contains relevant information for investors.

17. Independent Auditors

17.1 Change in Independent Auditors

In 2012, the Company changed its auditors, contracting KPMG Auditores Independentes, established in Porto Alegre, RS, Borges de Medeiros Avenue 2.233, 8º floor, replacing PricewaterhouseCoopers - Auditores Independentes.

17.2 CVM Instruction 381/03

In compliance with CVM Instruction No. 381/03, items I through IV of article 2, Marcopolo declares that it has contracts with its Independent Auditors other than those related to the audit of the Company's financial statements. During 2012, member firms of the KPMG abroad were engaged to provide additional advisory and due diligence services, and related fees were equivalent to R$ 0.2 million. Management is responsible for defining the procedures to be performed and their application. Therefore, both the Company and its external auditors understand that such services do not affect professional independence.

18. CAPITAL MARKETS

18.1 Share Capital

The Company's share capital is R$ 700 million, represented by 170,812,872 common shares (38.1%) and 277,637,170 preferred shares (61.9%), totaling 448,450,042, shares, all registered book-entry shares without a par value.

18.2 Performance of Marcopolo’s shares in BM&FBovespa

Marcopolo’s preferred shares ended 2012 with an appreciation of 81.9%, against 7.4% of Ibovespa. In 2012, 692.5 thousand transactions were performed, increasing 74.5% over the 396.8 thousand transaction in 2011, and negotiated 328.2 million stock shares. Marcopolo’s issued stock shares negotiated R$ 3.4 billion during the year in local stock market, 69.0% higher than 2011. The participation of foreign investors on Marcopolo’s equity, in 12/31/2012 is of 53.0% of preferred shares and 35.2% of total equity. Since September 2012, Marcopolo’s preferred shares are part of MSCI index – Merging Markets Latin America. The table below demonstrates the progress of the most important indicators related to the capital market

INDICATORS	2012	2011
Number of transactions (thousands)	692.5	396.8
Shares traded (millions)	328.2	298.2
Value traded (R$ million)	3.397.2	2.010.2
Market value (R$ million) (1)	5.768.3	3.164.8
Equity per share (R$)	2.90	2.59
POMO4 quotation (last business day)	12.90	7.09
Interest on Capital and Dividends per share (R$/share)	0.320	0. 372

Note: (1) Price on the last trading session of the period for the registered preferred share (PE), multiplied by the total number of shares (OE + PE) existing in the same period.

19. Dividends/Interest on Capital

At the meeting held on December 19, 2012, the members of the Board of Directors approved the payment of interest on capital and dividends totaling R$ 96.1 million. Of this amount, R$ 16.1 million will be paid as interest on capital (4th Phase of 2012) and R$ 80.0 million will be distributed as dividends for 2012. These amounts will be paid as from March 28, 2013. Further to this resolution, the total amount proposed to be paid as interest on capital and dividends for 2012 totals R$ 143.1 million, being R$ 63.1 million as interest on capital and R$ 80.0 million as dividends. The total amount distributed is equivalent to 47.3% of the Company's adjusted profit in 2012, and represents a yield (dividend per share divided by the share's initial price) of 2.5%.

20. Investments

In 2012, Marcopolo invested R$ 277.2 million in capital assets and fixed assets , of which R$ 51.0 million was spent by the parent company and used for: R$ 16.5 million in building, land and improvements; R$ 14.7 million in machinery and equipment; R$ 7.3 million in equipment and software and R$ 12.5 million in other assets. 11.8 million in an additional interest in Loma Hermosa (Argentina), totaling 50%; R$ 4.2 million in buildings, land and improvements; and R$ 12.2 million in other assets. In the subsidiary and associated companies, investments totaled R$ 226.2 million, distributed as follows: R$ 146.8 million in the acquisition of Volgren, Australia, R$ 10.5 million in the acquisition of participation in the Metalsur, Argentina, R$ 36 million in San Marina, R$ 8.0 million in Ciferal, R$ 13.2 million in TMML and R$ 11.7 million in the other units.15.2 million in Ciferal, R$ 9.2 million in San Marino and R$ 4 million in the other units.

21. Social and Environmental Responsibility

In 2012, Marcopolo published his first Sustainability Report related to its operations in Brazil following the methodology of the Global Reporting Initiative (GRI) as a way to extend the information provided to stakeholders. The Company develops several programs and tools to control its production system. The Marcopolo System for Joint Production (SIMPS) is an industrial competition strategy aiming at growth, market leadership, productivity, quality, improvement in the working environment and profitability of products and services. The systems provide conditions for continuously improving the quality of products, processes and services, by controlling the impacts on the environment, health and safety of employees, eliminating waste wherever it can be found, and maintaining a fully integrated value chain. Marcopolo is certified under ISO 14001 - Environment, ISO 9001 - Quality, OHSAS 18001 - Health and Safety and SA 8000 – Social.

21.1 Social Responsibility

Marcopolo and its employees develops social responsibility under the coordination of the Marcopolo Foundation., through several programs in the areas of Education, Culture, Sport and leisure. Among the projects for the community, highlight the “School Project”, which aims to contribute to the development of the educational environment, school community relations and training for citizing The "Volunteers Program" is conducted in Educational Centers and retirement homes, and includes social and educational activities, renovation of facilities and food campaigns for children and elderly persons. The Marcopolo Foundation also contributes monthly to health and education institutions in the community. The support provided to Oncology services at the General Hospital in Caxias do Sul, which serves patients under the Centralized Health System (SUS), is worthy of mention.

Marcopolo, Banco Moneo and Ciferal designate 1% of their Income Tax liability to the Municipal Fund for the Rights of Children and Adolescents in the cities of Caxias do Sul (RS) and Duque de Caxias (RJ), where the manufacturing units operate. Marcopolo Fundation also stimulates and facilitates the destination of 6.0% of individual Income Tax of their employees to the previously mentioned City Funds, generating resources for social projects development focused on children and teenagers of the cities where the company is established.

In foreign units, specific projects have been implemented, considering needs identified in local communities, with special attention given to the health and educational areas.

21.2 Employee Satisfaction

The Internal Survey of the working environment, conducted every two years, measures the satisfaction level of the Company's employees. In the last survey, carried out in October 2011, the overall average level of satisfaction at the units of Caxias do Sul (RS) and Ciferal (RJ) was 75% and 72%, respectively. Improvement actions based on these results were started in 2012and will be continual. A sample survey was conducted to follow up in October 2012,serving to align the next actions with the managers

21.3 Education and Training

Marcopolo inaugurate on October 22nd, 2012, its new Ana Rech Training Center Unit. With a large facility and modern equipment, the new center has its prior goal, as to propitiate optimal conditions to form professional and qualified employees. The new Marcopolo Training Center (CTM) received an investment of around R$ 2.0 million.

With around 3.3 thousand square meters of build area, it has specific and independent cells for each area and/or Marcopolo's production process, such as electric, mechanic, air conditioner, welding, machinery operation, plastic and painting. Besides the administrative area, the CTM has eight technical formation class rooms, including language learning (English and Spanish) and an auditorium with capacity for 200 people. The extension of four times of the previous area, allowed to increase the weld points from eight to forty, the electronic panels simulator from six to forty-five and the mechanical benches from twenty to forty, and also creating the opportunity to have coaching exercises in the very same condition of Marcopolo's production lines. The new construction provides template training, programming training, welder robot operation training and in operating and maintenance of bus body of the principal brands used by Marcopolo/Volare customer in Brazil.

The training programs carried out during 2012 includes employees of the operational, administrative and technical area. In Brazil, open coaching was offered to interested employees after business hour, trying to create the opportunity to access new roles. Education Incentive Program offered scholarships to many sorts of regular education, besides the foreign language.

The Marcopolo Professional Formation School (EFPM), which completed 22 year, offers industrial learning courses for young people, including people in social vulnerability, offering benefits, such as first paid job and access to the company career plan. Nowadays EFPM has four units in Brazil and one in South Africa, with the subsidiary MASA. EFPM reach 160 young people such as SENAI apprentices, Caxias do Sul College students and Caxias do Sul Social Assistance Fundation (FAS) young people. Complementing the structure, the Professional Formation Unit, established in Reolon neighborhood, in Caxias do Sul, has approximately 400m² and attends to 25 community students. External Marcopolo associates Young People Learning courses according to current regulations, encourage the recruitment as employees whenever it is possible. Since 2011 the Company nurtures special training program for women, which may occur in a different form depending on the job offered by the Company.

21.4 Quality of Life

The quality of life programs for the employees and their families are adapted to the reality of each country in which the Company has subsidiary or associated companies. In Brazil, several activities were developed by the Marcopolo Foundation, including those related to education, leisure, culture and sports. The units Ana Rech and Planalto, in Caxias do Sul (RS) and Ciferal (RJ) have their own recreational clubs for the employees and their families. The units in India, Mexico and Colombia offer specific activities such as workshops, tours and tournaments. In India, several recreational, educational and religious events involving employees and their families were held at the Company's facilities.

21.5 Environment

The awareness in relation to the environment conservation is one of the most important actions for the consolidated sustainable development. Environmental issues programs are part of Marcopolo’s management policy. Including the Recycling and Reuse with Continued Management of Industrial Solid Wastes program which aims to decrease the possible environmental liability. Marcopolo invests in new technologies and training to minimize and control the environmental impacts of its industrial activity. One of the mayor improvements in 2012 is the implementation on the e-coat painting process of the manufacture line of seats and the obtaining of the new plant for non dangerous solid industrial wastes landfill license, which is expected to be completed by February 2013. The landfill aims to maintain absolute control over the company’s environmental liability.

21.6 Remuneration and Grants under Stock Option Plan

Employee remuneration comprises a fixed amount, linked to competences and skills, and a variable amount, based on achievement of goals of the Profit Sharing Program. Periodic salary surveys are carried out to evaluate whether the salaries paid are within regional standards, so that the Company maintains its competitiveness in the labor market.

At the Extraordinary General Meeting held on December 22, 2005, the stockholders approved the Stock Option Plan. Executives of the Company and its subsidiaries (except for directors of the parent company) participate in this plan, which has the following main objectives: (i) align the interests of participants and stockholders; (ii) encourage the commitment of the participants with the Company's short, medium and long-term results; (iii) encourage and stimulate a sense of ownership; and (iv) attract and retain talents. The Plan is monitored by the Human Resources and Ethics Committee and approved by the Board of Directors.

22. Management Fees

The annual overall fixed remuneration is set by the General Meeting and distributed to management as established by the Board of Directors. The highest individual annual fixed remuneration of the members of the Executive Committee/Board of Directors was R$ 2,206.6 thousand in 2012, the average remuneration was R$ 707.8 thousand and the lowest R$ 320.9 thousand. For the statutory directors, the highest individual fixed remuneration was R$ 1,366.4 thousand in 2012, the average was R$ 922.4 thousand and the lowest was R$ 644.8 thousand. For the Fiscal Board, the highest individual fixed was R$ 183.0 thousand in 2012, the average was R$ 163.0 thousand and the lowest was R$ 153.0 thousand.

The highest individual variable remuneration of the members of the Executive Committee/Board of Directors was R$ 2,203.4 thousand in 2012, the average variable remuneration was R$ 1,391.2 thousand and the lowest R$ 853.7 thousand. The highest individual variable remuneration of statutory directors in 2012 was R$ 1,198.1 thousand, the average was R$ 849.0 thousand and the lowest R$ 584.7 thousand. The members of the Board of Directors and the Statutory Audit Board do not receive variable remuneration, but the Officers and members of the Executive Committee are entitled to it.

23. Employees

Number of EMPLOYEES	2012	2011	2010	2009	2008
Parent company	8,212	8,727	8,457	7,040	7,581
Subsidiaries in Brazil	3,504	4,013	3,441	2,656	3,035
Subsidiaries abroad	4,514	4,491	4,181	4,310	2,749
TOTAL (1)	**16,230**	**17,231**	**16,079**	**14,006**	**13,365**
GRAND TOTAL (2)	**20,508**	**21,993**	**20,393**	**18,303**	**15,393**

Notes: (1) Includes employees of subsidiaries/associates proportionately to the Company's interest; (2) Relates to total interest in subsidiaries/associates.

24. IFRS 10 – DEMONSTRAÇÕES FINANCEIRAS CONSOLIDADAS

The IFRS 10 / CPC 36 (under review), introduces a new standard to determine if an investment should be consolidated. As a result, the Company must adequate the new standard for consolidation after 2013, changing the current accounting policy. For a better understanding of the new consolidation standard effect, the Company discloses a comparative chart of 2012 Financial Statement, according to note 30.

25. Expectations for 2013

2013 initiates with a positive bias for Marcopolo, both in brazilian internal market, and foreign countries where Marcopolo operates.

In Brazil, the better credit conditions, acceleration of the new bus fleet, the service bids for interstate transportation and the investments in urban infrastructure, specially the BRT system implementation (Bus Rapid Transit), guarantee Marcopolo with a higher order book for the beginning of 2013. The sporting events hosted in Brazil, such as Soccer Confederation Cup in 2013, Soccer World Cup in 2014 and the Olympic Games in 2016, as well as the continuation of Federal Government “Caminho da Escola” program are still the principal boosters of the busses demand.

For the financings, the FINAME PSI-4 credit line of BNDES was extended up to 2013 with an interest rate of 3.0% per annum for filed requests from January to June and 4.0% per annum for filed requests from July to December, maintaining the financing term of 10 years.

Related to the Federal Government stimulating measures, stands out the exemption of the employer contribution for the National Institute of Social Secutiry (INSS) over payroll, replaced by the contribution of 1,0% over internal market sales, which is applicable up to the end of 2014 and the extension of the Special Tax Values Reintegration for Exporting Companies (REINTEGRA) up to the end of 2013.

It is important to mention that the government included in the payroll incentive, from January 2013, the passengers road transport companies. Part of the incentive may be directed to the renewal of the Brazilian busses fleet.

About “Caminho da Escola” program, Marcopolo announced on October 22nd, through Material Fact, that it is qualified to produce and provide 4.100 school busses to be delivered up to October, 2013.

And finally, the bidding Schedule for common services of passengers interstate transportation, disclosed by the National Land Transport Agency (ANTT), foresees the publication of announcement for the first trimester of 2013 and the public bidding sections for September 2013. The expectative is that ANTT restricts the used fleet age for this end by 10 years.

Related to the foreign market, Brazilian exportations must continue the recovery initiated in 2012, with benefited margins with a favorable exchange rate. Related to foreign subsidiaries/associates, highlighting here India and Mexico, where production should increase 22.4% and 14.6%, respectively, when compared to 2012, according to the guidance already disclosed.

As published by the Company on December 19th, 2012, the performance expectation for 2013, keeping the current market and economic performance of the countries where the Company operates, are: (i) planned investment of R$ 200.0 million, on existing business; (ii) hit a consolidated net revenue of R$ 4.3 billion; and, (iii) produce 35,200 busses in Brazil and foreign units.

26. Acknowledgements

We would like to thank our customers, suppliers, representatives, stockholders, financial institutions, government agencies and the community for their continued support, and, in particular, our employees for their effort, dedication and commitment.

The Management.

Marcopolo S.A.

Financial Statement as of December 31, 2012 and 2011

(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)

KPMG Auditores Independentes
February, 2013
KPDS 52259

Contents

Independent auditors' report on the financial statements

To the Board of Directors and Stockholders
Marcopolo S.A.
Caxias do Sul - RS

We have audited the accompanying individual and consolidated financial statements of Marcopolo S.A. ("Parent company"), identified as Parent and Consolidated and which comprise the balance sheet as at December 31, 2012 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board – IASB and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Marcopolo S.A. as at December 31, 2012, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marcopolo S.A. and its subsidiaries as at December 31, 2012, and their financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in note 2.1, item (b) to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Marcopolo S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value. We did not qualify our opinion in relation to this matter.

Other matters

Auditoria

Statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2012, prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian corporate legislation for listed companies, but is considered as supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Porto Alegre, February 19, 2013

KPMG Auditores Independentes
CRC 2SP014428/F-7-RS
(Original report in Portuguese signed by)
Wladimir Omiechuk
Contador CRC 1RS041241/O-2

Marcopolo S.A.

Balance sheet at December 31, 2012 and 2011

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

		Parent		Consolidated	
Assets	**Note**	**2012**	**2011**	**2012**	**2011**
Current assets					
Cash and cash equivalents	7	233,119	739,949	393,945	904,318
Financial assets at fair value through profit or loss	7	131,840	1,803	132,167	1,803
Derivative financial instruments	5	3,380	-	3,523	591
Trade receivables	8	668,044	489,699	1,127,115	920,217
Inventories	9	242,204	252,123	409,502	368,330
Taxes and contributions recoverable	10	73,462	30,187	101,865	53,466
Other receivables		24,064	31,789	68,733	46,118
		1,376,113	1,545,550	2,236,850	2,294,843
Non-current assets					
Long-term receivables					
Available-for-sale financial assets	7	36,942	136,584	-	116,371
Trade receivables	8	-	-	471,964	433,825
Taxes and contributions recoverable	10	1,453	1,712	6,141	3,792
Deferred income tax and social contribution	18	41,552	36,376	67,884	68,593
Judicial deposits	16	5,847	4,606	12,990	10,319
Other receivables		61	62	1,293	724
		85,855	179,340	560,272	633,624
Investments	11	730,522	602,025	39,198	21,802
Property, plant and equipament	12	190,584	157,903	454,915	353,567
Goodwill and intangible assets	13	4,781	9,574	220,840	77,295
		925,887	769,502	714,953	452,664
		1,011,742	948,842	1,275,225	1,086,288
Total assets		2,387,855	2,494,392	3,512,075	3,381,131

		Parent		Consolidated	
Liabilities and equity	**Note**	**2012**	**2011**	**2012**	**2011**
Current					
Trade payables		261,069	221,384	382,264	324,261
Borrowings	15	452,445	376,839	757,412	612,529
Derivative financial instruments	5	-	3,639	247	4,690
Salaries and vacation pay		70,176	94,953	104,045	124,597
Taxes and contributions payable		23,400	26,838	61,482	69,774
Advances from customers		27,068	31,646	33,710	40,909
Commissioned representative		26,327	20,551	32,322	27,788
Interest on capital and dividends	20	21,620	41,016	21,839	41,016
Management profit sharing		7,570	7,699	7,570	7,699
Other payables		41,989	39,103	95,888	68,002
		931,664	863,668	1,496,779	1,321,265
Non-current liabilities					
Borrowings	15	106,606	458,495	583,316	869,809
Provisions	16	6,603	6,041	18,363	16,072
Employee benefits	17	43,057	-	43,368	-
Other payables		-	-	57,805	2,493
		156,266	464,536	702,852	888,374
Total liabilities		1,087,930	1,328,204	2,199,631	2,209,639
Equity – capital and reserves attributable to owners of the parent	19				
Share capital		700,000	700,000	700,000	700,000
Capital reserves		(999)	(1,578)	(999)	(1,578)
Revenue reserves		647,440	506,556	647,440	502,512
Carrying value adjustments		(38,718)	(26,305)	(38,718)	(26,305)
Treasury shares		(7,798)	(12,485)	(7,798)	(12,485)
		1,299,925	1,166,188	1,299,925	1,162,144
Non-controlling interest		-	-	12,519	9,348
		1,299,925	1,166,188	1,312,444	1,171,492
Total liabilities and equity		2,387,855	2,494,392	3,512,075	3,381,131

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

Marcopolo S.A.

Statement of income
Years ended December 31, 2012 and 2011
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

		Parent		Consolidated	
	Note	2012	2011	2012	2011
Continuing operations					
Net sales and services	24	2,422,669	2,203,211	3,817,134	3,368,876
Cost of Sales and services	25	(1,951,105)	(1,755,765)	(3,041,141)	(2,627,180)
Gross profit		471,564	447,446	775,993	741,696
Distribution costs	25	(139,810)	(116,254)	(220,223)	(173,520)
Administrative expenses	25	(90,652)	(90,272)	(173,221)	(144,799)
Other operating income (expenses), net		(12,434)	(5,794)	(683)	(3,299)
Share of profit of subsidiaries and jointly-controlled entities	11	94,656	127,956	9,390	8,404
Operating profit		323,324	363,082	391,256	428,482
Finance income	26	179,123	209,889	209,667	249,835
Finance costs	26	(150,808)	(141,716)	(191,750)	(182,357)
Finance result		28,315	68,173	17,917	67,478
Profit before income tax and social contribution		351,639	431,255	409,173	495,960
Tax income and social contribution	18				
Current		(60,830)	(111,282)	(106,107)	(177,215)
Deferred		5,176	22,330	(709)	25,278
Profit for the year from continuing operations		295,985	342,303	302,357	344,023
Attributable to:					
Company's stockholders		295,985	342,303	300,029	343,144
Non-controlling interest		-	-	2,328	879
		295,985	342,303	302,357	344,023
Earnings per share from continuing operations attributable to The stockholders of the Company during the year (expressed in R$ per share)					
Basic	27				
From continuing operations		0.6619	0.7669	0.6762	0.7707
Diluted	27				
From continuing operations		0.6600	0.7633	0.6742	0.7671

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

Marcopolo S.A.

Statement of comprehensive income
Years ended December 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Nota	Parent 2012	Parent 2011	Consolidated 2012	Consolidated 2011
Profit for the year		295,985	342,303	302,357	344,023
Foreign currency translation adjustments		16,192	4,820	17,035	5,793
Actuarial losses over employees benefits	17	(43,057)	-	(43,368)	-
Deferred tax income and social contribution over actuarial gains/losses		14,639	-	14,763	-
Result of comprehensive income of subsidiaries		(187)	-	-	-
Total comprehensive income for the year		283,572	347,123	290,787	349,816
Attributable to:					
Company's stockholders		283,572	347,123	287,616	347,964
Non-controlling interests		-	-	3,171	1,852
Total comprehensive income		283,572	347,123	290,787	349,816

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

Statement of changes in equity

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

	Attributable to the Company's stockholders														
		Capital reserves	Revenue reserves												
	Share capital	Gain/(loss) from sale of own shares	Legal reserves	For future capital increase	For pay of interim dividends	For purchase of own shares	Proposed additional dividends	Carrying value adjustments	Treasury shares	Retained earnings (accumulated) déficit)	Total equity CPC	Reversal of deferred charges	Total equity IFRS	Non-controlling interests	Total equity
At December 31, 2010	700,000	(790)	16,557	139,242	37,912	33,306	79,731	(31,125)	(14,054)	-	960,779	(4,885)	955,894	7,496	963,390
Comprehensive income for the year															
Profit for the year	-	-	-	-	-	-	-	-	-	342,303	342,303	841	343,144	879	344,023
Foreign exchange variation on investiment abroad	-	-	-	-	-	-	-	4,820	-	-	4,820	-	4,820	973	5,793
Total comprehensive income	-	-	-	-	-	-	-	4,820	-	342,303	347,123	841	347,964	1,852	349,816
Contributions by and distributions to owners of the Company															
Sale of treasury shares	-	(788)	-	-	-	-	-	-	12,468	-	11,680	-	11,680	-	11,680
Purchase of treasury shares	-	-	-	-	-	-	-	-	(10,899)	-	(10,899)	-	(10,899)	-	(10,899)
Payment of additional dividends	-	-	-	-	-	-	(79,731)	-	-	-	(79,731)	-	(79,731)	-	(79,731)
Allocations															
Legal reserve	-	-	17,115	-	-	-	-	-	-	(17,115)	-	-	-	-	-
Interest on capital (R$ 54.509, net tax effect of R$ 18.533)	-	-	-	-	-	-	-	-	-	(35,976)	(35,976)	-	(35,976)	-	(35,976)
Proposed dividends	-	-	-	-	-	-	84,805	-	-	(111,593)	(26,788)	-	(26,788)	-	(26,788)
Transfer between reserves	-	-	-	124,333	26,643	26,643	-	-	-	(177,619)	-	-	-	-	-
Total contributions by and distributions to owners of the Company	-	(788)	17,115	124,333	26,643	26,643	5,074	-	1,569	(342,303)	(141,714)	-	(141,714)	-	(141,714)
At December 31, 2011	700,000	(1,578)	33,672	263,575	64,555	59,949	84,805	(26,305)	(12,485)	-	1,166,188	(4,044)	1,162,144	9,348	1,171,492

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

Marcopolo S.A.

Statement of changes in equity
All amounts in thousands of reais

	Attributable to the Company's stockholders														
		Capital reserves	**Revenue reserves**												
	Share capital	**Gain/(loss) from sale of own shares**	**Legal reserve**	**For future capital increase**	**For pay of interim dividends**	**For purchase of own shares**	**Proposed additional dividends**	**Carrying value adjustments**	**Treasury shares**	**Retained earnings (accumulated) déficit)**	**Total equity CPC**	**Reversal of deferred charges**	**Total equity IFRS**	**Non-controlling interests**	**Total equity**
At December 31, 2011	700,000	(1,578)	33,672	263,575	64,555	59,949	84,805	(26,305)	(12,485)	-	1,166,188	(4,044)	1,162,144	9,348	1,171,492
Comprehensive income for the year															
Profit for the year	-	-	-	-	-	-	-	-	-	295,985	295,985	4,044	300,029	2,328	302,357
Unrealized actuarial gains/losses, net of tax effects	-	-	-	-	-	-	-	(28,605)	-	-	(28,605)	-	(28,605)	-	(28,605)
Foreign exchange variation on investiment abroad	-	-	-	-	-	-	-	16,192	-	-	16,192	-	16,192	843	17,035
Total comprehensive income	-	-	-	-	-	-	-	(12,413)	-	295,985	283,572	-	287,616	3,171	290,787
Contributions by and distributions to owners of Company															
Sale of treasury shares	-	579	-	-	-	-	-	-	4,687	-	5,266	-	5,266	-	5,266
Payment of additional dividends	-	-	-	-	-	-	(84,805)	-	-	-	(84,805)	-	(84,805)	-	(84,805)
Allocations															
Legal reserve	-	-	14,799	-	-	-	-	-	-	(14,799)	-	-	-	-	-
Interest on capital	-	-	-	-	-	-	-	-	-	(63,046)	(63,046)	-	(63,046)	-	(63,046)
Proposed dividends	-	-	-	-	-	-	72,790	-	-	(80,040)	(7,250)	-	(7,250)	-	(7,250)
Transfer between reserves	-	-	-	122,604	5,445	10,051	-	-	-	(138,100)	-	-	-	-	-
Total contributions by and distributions to owners of the Company	-	579	14,799	122,604	5,445	10,051	(12,015)	-	4,687	(295,985)	(149,835)	-	(149,835)	-	(149,835)
At December 31, 2012	700,000	(999)	48,471	386,179	70,000	70,000	72,790	(38,718)	(7,798)	-	1,299,925	-	1,299,925	12,519	1,312,444

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

Marcopolo S.A.

Statement of cash flows - indirect method
Years ended December 31, 2012 and 2011
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Note	Parent 2012	Parent 2011	Consolidated 2012	Consolidated 2011
Cash flows from operating activities					
Profit for the year		295,985	342,303	302,357	344,023
Cash flows from operating activities					
Depreciation and amortization	12 e 13	22,034	20,425	48,567	35,584
Loss on disposal of investiments, property, plant and equipment and intangible assets		9,328	5,070	1,625	9,742
Equity in results of investees	11	(94,656)	(127,956)	(9,390)	(8,404)
Provision for impairment of trade receivables		(1,857)	(4,331)	12,155	(5,780)
Deferred tax income and social contribution		(5,176)	(22,330)	709	(25,278)
Appropriated interes and charges		9,316	16,002	47,537	53,603
Non-controlling interests		-	-	2,328	879
Changes in assets and liabilities					
(Increase) in trade receivables		(176,488)	(69,342)	(246,010)	(106,816)
(Increase) decrease in other receivables		(41,707)	48,135	(73,197)	56,970
Decrease (increase) in inventories		9,919	(57,990)	(29,628)	(54,468)
(Increase) decrease in marketable securities		(33,775)	63,087	(16,925)	63,424
Increase in actuarial liabilities		43,057	-	43,368	-
Increase in trade payables		39,685	25,795	49,585	16,391
Increase in other payables		6,343	102,571	105,918	179,131
Net cash provided by operating activities		82,008	341,439	238,999	559,001
Taxes paid over profit		(60,830)	(111,282)	(106,107)	(177,215)
Net cash provided by operating activities		21,178	230,157	132,892	381,786
Cash flows from investing activities					
Investiments		(56,477)	(12,997)	(12,024)	(86)
Dividends fram subsidiaries, jointly-controlled entities and associated		29,606	31,459	4,100	6,383
Purchases of property, plant and equipment		(48,424)	(33,101)	(131,134)	(67,473)
Purchase of intangible assets		(2,646)	(1,367)	(139,218)	(12,651)
Proceeds from sale of property, plant and equipment		1,042	(823)	1,044	(835)
Net cash used in investing activities		(76,899)	(16,829)	(277,232)	(74,662)
Cash flows from financing activities					
Borrowings from third parties		103,960	195,319	538,478	479,205
Payment of borrowings - principal		(373,846)	(47,084)	(683,600)	(342,481)
Payment of borrowings - interest		(19,352)	(21,940)	(61,284)	(66,160)
Interest on capital and dividends		(167,137)	(149,376)	(167,137)	(149,376)
Treasury shares		5,266	781	5,266	781
Net cash used in financing activities		(451,109)	(22,300)	(368,277)	(78,031)
Foreign exchange gains on cash and cash equivalents		-	-	2,244	3,102
Net (decrease) increase in cash and cash equivalents		(506,830)	191,028	(510,373)	232,195
Cash and cash equivalents at the beginning of the year		739,949	548,921	904,318	672,123
Cash and cash equivalents at the and of the year		233,119	739,949	393,945	904,318

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

Marcopolo S.A.

Statement of value added
Years ended December 31, 2012 and 2011
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent		Consolidated (*)	
	2012	2011	2012	2011
Revenue	**2,773,180**	**2,570,257**	**4,335,747**	**3,915,494**
Sales of goods and services	2,764,332	2,555,571	4,326,160	3,878,442
Other revenue	6,991	10,355	21,742	31,272
Provision for impairment of trade receivables	1,857	4,331	(12,155)	5,780
Inputs acquired from third parties (including ICMS and IPI)	**(2,076,862)**	**(1,802,021)**	**(3,071,340)**	**(2,642,878)**
Cost of sales and services	(1,802,541)	(1,589,671)	(2,752,087)	(2,404,363)
Materials, electricity, outsourced services and others	(254,896)	(196,201)	(296,829)	(221,451)
Impairment/recovery of assets	(19,425)	(16,149)	(22,424)	(17,064)
Gross value added	**696,318**	**768,236**	**1,264,407**	**1,272,616**
Depreciation and amortization	(22,034)	(20,425)	(48,567)	(35,584)
Net value added generated by the entity	**674,284**	**747,811**	**1,215,840**	**1,237,032**
Value added received through transfer	**273,779**	**337,845**	**219,057**	**258,239**
Equity in the results of investees	94,656	127,956	9,390	8,404
Finance income	179,123	209,889	209,667	249,835
Total value added to distribute	**948,063**	**1,085,656**	**1,434,897**	**1,495,271**
Distribution of value added	**948,063**	**1,085,656**	**1,434,897**	**1,495,271**
Personnel	472,310	460,842	757,989	681,442
Direct remuneration	343,140	343,999	571,979	496,586
Benefits	99,212	90,417	151,012	146,365
Government Severance Indemnity Fund for Employees (FGTS)	29,958	26,426	34,998	38,491
Taxes and contributions	21,711	134,781	150,719	273,786
Federal	67,655	130,916	167,226	247,193
State	(47,183)	2,553	(17,815)	25,190
Municipal	1,239	1,312	1,308	1,403
Remuneration of third-party capital	158,057	147,730	223,832	196,020
Finance costs	150,808	141,716	191,750	182,357
Rentals	7,249	6,014	32,082	13,663
Profit for the year, interest on capital and dividends	295,985	342,303	302,357	344,023
Interest on capital	63,046	35,976	63,046	35,976
Dividends	80,040	111,593	80,040	111,593
Profits reinvested	152,899	194,734	159,271	196,454

(*)According to IFRS, the consolidated statement of value added is not part of the consolidated financial statements.

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

1 Operations

Marcopolo S.A. ("Marcopolo") is a publicly held company, having its registered office in Caxias do Sul, Rio Grande do Sul state. The Company's individual and consolidated financial statements for the financial year ended December 31, 2012 embrace Marcopolo and its subsidiaries, joint ventures and investments in associated companies (referred to as "Company").

Marcopolo's core activity is the manufacturing and sale of buses, automobiles, wagons, parts, agricultural and industrial machinery, and imports and exports, and may also acquire equity interests in other companies.

Marcopolo's stock is traded under the symbols “POMO3” and “POMO4” on the São Paulo Stock Exchange – BM&FBOVESPA.

2 Description of significant accounting policies

The main accounting policies used to prepare these financial statements are as follows. These accounting policies were applied consistently to all the years presented in these individual and consolidated financial statements.

2.1 Basis of preparation

a. Statement of compliance with IFRS and CPC standards

These financial statements include:

- Consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices generally accepted in Brazil (BR GAAP); and
- The individual financial statements of the parent company have been prepared in accordance with accounting practices generally accepted in Brazil (BR GAAP).

The parent company's individual financial statements were prepared in accordance with BR GAAP. For the Company these practices differ from the IFRS applicable to the separate financial statements in respect of the valuation of investments in subsidiaries, associated companies and joint ventures, which are valued by the equity method in BR GAAP but at cost or fair value under IFRS.

There is, however, no difference between the consolidated shareholders' equity and net income presented by the Company and the shareholders' equity and net income of the Parent Company in its individual financial statements. The Company's consolidated financial statements and parent company's individual financial statements are therefore being presented side-by-side in a single set of financial statements.

The Board of Directors approved the issuance of the individual and consolidated financial statements on February 19, 2013.

b. _Reporting basis_

The individual and consolidated financial statements have been prepared on the historical cost basis, except for the following material items recognized in the balance sheets:

- derivative financial instruments are measured at fair value
- the non-derivative financial instruments stated at fair value through profit and loss are measured at fair value
- available-for-sale financial assets are measured at their fair value.
-

c. _Use of judgment and estimates_

Preparing the individual and consolidated financial statements in accordance with IFRS and CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenue and expenses. The actual results may differ from these estimates.

Estimates and assumptions are continually reviewed. Reviews of accounting estimates are recognized in the period in which the estimates are reviewed and any future periods affected.

Information about uncertainties in the assumptions and estimates that pose a significant risk of an adjustment in the next financial year have been included in the following notes:

- Note 16 – contingencies
- Note 17 – measuring employees benefits
- Note 18 – deferred taxes;
-

d. _Statement of added value_

The Company prepared individual and consolidated statements of added value (DVA) in accordance with technical pronouncement CPC 09 – Statement of Added Value, which are presented as an integral part of the financial statements in BRGAAP applicable to publicly held companies, while consisting of supplementary financial information under IFRS.

2.2 Basis of consolidation

a. _Consolidated financial statements_

The following accounting policies are applied in the preparation of the consolidated financial statements.

i. Subsidiary

Subsidiaries are all entities (including the specific purpose companies) over which the Company has the power to determine the financial and operating policies, and in which it generally holds over half the voting rights (voting stock). The existence and the effect of possible voting rights currently exercisable or convertible are taken into account when evaluating whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company use the acquisition method to record business combinations. The amount transferred to acquire a subsidiary is the fair value of the transferred assets, liabilities incurred and equity instruments issued by the Company.

The amount transferred includes the fair value of a given asset or liability resulting from a contingent payment contract when applicable. Acquisition costs are expensed in the income statement for the year as and when incurred. The identifiable assets acquired and the liabilities and the contingent liabilities undertaken in a business combination are initially measured at fair value as of the acquisition date. The minority interest to be recognized is measured on the date of each acquisition.

Any excess amount transferred and the fair value at the acquisition date of any previous equity interest in the acquired party in relation to the fair value of the Company's interest in net identifiable assets acquired is recorded as goodwill. In acquisitions where the Company attributes fair value to minority shareholders, the goodwill determined also includes the value of any minority interest in the acquired party, and the goodwill is determined based on the Company and the minority interests. If the amount transferred is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement for the year (Note 2.11).

Inter-company transactions, balances and unrealized gains on intercompany transactions are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

ii. Investments in joint ventures

Joint ventures are those in which the control is exercised jointly by the Company and one or more partners. The financial statements of joint ventures are therefore consolidated proportionately to the Company's interest. The balance of investments could therefore be reduced by recognizing impairment.

Losses of joint ventures in excess of the investment made in them are not recognized, unless the Company has undertaken to cover these losses.

Any excess in the acquisition cost of a financial investment over the net fair value of the assets, liabilities and contingent liabilities of the joint-venture on the respective acquisition date is recorded as goodwill. The goodwill is added to the value of the respective financial instrument and is analyzed for impairment every year as an integral part of the financial investment. In cases where the acquisition cost is lower than the fair value of the net assets identified, the difference determined is recorded as a gain in the income statement for the period the acquisition was made in.

Dividends received from these companies are deducted from the value of the investment.

Gains and losses on transactions with joint ventures are eliminated in proportion to the Company's interest, at the value of the financial investment held in said joint-venture.

Accounting policies for joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Company.

iii. Loss of control

When control is lost, the Company derecognizes the subsidiary's assets and liabilities, any non-controlling interest and other components recorded under shareholders' equity related to this subsidiary. Any gain or loss generated by the loss of control is recognized in net income. If the Company retained any interest in the former subsidiary, this interest is measured at fair value on the date the control was lost. This interest is subsequently recorded by the equity method in associated companies or at cost or fair value in an available-for-sale asset, depending on the level of influence retained.

iv. Associated companies

Associated companies are all the entities over which the Company exercises significant influence but does not control, in which it generally holds an equity interest of between 20% and 50% of the voting rights.
Investments in associated companies are recorded by the equity income method and recognized initially at cost. The Company's investment in associated companies include the goodwill identified in the acquisition, net of any accumulated impairment loss. See Note 2.11 about impairment of nonfinancial assets, including goodwill.

The Company's interest in the profits or losses of its associated companies post-acquisition is recognized in the income statement and its interest in the changes in post-acquisition reserves is recognized in the reserves. Accrued changes post-acquisition are adjusted against the book value of the investment. When the Company's interest in the losses of an associated company is equal to or greater than its interest in that company, including any other receivables, the Company does not recognize additional losses, unless it has incurred on obligations or makes payments on behalf of the associated company.

Unrealized gains on transactions between the Company and its associated companies are eliminated in proportion to the Company's interest in the associated companies. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred.
Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Company.

If the equity interest in the associated company diminishes but significant influence is maintained, only a proportional part of the amount previously recognized in other comprehensive income shall be reclassified in the income statement, where appropriate.
Gains and losses resulting from dilutions occurring in interests in associated companies are recognized in the income statement.

2.3 Segment reporting

Operating segments are reported consistently with the internal reports provided to the main operating decision takers. The main taker of operating decisions, responsible for allocating funds and evaluating the performance of operating segments, is the Board of Directors, which is also responsible for taking the Company's strategic decisions.

2.4 Foreign currency translation

a. Functional currency and reporting currency

The items included in each of the company's entities' financial information are measured by using the currency of the main economy in which the company operates ("functional currency"). The consolidated financial statements are presented in Reais (R$), which is Marcopolo's functional currency and the Company's reporting currency.

Each entity's functional currency can be seen below:

Subsidiary	Denomination	Functional currency	Country
Banco Moneo S.A.	Banco Moneo	Reais	Brazil
Ciferal Indústria de Ônibus Ltda.	Ciferal	Reais	Brazil
Ilmot International Corporation.	Ilmot	US dollar	Uruguay
Laureano S.A.	Laureano	Argentine Peso	Argentina
Marcopolo Auto Components Co.	MAC	Remimbi	China
Marcopolo Austrália Holdings PTY LTD.	MP Austrália	Australian Dollar	Australia
Pologren Austrália PTY LTD.	Pologren	Australian Dollar	Australia
Volgren Austrália PTY LTD.	Volgren	Australian Dollar	Australia
Marcopolo Indústria de Carroçarias Lda.	MPC	Euro	Portugal
Marcopolo International Corp.	MIC	US dollar	Virgin Islands
Marcopolo International Corporation S.A.	MIC UY	US dollar	Uruguay
Marcopolo Latinoamérica S.A.	Mapla	Argentine Peso	Argentina
Marcopolo South África Pty Ltd.	Masa	Rand	South Africa
Marcopolo Trading S.A.	Trading	Reais	Brazil
Moneo Investimentos S.A.	Moneo	Reais	Brazil
Syncroparts Comércio e Distribuição de Peças Ltda.	Syncroparts	Reais	Brazil
PoloAutoRus LLC.	PoloRus	Rouble	Russia
Polo Serviços em Plásticos Ltda.	Polo Serviços	Reais	Brazil
Polomex S.A. de C.V.	Polomex	US dollar	Mexico
Volare Veículos Ltda	Volare Veículos	Reais	Brazil
Volare Comércio e Distribuição de Veículos e Peças Ltda	Volare Comércio	Reais	Brazil

Joint subsidiaries	Denomination	Functional currency	Country
FCO Participações Indústria e Comércio de Componentes Ltda	FCO	Reais	Brazil
GB Polo Bus Manufacturing S.A.E.	GB Polo	Egyptian Pound	Egypt
Loma Hermosa S.A.	Loma	Argentine Peso	Argentina
Metalpar S.A.	Metalpar	Argentine Peso	Argentina
Metalsur Carrocerias S.R.L.	Metalsur	Argentine Peso	Argentina
Marcopolo Argentina S.A.	Marsa	Argentine Peso	Argentina
Rotas do Sul Logística Ltda.	Rotas do Sul	Reais	Brazil
San Marino Bus de México S.A. de C.V.	San Marino México	Mexican Peso	Mexico
San Marino Ônibus e Implementos Ltda.	San Marino	Reais	Brazil
Superpolo S.A.	Superpolo	Colombian Peso	Colombia
Hanegas S.A.S.	Hanegas	Colombian Peso	Colombia
Tata Marcopolo Motors Limited.	TMML	Rupee	India

Associated companies	Denomination	Functional currency	Country
Mercobus S.A.C.	Mercobus	Soles	Peru
MVC Componentes Plásticos Ltda.	MVC	Reais	Brazil
Poloplast Painéis e Componentes Ltda.	Switchgear	Reais	Brazil
Spheros Climatização do Brasil S.A.	Spheros	Reais	Brazil
Spheros México S.A. de C.V.	Spheros México	Mexican Peso	Mexico
Spheros Thermosystems Colombia Ltda.	Spheros Colômbia	Colombian Peso	Colombia
WSul Espumas Indústria e Comércio Ltda.	WSul	Reais	Brazil

b. Transactions and balances

Foreign-currency transactions are translated into the functional currency at the exchange rates prevailing on the transaction or valuation dates, on which the items are remeasured. Exchange gains and losses resulting from the settlement of these transactions and the translation at the exchange rates at the end of the financial year for monetary assets and liabilities denominated in foreign currency are recognized in the income statement.

Exchange gains and losses related to loans and cash and cash equivalents are stated in the income statement as financial revenue or expenses.

Exchange variance on non-monetary financial assets and liabilities such as equities recorded at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

c. Company Entities

The results and financial position of all the Company's subsidiaries and joint ventures included in the consolidated financial information and investments recorded by the equity method (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the reporting currency are translated into the Company's reporting currency as follows:

(i) assets and liabilities are translated at the exchange rate on the closing date of the consolidated financial statements;

(ii) income and expenses are translated at the monthly average exchange rates, and

(iii) all differences resulting from exchange rate translation are recognized in other comprehensive income and stated in shareholders' equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of loans and other currency instruments designated as hedges of such investments, are recognized in comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Financial instruments

2.5.1 Non-derivative financial assets

The Company initially recognizes loans and receivables on the date they were made. All other financial assets (including assets designated at fair value through profit and loss) are initially recognized on the transaction date on which the Company became party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the asset's cash flows expire or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred to the buyer. Any interest that is created or retained by the Company in transferred financial assets is recognized as a separate asset or liability.

Financial assets or liabilities are offset and their net value recorded in the balance sheet only when the Company is legally entitled to offset the amounts and intends to settle on a net basis or realize the asset and settle the liabilities simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets measured at fair value through profit and loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets.

a. *Financial assets measured at fair value through profit or loss*

A financial asset is classified as measured at fair value through profit or loss if it is held for trading or designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Company manages these investments and makes purchase and sales decisions based on their fair value in accordance with the investment strategy and risk management documented by the Company. Transaction costs are recognized in income/expenses when incurred. Financial assets measured at fair value through profit or loss are measured at fair value, and changes in fair value of the assets are recognized in income/expenses for the year, including any dividend gains.

Financial assets designated at fair value through profit and loss consist of equity instruments which would otherwise be classified as available for sale.

b. *Held-to-maturity financial assets*

These financial assets are classified as held to maturity in the event the Company has the intention and the ability to hold them until maturity. Investments held to maturity are initially recognized at their fair value plus any directly attributable transaction costs. After initial recognition, financial assets held to maturity are measured at their amortized cost by using the effective interest rate method, less any impairment losses.

Financial assets held to maturity consist of debt securities.

c. *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on the market. These assets are initially recognized at their fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are measured at their amortized cost by using the effective interest rate method, less any impairment losses.

Loans and receivables consist of cash and cash equivalents, trade accounts receivable and other receivables.

d. *Cash and cash equivalents*

Cash and cash equivalents consist of cash, bank deposits, other short-term investments of high liquidity, originally maturing within three months or less as from the date they are procured. These are subject to an insignificant risk of impairment in fair value and are used by the Company to manage short-term obligations.

e. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative instruments designated as available for sale or which are not classified in any of the previous categories of financial assets. Financial assets available-for-sale are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, they are measured at fair value and changes, other than impairment losses and foreign exchange differences on available-for-sale debt instruments, are recognized in other comprehensive income and stated in shareholders' equity. When an investment is derecognized, the accumulated gains and losses maintained in other comprehensive income are reclassified to net income.

Financial assets available-for-sale consist of equity instruments and debt securities.

2.5.2 Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date they arise. All other financial liabilities are initially recognized on the transaction date on which the Company and its subsidiaries became party to the contractual provisions of the instrument. The Company ceases recognizing financial liabilities when the contractual obligation is withdrawn, cancelled or expires.

The Company classifies its non-derivative financial liabilities under other financial liabilities. These financial liabilities are initially recognized at their fair value minus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at their amortized cost by using the effective interest rate method.

Other non-derivative financial liabilities consist of loans and financing, debt securities issued, including certain preferred shares, overdrafts, trade payables and other accounts payable.

Bank overdrafts that have to be paid at sight and which are an integral part of the Company's cash management are recorded as a component of cash and cash equivalents in the cash flow statement.

2.5.3 Impairment

a. Non-derivative financial assets (including receivables)

A financial asset not measured at fair value through profit and loss, including the interest in an investee recognized by the equity method, is valued at each reporting date to test for impairment. An asset has incurred impairment if objective evidence indicates impairment has occurred as a result of one or more events after the initial recognition of the asset and this impairment has had a negative effect on the future projected cash flows of that asset that can be estimated reliably.

Objective evidence that the financial assets have incurred impairment can include nonpayment or late payment by the debtor, renegotiation of the amount owed to the Company on terms that it would not normally accept in other transactions, signs that the debtor or issuer is going to enter bankruptcy proceedings or the disappearance of an active market for a security. Furthermore, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment.

b. Financial assets carried at amortized cost

At the end of each year the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. An asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor

(ii) a breach of contract, such as a default or delinquency in interest or principal payments

(iii) the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.
The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset
is reduced and the amount of the loss is recognized in the consolidated statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of income.

c. *Assets classified as "available-for-sale"*

At the end of each year the Company assesses whether there is objective evidence that a financial asset available-for-sale is impaired. The Company uses the criteria mentioned in (a) above for debt securities. For capital investments classified as available-for-sale, a material or prolonged drop in the fair value of a security below cost is also evidence the assets are impaired. If evidence of this type exists for financial assets available-for-sale, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, minus any impairment losses of this financial asset previously recorded in income, is deducted from equity and recognized in the consolidated income statement. Impairment losses recognized in the income statement for equity instruments are not reversed through the consolidated income statement. If the fair value of a debt security available for sale rises in any subsequent period and the increase can be objectively attributed to an event occurring after the impairment had been recognized in the income statement, the impairment is then reversed through the income statement.

d. *Non-financial assets*

The book values of the Company's non-financial assets, inventory and deferred income and social contribution tax assets, are reviewed at each reporting date for signs of impairment. If signs of impairment are detected, the recoverable value of the assets is then estimated. In the case of goodwill and intangible assets with an indefinite useful life, the recoverable value is tested every year.

Impairment losses are recognized in the income statement. Recognized losses on Cash Generating Units (UGC) are initially allocated to reduce any goodwill allocated to this unit (or group of units), and then to the reduction of the book value of other assets of this unit (or group of UGCs), on a *pro rata* basis.

Impairment losses related to goodwill are not reversed. Impairment losses for other assets are only reversed if the book value of the asset does not exceed the book value that would have been determined, net of depreciation or amortization, had the impairment not been recognized.

2.6 Derivatives measured at fair value through profit or loss

Derivative instruments procured do not qualify for hedge accounting. The changes in the fair value of any of the derivative instruments are immediately recognized in the income statement under "financial revenue (expenses)".

2.7 Trade accounts receivable

Trade receivables are amounts due from customers for property sold or services performed in the ordinary course of the Company's business. If collection is expected in one year or less (or other term compatible with the normal cycle of the Company's operations), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment.

2.8 Inventory

Stated at the lower of the cost and the net realizable value. Inventory is recorded at average cost and includes expenses incurred on the acquisition of inventory, production and transformation costs and other costs incurred to bring the inventories to their current status and location. For manufactured inventory and goods in progress, the cost includes part of the general manufacturing expenses based on normal production capacity.

The net realizable value is the estimated sale price for the normal course of business, minus estimated conclusion costs and selling expenses.

2.9 Noncurrent assets available-for-sale

Noncurrent assets are classified as "available-for-sale" if their book value can be recovered, primarily through sale, and when this sale is a virtual certainty. They are measured at the lower of the book value and fair value, less sales costs, if the book value will be recovered through a sale and not ongoing use.

2.10 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at the historic cost of acquisition or construction, minus accumulated depreciation and impairment.

The cost includes expenses directly attributable to the acquisition of an asset. The cost of assets built by the Company itself includes:

- The cost of materials and direct labor,
- Any other costs to bring the asset to its location and condition necessary so it can be operated as intended by Management.
- The disassembly costs, and the restoration of the site where these assets are located, and
- Loan costs on qualificable assets.

The cost of property, plant and equipment can include reclassifications from other comprehensive income of qualificable cash flow hedges for the purchase of fixed assets in foreign currency. The software purchased as an integral part of a piece of equipment is capitalized as a part of said equipment.

When parts of an item of property, plant and equipment have different useful lives, these items are recorded as separate items (principal constituents) of property, plant and equipment.

The gains and losses deriving from the sale of property, plant and equipment (determined by comparing the funds obtained through the sale against the book value of the property, plant and equipment), are recorded net amongst other revenue/expense figures in the income statement.

Reclassification to investment property

When the owner ceases to occupy the property and begins using it for investment purposes, the property is remeasured at fair value and reclassified as investment property. Any gain resulting from this new measurement is recognized in the income statement as and when the gain reverts to a loss due to previous impairment of a specific property, with any remaining gain recognized in other comprehensive income in the equity appraisal adjustments reserve. Any loss is immediately recognized in the income statement.

Subsequent costs

Subsequent expenses are capitalized to the extent it is probable that the future benefits associated with these expenses shall be transferred to the Company. Maintenance and repair expenses are recorded in the income statement.

Depreciation

Items of property, plant and equipment are depreciated by the straight-line method in the income statement for the year, based on the useful estimated economic life of each component. Leased assets are depreciated over the shorter between the useful life and the contractual term, unless the Company is certain it will acquire the property at the end of the lease. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date they are installed and are available for use, or in the case of internally constructed assets, on the date construction is completed and the asset is available for use.

The estimated useful lives for the current and comparative years are as follows:

	Year
Buildings	40-60
Machinery	10-15
Vehicles	5
Furniture, fixtures and equipment	5-12

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.11 Intangible assets and goodwill

a. Goodwill

The goodwill consists of the positive difference between the amount paid or payable and the net amount of the acquired entity's assets and liabilities at fair value. Goodwill resulting from the acquisition of subsidiaries is recorded as intangible assets. If the acquirer determines goodwill, the amount should be recorded as a gain in the net income for the period, on the acquisition date. Goodwill is tested annually to check for probable impairment and recorded at cost value less accumulated impairment losses, which are not reversed. The gains and losses from selling an entity include the book value of the goodwill related to the sold entity.

The goodwill is allocated to the UGCs for impairment testing. This allocation is made to the UGCs or groups of UGCs that should benefit from the business combination generating the goodwill, duly segregated by operational segment.

b. Registered trademarks and licenses

Registered trademarks and licenses acquired separately are stated at historic cost. Registered trademarks and licenses acquired in a business combination are recognized at fair value on the acquisition date, as they have a defined useful live and are recorded at cost value minus accumulated amortization. Amortization is calculated by the straight-line method to allocate the cost of registered trademarks and licenses over their estimated useful life of 10 to 20 years.

c. Software

Software licenses acquired are capitalized based on costs incurred to acquire the software and render it ready for use. These costs are amortized during their estimated useful life of 3 to 5 years.

The costs associated with software maintenance are expensed when incurred. Development costs directly related to the design and tests of identifiable and exclusive software products, controlled by the Company are recognized as intangible assets in the following situations:

- it is technically feasible to complete the software so it is available for use
- management intends to conclude the software and use it or sell it
- the software can be sold or used
- the software will generate probable future economic rewards, which can be demonstrated
- technical and financial resources and other suitable resources are available to conclude the development and use or sell the software, and
- the expense attributable to the software during development can be measured reliably.

Costs directly attributable, which are capitalized as part of the software product, include costs incurred on employees allocated to software development and a suitable portion of the direct relevant expenses. The costs also include financing costs related to the acquisition of the software.

Other development expenses that do not meet these criteria are expensed, as and when incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

Software development costs recognized as assets are amortized during the estimated useful life, not exceeding 5 years.

d. Research and development

Expenses on research activities resulting in a possible gain of scientific or technological understanding and expertise are recognized in the income statement as and when incurred.

Development activities involve a plan or project entailing the production of new or substantially improved products. Development expenses are only capitalized if the development costs can be measured reliably, if the product or process is technically and commercially feasible, if the future economic rewards are probable and if the Company has the intention and resources to conclude the development and use or sell the asset. Capitalized expenses include the cost of materials, direct labor, manufacturing costs that are directly attributable to the preparation of the asset for its intended use, and the cost of loans. Other development expenses are recognized in the income statement when they are incurred.

Capitalized development expenses are measured at cost, minus accumulated amortization and impairment losses.

e. Other intangible assets

Other intangible assets consist of software acquired by the Company, with finite useful lives and measured at cost, minus accumulated amortization and accumulated impairment.

f. Subsequent expenses

Subsequent expenses are only capitalized when they increase the future economic benefits incorporated into the specific asset they relate to. All other expenses, including expenses on goodwill generated internally and trademarks are recognized in the statement as and when they are incurred.

g. Amortization

Except for goodwill, amortization is recognized in income statement by the straight line method in relation to the estimated useful lives of intangible assets, as from the date they are available for use.

2.12 Trade accounts payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. (or the normal business cycle, even if it is longer). If not, they are presented as non-current liabilities.
Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the related invoice.

2.13 Loans and financing

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference
between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income during the period the loans and financing are in progress, using the effective interest rate method.

Loans and financing are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.14 Determining the adjustment to present value

The items discounted to present value are:

- Trade accounts receivable consisting of the credit sale to Company clients with low credit risk. The Company calculated the present value for sales with payment terms in excess of 30 days. The discount rate used by Management to discount these items to present value is 100% of the monthly CDI rate for domestic clients and the market rate for advances on export contracts for offshore clients. The interest rate assigned to a sale transaction is determined upon the initial registration of the transaction and is not subsequently adjusted, and

- Accounts payable to Company suppliers for credit purchases. The Company calculates the present value the same way as it does for accounts receivable.

2.15 Provisions

A provision is recognized for a past event when the Company has a legal or constructive obligation, and it is probable that an outflow of funds will be required to settle the obligation. Provisions are calculated by discounting future expected cash flows at a before-tax rate that reflects current market valuations regarding the value of the money over time and specific risks posed by the liability. The financial costs incurred are expensed in the income statement.

2.16 Warranties

A provision for warranties is recognized when the goods or services are sold and is based on historic warranty data and estimated probabilities of all resulting disbursements.

2.17 Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 thousand for income tax and 9% on taxable income for social contribution on net income in the half, and consider the offsetting of tax loss carryforwards and negative basis of social contribution limited to 30% of the taxable income.

Income and social contribution expenses consist of current and deferred income tax. Current and deferred taxes are recognized in the income statement, except for those related to business combinations or items directly recognized in the shareholders' equity or other comprehensive income.

The current tax is the tax payable or receivable on the expected taxable income or loss for the year, at rates decreed or substantially decreed at the reporting date and any adjustment to the taxes payable in relation to prior years.

The deferred tax is recognized in relation to temporary differences between the book values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes. Deferred tax is not recognized for the following temporary differences:

- The initial recognition of assets and liabilities in a transaction other than a business combination and that does not affect the accounts or the taxable income or loss.
- Differences related to investments in subsidiaries, branches and associated companies and interests in joint ventures when it is probable they will not revert in the foreseeable future, and
- Deferred tax is not recognized on temporary taxable differences resulting in the initial recognition of goodwill.

The deferred tax is measured at the rates expected to apply to the temporary differences when they are reversed, based on the laws that have been decreed and substantially decreed by the reporting date.

Measuring the deferred tax reflects the tax consequences that arise in the manner expected by the Company at the end of the year it prepares its financial statements and recovers or settles the book value of its assets and liabilities. For investment properties measured at fair value, the assumption that the book value of the investment property will be recovered was not refuted.

The deferred tax is measured at the rates expected to apply to the temporary differences when they are reversed, based on the laws that have been decreed.
Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities, and they are related to income taxes levied by the same tax authority on the same entities subject to taxation.

Deferred income and social contribution tax assets are recognized on deductible tax losses, tax credits and temporary differences not used when it is probable that future taxable earnings will be generated against which they can be offset.

Deferred income and social contribution tax assets are reviewed at each reporting date and are reduced to the extent that realization is no longer probable.

2.18 Pension and post-employment benefits

The Company recognizes its obligations related to employee benefit plans and related costs, net of plan assets, in accordance with the following practices:

i. The cost of pension and other post-employment benefits provided to employees is actuarially determined using the projected unit credit method and management's best estimate of expected investment performance for funded plans, salary increases, retirement age of employees and expected healthcare costs. The discount rate used for determining future benefit obligations is an estimate of the interest rate in effect at the balance sheet date;

ii. Pension plan assets are stated at market value

iii. Past service costs arising from plan adjustments are amortized on a straight-line basis over the remaining service period of active employees at the date of the adjustment;

iv. Actuarial gains and losses are immediately recognized in comprehensive income for the year;

v. A plan curtailment results from significant changes in the expected service period of active employees. A net curtailment loss is recognized when the event is probable and can be estimated, while a net curtailment gain is deferred until realized.

In accounting for pension and post-retirement benefits, several statistical and other factors that seek to anticipate future events are used to calculate plan expenses and liabilities. These factors include discount rate assumptions, expected return on plan assets, future increases in healthcare costs, and future salary increases. In addition, actuarial consultants also use subjective factors such as withdrawal, turnover, and mortality rates to estimate these factors. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, regulatory events, judicial rulings, higher or lower withdrawal rates, or longer or shorter participant life spans.

2.19 Capital

Common shares
Common shares are classified as shareholders' equity. Additional costs directly attributable to the issuance of shares and options are recognized as a deduction from the shareholders' equity, net of tax.

Preferred shares
Preferred shares are classified as shareholders' equity if they are not redeemable or can only be redeemed with the company's consent and any dividends are discretionary. Discretionary dividends are recognized as profit distributions in shareholders' equity when they have been approved by the Company's shareholders.

The minimum mandatory dividends established in the bylaws are recognized as liabilities.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and goods in the ordinary course of the Company's activities. Revenue is stated net of tax, returns, rebates and discounts and after eliminating intercompany sales.

The Company recognizes revenue when its amount can be reliably estimated, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the sale specifics.

a. Sale of bus

Revenue is not recognized until: (i) the vehicles have been delivered to the client; (ii) the risks of obsolescence and loss have been transferred to the client; (iii) the client has accepted the vehicles pursuant to the sale contract; and (iv) the acceptance terms have been agreed, or the Company has objective evidence that all acceptance criteria have been met.

Sales are recorded based on the price specified in the sale contract, and are discounted to present value.

b. Financial revenue

Interest income is recognized on the accrual basis, using the effective interest rate method. When accounts receivable is impaired, the Company reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument. Subsequently, as time goes by, interest is incorporated into receivables against interest income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, i.e., the original rate of the receivables.

2.21 Distribution of minimum dividends and interest on shareholders' equity

Minimum dividends and interest on shareholders' equity paid to Marcopolo's stockholders are recognized as a liability in the Company's financial statements at the end of the year, pursuant to Marcopolo's bylaws. Any amount in excess of the mandatory minimum is only provisioned for on the date they are approved by the shareholders at the annual general meeting.

2.22 New standards, amendments and interpretations of standards that are not yet effective

New standards, amendments to standards and interpretations are effective for the annual periods commencing January 01, 2013, and were not used in the preparation of these consolidated financial statements. Those that could be relevant to the Company are mentioned below. The Company is not planning to implement these standards in advance.

- Amendments to IAS 19 /CPC 33 (R1) Employee benefits. Actuarial gains and losses immediately recognized in other comprehensive income. This change will: (i) eliminate the corridor approach, which will have a significant effect on entities currently using this method to recognize actuarial gains and losses, and (ii) eliminate the possibility of entities recognizing all the changes to the defined benefit obligation and the plan assets in the profit or loss, which is currently permitted by IAS 19. Expected return on plan assets recognized in profit or loss is calculated at the rate used to discount the benefit obligations; for many entities this change will reduce net income. Applicable to financial years periods beginning on or after January 1, 2013.

- IFRS 09: "Financial instruments" (2009-2010). IFRS 09 (2009) introduces a new requirement for classifying and measuring financial assets. Under IFRS 09 (2009) financial assets are classified and measured based on the business model within which they are held and the contractual cash flow characteristics. IFRS 09 (2010) introduces additions for financial liabilities. The IASB currently has an active project to make limited alterations to the classification and measurement requirements of IFRS 09 and to add new requirements to address the impairment loss of financial assets and hedge accounting. IFRS 09 (2009 and 2010) is effective for financial years commencing on or after January 01, 2015. The adoption of IFRS 09 (2010) should impact the Company's financial assets but not its financial liabilities. The Accounting Pronouncements Committee has not yet issued an accounting pronouncement or amended existing pronouncements related to this standard.

- IFRS 10 / CPC 36 (R2) "Consolidated Financial Statements" IFRS 10 provides a single model to be used to analyze control in all investees, including entities defined as SPEs by SIC 12. The main changes are: (i) judgmental approach; (ii) single control model applies to all investees; (iii) the identification of control over an investee can change when several investors have the capacity to manage different activities at it; (iv) de facto control included in the model; (v) control assessment based on substantive potential voting rights as opposed to currently exercisable potential voting rights; (vi) exposure or right to variability in returns replaces concept of benefits (vii) agent versus principal guidance explicitly introduced; (viii) guidance provided on when an investor would assess power over silos instead of a legal entity (ix) protective rights are defined and explicit guidance on kick-out rights is introduced. Applicable to financial years periods beginning on or after January 1, 2013.

- IFRS 11 / CPC 19 (R2) “Joint Arrangements”. IFRS 11 introduced 2 matters:(i) joint arrangements are taken from IAS 31, where although there are separate vehicles, this separation is not effective for some reason. These agreements are treated as joint assets/operations, referred to as joint operations in IFRS 11;(ii) entities not classified as a joint operation should be recorded by the equity method (i.e. proportional consolidation is no longer permitted). Applicable to financial years periods beginning on or after January 1, 2013.

- IFRS 12 / CPC 45 Disclosures of Interests in Other Entities. IFRS 12 sets out the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required aim to provide information to help readers assess: (i) the nature and the risks associated with one entity's interest in other entities; (ii) extended disclosures about subsidiaries, joint ventures and associates; (iii) new disclosures about unconsolidated structured entities; (iv) the effects of these interests on the entity's financial position, financial performance and cash flows. Applicable to financial years periods beginning on or after January 1, 2013.

- IFRS 13 "Fair Value Measurement". Replacing the fair value measurement guidance contained in other IFRSs, IFRS 13 / CPC 46 provides a single source of guidance on how fair value is measured. Subject to limited exceptions, IFRS 13 / CPC 46 applies when fair value measurements or disclosures are required or permitted by other IFRSs. IFRS 13 / CPC 46 is effective for annual periods commencing on or after January 01, 2013.

- IAS 27 / CPC 35 (R2) “ Separate Financial Statements”. The amendments to IAS 27 outline the accounting and disclosure requirements for in investments in subsidiaries, joint ventures and associates, when an entity elects to or is required by local regulations to present separate financial statements. Applicable to financial years periods beginning on or after January 1, 2013.

- IAS 28 — Investments in Associates and Joint Ventures. The objective of IAS 28 (as amended in 2011) is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. [IAS 28 (2011).1]. Applicable to financial years periods beginning on or after January 1, 2013.

- Amendments to IAS 32 and IFRS 7 (2011) – New. The amendments of IAS 32 aim to clarify the requirements for offsetting financial instruments. These amendments address the inconsistencies found in the practice when applied to the offsetting criteria in IAS 32 - Financial Instruments: Presentation. The amendments clarify: (i) the meaning of "has a legally enforceable right to set off the amounts"; and (ii) certain systems of offsetting at gross value can be considered the same as offsetting by net value. The amendments are in force for annual periods commencing on or after January 01, 2014, and it is applied retrospectively. The amendments are part of the IAS offsetting project. As part of this project the IASB also separately issued Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7), the amendments to this IFRS will contain new disclosure requirements for financial assets and financial liabilities, as follows: (i) offsetting financial statements or (ii) subject to the main offsetting agreements or similar agreements. Applicable to financial years periods beginning on or after January 1, 2014.

3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

a. Estimated impairment of goodwill

The Company is testing goodwill for impairment annually, in accordance with the accounting policy presented in Note 2.11. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 13).

b. Income and social contribution taxes and other taxes

The Company is subject to income tax in all the countries it operates in. Significant judgment is required to determine the provision for income tax in these various countries.

c. Pension and post-employment benefits

The Company recognizes its obligations related to employee defined-benefit plans and related costs, net of plan assets, in accordance with the following practices:

i. The cost of pension and other post-employment benefits provided to employees is actuarially determined using the projected unit credit method and management's best estimate of expected investment performance for funded plans, salary increases, retirement age of employees and expected healthcare costs. The discount rate used for determining future benefit obligations is an estimate of the interest rate in effect at the balance sheet date;

ii. Pension plan assets are stated at market value

iii. Past service costs arising from plan adjustments are amortized on a straight-line basis over the remaining service period of active employees at the date of the adjustment;

iv. Actuarial gains and losses are immediately recognized in comprehensive income; and

v. A plan curtailment results from significant changes in the expected service period of active employees. A net curtailment loss is recognized when the event is probable and can be estimated, while a net curtailment gain is deferred until realized.

In accounting for pension and post-retirement benefits, several statistical and other factors that seek to anticipate future events are used to calculate plan expenses and liabilities. These factors include discount rate assumptions, expected return on plan assets, future increases in healthcare costs, and future salary increases.

In addition, actuarial consultants also use subjective factors such as withdrawal, turnover, and mortality rates to estimate these factors. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, regulatory events, judicial rulings, higher or lower withdrawal rates, or longer or shorter participant life spans.

4 Financial risk management

4.1 Financial risk factors

(a) Market Risk

(i) Exchange rate risk

The Company's results are susceptible to currency effects as its liabilities are subject to the volatility of foreign exchange rates, mainly the U.S. dollar.

As an exchange rate hedge strategy, Management uses natural hedges and maintains related assets also susceptible to exchange variance.

As of December 31, 2012 and 2011 the Company had assets, liabilities and forwards denominated in foreign currency in the following amounts (thousands of reais):

				2012
	Accounts Receivable	**Trade payables**	**Loans**	***Forwards* (*)**
Currency				
US dollars	237,312	20,001	85,043	233,238
Australian dollar	10,788	25,708	63,687	3,148
Argentine peso	17,106	10,834	8,245	-
Indian rupee	5,235	32,738	5,297	-
South African rand	12,677	15,802	30	4,858
Euro	1	297	-	-
Egyptian pound	83	1,005	-	-
Colombian peso	18,101	2,144	12,217	-
Chinese renminbi	7,973	3,536	10,846	-
	309,276	112,065	185,365	241,244

				2011
	Accounts Receivable	**Trade payables**	**Loans**	***Forwards* (*)**
Currency				
US Dollars	204,140	12,108	61,726	227,816
Argentine peso	22,465	5,666	4,885	-
Indian rupee	4,178	26,115	13,618	-
South African rand	4,759	5,649	-	5,475
Euro	939	1,039	-	-
Egyptian Pound	433	647	-	-
Colombian pesa	12,843	13,219	11,563	-
Chinese renminbi	4,516	397	6,237	-
	254,273	64,840	98,029	233,291

(*) The forward contracts mentioned above refer to the short position in U.S. dollar for operations in Brazil and long position in U.S. dollar for operations in South Africa, the functional currency of which is the South African rand and the long position in US dollar for operation in Australia, the functional currency of which is the Australian dollar.

(ii) Interest rate risk

The results of the Company are susceptible to losses arising from fluctuations in interest rates that lead to an increase in financial expenses related to loans and financing obtained in the market, or a decrease in financial income related to financial investments. The Company continuously monitors the market interest rates in order to assess any requirement to use derivatives to protect itself against the risk of variation to these rates.

(iii) Sales and purchases price risk

Considering that exports are equivalent to 25.6% of the projected revenues for 2013, a possible volatility of foreign exchange rates represents, in fact, a price risk that may alter the results planned by management.

On the other hand, the purchases of raw materials considered as commodities represent approximately 38% of total purchases, and accordingly, the Company is subject to the effects of market price oscillations of these items.

The Company constantly monitors the price trends to mitigate these risks.

(b) Credit risk

The credit risk is administrated on a corporate basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits at banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and repurchase transactions. If no independent classification exists, the credit ratings department evaluates the quality of the customer's credit, taking into account its financial position, past experience and other factors. The individual risk limits are determined based on internal or external classifications according to the limits established by the Board of Directors. The use of credit limits is monitored regularly.

The Company also has an allowance for doubtful accounts of R$ 25,793 (parent company) and R$ 70,885 (consolidated) as of December 31, 2012 (December 31, 2011 - R$ 27,650 e R$ 58,730) representing 3.7% and 4.1%, respectively, of the outstanding accounts receivable balance of the parent company and consolidated (December 31, 2011 - 5.3% and 4.2%) which was recorded to cover credit risk.

(c) Liquidity risk

This is a risk of the Company having insufficient liquid funds to meet its financial commitments, as a result of a time or volume mismatch between scheduled receipts and payments.

Future receipt and payment premises are established to administrate cash liquidity in local and foreign currency, which are directly monitored by the Treasury Department.

					2012
					Contractual cash flow
	Book value	**Total**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
Non-derivative financial liabilities					
Loans	1,340,728	1,409,172	1,002,026	363,337	43,809
Trade payables	382,264	382,264	382,264	-	-
Derivative financial liabilities					
Derivative financial instruments	247	247	247	-	-

					2011
					Contractual cash flow
	Book value	**Total**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
Non-derivative financial liabilities					
Loans	1,482,338	1,712,754	1,350,699	352,089	9,966
Trade payables	324,261	324,261	324,261	-	-
Derivative financial liabilities					
Derivative financial instruments	5,319	5,319	5,319	-	-

(d) Additional sensitivity analysis required by CVM

The table below denotes the sensitivity analysis of the financial instruments, which explains the risks that could generate material changes for the Company, with the most probable scenario as evaluated by management, for a period of 12 months during which the next financial statements shall be released. Two more scenarios are presented, which, if they occur, may generate adverse results for the Company: scenario II, which considers a possible deterioration of 25%; and scenario III, an extreme deterioration of 50%, in accordance with CVM Instruction 475/08.

Premisses	Effects on results	Probable scenario (Scenario I)	(Scenario II)	(Scenario III)
CDI - %		7.00	8.75	10.50
TJLP - %		5.00	6.25	7.50
Exchange rate - US$		1.95	2.44	2.92
LIBOR - %		1.00	1.25	1.50
Cost of advances on foreign exchange contracts (ACC) discount - %		3.00	3.75	4.50
	Short-term investments	18,233	20,996	23,745
	Interbank transactions	66,178	73,607	81,035
	Loans and financing	(55,155)	(81,237)	(107,326)
	Forwards	12,631	(40,596)	(92,723)
	Receivables less payables	(9,882)	41,975	93,832
		32,005	14,745	(1,437)

4.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard its operational continuity, in order to provide returns to stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to preserve the sustainability and perpetuation of its business, in addition to social and environmental concerns, the Company places emphasis on the economic and financial results, which lead to the aggregation of value to the business and return to stockholders. As from 2001, the methodology known as Value-added Management was adopted to monitor the Company's performance. This methodology focuses on operational actions which result in superior financial performance. The staff received training under this program to develop and use measurement and control tools to accomplish targets, thus enabling the simulation and analysis of the efficient management of working capital and the effects of new investments on the Company's profitability. At the same time, Marcopolo adopted the concepts of Balanced Score Card (BSC) that translates each unit's strategy into objectives, drivers, targets and action plans, which are frequently monitored and managed. The tools related to objectives include: WACC (Weighted Average Capital Cost), Net Debt/EBITDA and (Debt/Equity) Ratio. These key indicators were as follows in the past few years:

. WACC – between 8% and 12% p.a.;
. Net Debt/EBITDA – between 1.50x and 2.50x;
. Debt/Equity ratio – between 25% and 75%.

The financial leverage indexes as of December 31, 2012 and 2011 have been summarized below:

	Consolidated	
	2012	**2011**
Total loans (Note 5.e)	1,340,728	1,482,338
Less: Cash and cash equivalents (Note 7.1)	(393,945)	(904,318)
Net debt	946,783	578,020
Total shareholders' equity	1,299,925	1,162,144
Total capital	2,246,708	1,740,164
Financial leverage index - %	73	50

4.3 Fair value estimative

The book value less impairment provision of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for reporting purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The Company adopted CPC 40/IFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value hierarchy:

. Prices quoted (unadjusted) on active markets for identical assets and liabilities (level 1).

. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).

. Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2012 which were fully classified in level 2:

	Consolidated	
	2012	**2011**
Level 2		
Assets		
Financial assets at fair value through profit or loss		
- Fixed income investment fund	1,420	1,803
- Trading derivatives	3,523	591
Available-for-sale assets		
- Bank deposit certificates	130,747	116,371
	135,690	118,765
Liabilities		
Financial liabilities at fair value through profit or loss		
- Trading derivatives	247	4,690
	247	4,690

5 Financial instruments by category

(a) Financial assets stated at fair value through profit or loss

(i) Short-term investments are classified as held for trading. The market value is recognized in the balance sheets.

(ii) Derivatives - The derivative instruments contracted by the Company aim at protecting its transactions against the risks of foreign exchange and interest rate fluctuations, and are not used for speculative purposes.

(b) Loans and receivables

(i) Cash and equivalents - The market values of current account balances in banks are similar to the recorded balances, considering their characteristics and maturities.

(ii) Trade accounts receivable - Accounts receivable on the sale of goods and services.

(iii) Related-party transactions - Loans.

(c) Available-for-sale

(i) Short-term investments – Funds held in Bank Deposit Certificates.

(d) Financial liabilities stated at fair value through profit or loss

(i) Derivatives - The derivative instruments contracted by the Company aim at protecting its transactions against the risks of foreign exchange and interest rate fluctuations, and are not used for speculative purposes.

(e) Other financial liabilities

(i) Loans and financing - The loans and financing are registered according to interest incurred. The difference between the book value and the market value, calculated in accordance with the discounted cash flow method, may be summarized as follows:

	2012		2011	
Nature of liability	**Book value**	**Market Value**	**Book value**	**Market value**
Loans and financing	1,340,728	1,342,044	1,482,338	1,464,939

(ii) Trade payables – Payables on the acquisition of goods and services.

(f) Derivative financial instruments

The table below presents an estimate of the market value of the positions of Non-deliverable Forward (NDF) and Forward contracts. Unrealized gains and losses on derivatives are recorded in "derivative financial instruments" in assets or liabilities, with a corresponding entry to the results in the item "Finance income (costs) from exchange variance".

Assets

					Notional value	Fair value		Amounts receivale/payable	
Company	**Counterpart**	**Status**	**Initial**	**Final**	**2012**	**2012**	**2011**	**2012**	**2011**
Marcopolo					USD k				
	BBA	Sale				-	30	-	30
	BRADESCO	Sale	30.07.12	28.03.13	10,350	275	170	275	170
	BRASIL	Sale	08.08.12	17.01.13	950	27	92	27	92
	CITIBANK	Sale	29.08.12	29.01.13	950	41	-	41	-
	JP MORGAN	Sale	26.07.12	16.05.13	29,750	698	-	698	-
	MERRILL LYNCH	Sale	25.07.12	28.03.13	31,600	1,161	273	1,161	273
	PACTUAL	Sale	29.08.12	26.03.13	3,600	150	-	150	-
	SANTANDER	Sale	25.07.12	21.03.13	14,050	486	-	486	-
	VOTORANTIM	Sale	10.09.12	21.05.13	14,000	504	63	504	63
	SAFRA	Sale	11.12.12	12.03.13	950	38	-	38	-
						3,380	**628**	**3,380**	**628**
Ciferal									
	BRADESCO	Sale	19.12.12	29.01.13	2,700	62	1	62	1
						62	**1**	**62**	**1**
San Marino					USD k				
	HSBC	Sale	01.08.12	22.01.13	2,635	41	-	41	-
	ITAÚ-BBA	Sale	01.08.12	23.01.13	2,635	36	-	36	-
						77		**77**	
Masa					USD k				
	ABSA	Purchase	07.09.12	31.01.13	140	4	591	4	591
						4	**591**	**4**	**591**
						3,523	**1,220**	**3,523**	**1,220**

Liabilities

					Notional value	Fair value		Amounts receivable/payable	
Company	**Counterpart**	**Status**	**Initial**	**Final**	**2012**	**2012**	**2011**	**2012**	**2011**
Marcopolo					USD k				
	BBA	Sale				-	(290)	-	(290)
	BRADESCO	Sale				-	(1,011)	-	(1,011)
	MERRILL LYNCH	Sale				-	(2,181)	-	(2,181)
	SANTANDER	Sale				-	(41)	-	(41)
	VOTORANTIM	Sale				-	(745)	-	(745)
						-	**(4,268)**	**-**	**(4,268)**
Ciferal					USD k				
	BBA	Sale				-	(71)	-	(71)
	BRADESCO	Sale				-	(856)	-	(856)
	BRASIL	Sale				-	(108)	-	(108)
	SANTANDER	Sale				-	(16)	-	(16)
						-	**(1,051)**	**-**	**(1,051)**
Masa					USD k				
	ABSA	Purchase	20.11.12	08.02.13	265	(27)	-	(27)	-
	STD	Purchase	19.10.12	28.02.13	1,973	(128)	-	(128)	-
						(155)	**-**	**(155)**	**-**
MP Austrália					USD k				
	Western Union	Purchase	04.07.12	04.06.13	1,550	**(92)**	**-**	**(92)**	**-**
						(92)	**-**	**(92)**	**-**
						(247)	**(5,319)**	**(247)**	**(5,319)**

The company gain and losses from derivative in the periods ended as of December 31, 2012 and 2011 are demonstrated in note 26.

6 Consolidated financial statement

The consolidated financial statement includes the financial statements of Marcopolo S.A. and its subsidiaries, as listed below:

(a) Subsidiaries

	Percentage interest			
	2012		2011	
	Direct	**Indirect**	**Direct**	**Indirect**
Subsidiary				
Banco Moneo	-	100.00	-	100.00
Ciferal	99.99	0.01	99.99	0.01
Ilmot	100.00	-	100.00	-
Laureano	-	100.00	-	100.00
MAC	100.00	-	100.00	-
MPC	70.00	30.00	70.00	30.00
MIC	100.00	-	100.00	-
MIC UY	100.00	-	100.00	-
Mapla	99.99	0.01	99.99	0.01
Masa	100.00	-	100.00	-
Trading	99.99	-	99.99	-
Moneo	100.00	-	100.00	-
MP Austrália	100.00	-	-	-
Pologren (1)	-	75.00	-	-
Volgren (1)	-	75.00	-	-
PoloRus	100.00	-	100.00	-
Polo Serviços	99.00	1.00	99.00	1.00
Polomex	3.61	70.39	3.61	70.39
Syncroparts	99.99	0.01	99.99	0.01
Volare Veículos	99.90	0.10	-	-
Volare Comércio	99.90	0.10	-	-

(1) Consolidated in MP Austrália;

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

i. Elimination of inter-company asset and liability account balances;

ii. Elimination of investment in the capital, reserves and retained earnings of the subsidiaries;

iii. Elimination of intercompany income and expenses and unearned income arising from intercompany transactions. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment;

iv. Elimination of tax charges on unearned income and presented as deferred tax in the consolidated balance sheet; and

v. Identification of minority interests in the consolidated financial information.

(b) Joint ventures

	Percentage interest			
	2012		2011	
	Direct	Indirect	Direct	Indirect
Joint subsidiaries				
FCO	-	50.00	-	-
GB Polo	49.00	-	49.00	-
Loma	50.00	-	50.00	-
Metalpar (1)	-	50.00	-	50.00
Metalsur (1)	-	51.00	-	-
Marsa (1)	-	50.00	-	50.00
San Marino	45.00	-	45.00	-
Rotas do Sul (2)	-	45.00	-	45.00
San Marino México (2)	-	45.00	-	45.00
Superpolo	-	50.00	-	50.00
Hanegas	49.875	0.125	49.875	0.125
TMML	49.00	-	49.00	-

(1) Consolidated in joint venture Loma;
(2) Consolidated in joint venture San Marino.

The main balances of the financial statements of the direct joint ventures can be summarized as follows:

	Assets		Liabilities		Net revenue		Profit(loss)	
	2012	2011	2012	2011	2012	2011	2012	2011
FCO	348	-	36	-	-	-	(141)	-
GBPolo	69,979	70,013	62,013	52,269	16,676	13,392	(10,419)	(9,381)
Loma	97,291	89,163	50,704	43,080	134,602	193,566	2,708	21,385
San Marino	280,907	204,064	197,796	142,753	409,393	381,401	27,705	29,832
Superpolo	132,132	134,932	59,765	77,130	180,356	250,232	13,431	21,824
Hanegas	5,817	4,874	6,609	5,519	-	-	(18)	(648)
TMML	142,829	125,958	88,315	81,411	231,079	180,598	7,175	7,237

(c) Associates (not consolidated)

	Percentual de participação			
	2012		2011	
	Direct	Indirect	Direct	Indirect
Associates				
Mercobus	40.00	-	-	-
MVC	26.00	-	26.00	-
Painéis (1)	-	26.00	-	26.00
Spheros	40.00	-	40.00	-
Spheros Colombia (2)	-	40.00	-	40.00
Spheros México (2)	-	40.00	-	40.00
WSul	30.00	-	30.00	-

(1) Consolidated in associate MVC;
(2) Consolidated in associate Spheros.

The main balances of the financial statements of the direct joint ventures can be summarized as follows:

	Assets		Liabilities		Net revenue		Profit (loss)	
	2012	2011	2012	2011	2012	2011	2012	2011
Mercobus	1,274	-	401	-	-	-	-	-
MVC	138,676	104,587	94,372	70,297	154,085	120,915	9,999	9,554
Spheros	50,840	41,946	17,875	16,371	124,137	114,854	15,963	13,875
WSul	8,929	10,167	1,465	2,053	21,320	20,237	1,351	1,396

7 Cash and equivalents, financial assets and derivatives

7.1 Cash and cash equivalents

	Parent Company		Consolidated	
	2012	2011	2012	2011
Cash and bank				
Brazil	26,615	24,979	39,843	35,921
Foreign	146	-	46,698	26,207
Highly liquid marketable securities				
Brazil (*)	206,358	714,970	304,062	840,965
Foreign	-	-	3,342	1,225
Total cash and cash equivalents	233,119	739,949	393,945	904,318

(*) Substantially correspond to Bank Deposit Certificates - CDB remunerated at between 95.5% and 103,3% of the Interbank Deposit Certificate (CDI) rate, resulting in a weighted average of 98.0% of CDI as of December 31, 2012.

7.2 Financial assets stated at fair value through profit or loss, available-for-sale and derivative financial instruments

	Parent company		Consolidated	
Current	2012	2011	2012	2011
At fair value through profit or loss				
Fixed-income investment funds	1,093	1,803	1,420	1,803
Available for sale				
Bank deposits certificates	130,747	-	130,747	-
	131,840	1,803	132,167	1,803

Non-current				
Available for sale				
Bank deposits certificates	-	116,152	-	116,371
Related parties	36,942	20,432	-	-
	36,942	136,584	-	116,371

The bank deposit certificates yield rates of between 10.6% p.a. and 13.2% p.a., resulting in a weighted average of 12.6% p.a..

Derivative financial instruments are classified in current assets or liabilities. The Company has no financial instruments recognized under the hedge accounting method, pursuant to IAS 39.

8 Accounts receivable

	Parent company		**Consolidated**	
	2012	**2011**	**2012**	**2011**
Current				
Domestic customers	463,603	344,583	611,099	487,496
Foreign customers	184,192	126,953	316,945	236,916
Related parties	48,320	49,080	-	-
Interbank transactions	-	-	271,239	255,275
Present value adjustment	(2,278)	(3,267)	(3,537)	(5,374)
Allowance for doubtful accounts	(25,793)	(27,650)	(68,631)	(54,096)
	668,044	489,699	1,127,115	920,217
Non-current				
Foreign customers	-	-	729	-
Interbank transactions	-	-	473,489	438,459
Allowance for doubtful accounts	-	-	(2,254)	(4,634)
	-	-	471,964	433,825
	668,044	489,699	1,599,079	1,354,042

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

See below the aging list of trade accounts receivable:

	Parent company		**Consolidated**	
	2012	**2011**	**2012**	**2011**
Amounts outstanding	442,930	394,207	1,328,726	1,230,882
Overdue:				
- up to 30 days	109,758	42,388	143,083	62,799
- 31 to 60 days	30,620	13,158	44,977	18,702
- 61 to 90 days	22,642	6,234	31,575	10,123
- 91 to 180 days	22,387	15,614	33,508	26,699
- over 181 days	67,778	49,015	91,632	68,941

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
Adjustment to present value	(2,278)	(3,267)	(3,537)	(5,374)
(-) Allowance for doubtful accounts	(25,793)	(27,650)	(70,885)	(58,730)
	668,044	489,699	1,599,079	1,354,042

The changes in the allowance for doubtful accounts are as follows:

	Parent company	Consolidated
Balance as of January 1, 2011	(31,981)	(64,510)
Allowance made in the period	(6,361)	(14,042)
Reversal of provision for receivables (write-off)	10,692	21,408
Exchange variance	-	(1,586)
Balance as of December 31, 2011	(27,650)	(58,730)
Allowance made in the period	(6,792)	(30,604)
Reversal of provision for receivables (write-off)	8,649	19,865
Exchange variance	-	(1,416)
Balance as of December 31, 2012	(25,793)	(70,885)

Accounts receivable are denominated in the following currencies:

	Controladora		Consolidado	
	2012	**2011**	**2012**	**2011**
Reais	483,852	331,938	1,290,288	1,131,018
US dollar	184,192	157,761	236,510	172,391
Australian dollar	-	-	10,718	-
Euro	-	-	1	939
Argentine Peso	-	-	17,416	22,918
Colombian Peso	-	-	18,101	12,843
Mexican Peso	-	-	78	47
Rand	-	-	12,677	4,759
Rupee	-	-	5,235	4,178
Egyptian Pound	-	-	83	433
Renminbi	-	-	7,972	4,516
	668,044	489,699	1,599,079	1,354,042

9 Inventories

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
Finished goods	77,510	103,036	109,449	120,830
Goods in process	29,015	30,066	63,562	45,884
Raw materials and storeroom materials	129,484	115,886	224,150	190,158
Advances to suppliers and other	6,612	3,524	18,263	14,472
Provision for inventory losses	(417)	(389)	(5,922)	(3,014)
	242,204	252,123	409,502	368,330

The changes in provision for losses on inventories are as follows:

	Controladora	**Consolidado**
Balance as of January 1, 2011	(878)	(4,423)
Reversal of provision against inventory (write-off)	1,054	2,025
Allowance made in the period	(565)	(616)
Balance as of December 31, 2011	(389)	(3,014)
Reversal of provision against inventory (write-off)	203	1,195
Allowance made in the period	(231)	(4,103)
Balance as of December 31, 2012	(417)	(5,922)

10 Taxes and contributions recoverable

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
Current				
Corporate Income Tax (IRPJ)	21,222	12,651	23,847	14,397
Social Contribution on Net Income (CSLL)	5,860	5,072	6,195	5,719
Excise Tax (IPI)	8,283	4,967	9,872	7,502
Value added Tax on Sales and services (ICMS)	20,616	3,862	21,761	4,893
Social Integration Program (PIS)	2,530	561	2,928	1,059
Contribution for Social Security Financing (COFINS)	10,695	1,687	14,153	5,292
Reintegra	4,256	-	4,644	-
Value added Tax (IVA)	-	-	17,927	13,103
Other	-	1,387	538	1,501
	73,462	30,187	101,865	53,466
Non-current				
Value added Tax on Sales and services (ICMS)	1,453	1,712	3,873	1,921
Value added Tax (IVA)	-	-	2,268	1,871
	1,453	1,712	6,141	3,792
	74,915	31,899	108,006	57,258

11 Investments

	Controladora		Consolidado	
	2012	**2011**	**2012**	**2011**
Subsidiary	546,344	434,163	-	-
Joint subsidiaries	156,367	146,285	-	-
Associated companies	27,811	21,577	27,811	21,577
Other investments (*)	-	-	11,387	225
	730,522	602,025	39,198	21,802

(*) In December 14, 2012 Marcopolo S/A, through its associate Metalpar Argentina S.A., signed a shareholders buying contract of the Metalsur Carrocerias S.R.L. company in a total amount of R$ 10,498, The company was, during the prepartion of the financial statement, collecting information for proper fair value measurement of identifiable assets and liabilities assumed in the acquisition process according to CPC 15 and IFRS 3. However, the measuring cannot exceed one year from the acquisition date, as described in paragraph 45 of the referred standard.

(a) Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are presented below:

																		Subsidiary
																		Total
	Ciferal	**llmot**	**Mac**	**Mapla**	**MP Austrália**	**Masa**	**MIC**	**MPC**	**Moneo**	**PoloRus**	**Polo**	**Polomex**	**Syncro**	**Trading**	**Volare Veículos**	**Volare Comércio**	**2012**	**2011**
		(1)	(1)	(1)	(1)	(1)	(1)	(1)		(1)		(2)						
Investment data																		
Capital	20,000	31,461	6,750	832	47,671	7,502	2,860	3,650	100,000	2,279	500	18,006	4,000	3,000	50	989		
Adjusted shareholders' equity	195,167	70,001	6,616	506	47,375	32,139	216	(9,707)	178,402	1,519	9,222	48,151	14,821	5,032	(58)	(334)		
Shares or quotas held	499,953	50,000	1	4,000	75	100,000	1,400,000	1	100,000	1	1	3,011,659	1	3,450,103	19,980	999		
% interest	99,99	100,00	100,00	99,99	75,00	100,00	100,00	70,00	100,00	100,00	99,00	3,61	99,99	99,99	99,90	99,90		
Net income (loss) for the period	32,488	12,876	72	(58)	(697)	4,412	(997)	(463)	25,740	(575)	232	8,955	583	318	(108)	(1,323)		
Changes in investments																		
Opening balances:																		
At equity value	162,679	54,293	6,092	597	-	26,654	1,142	(5,830)	158,962	258	8,993	1,298	14,237	4,788	-	-	434,163	349,755
Capital subscription	-	-	-	-	-	-	-	-	-	1,557	-	-	-	-	50	989	2,596	1,208
Acquisition of equity interest	-	-	-	-	41,553	-	-	-	-	-	-	-	-	-	-	-	41,553	-
Dividends received	-	(5,812)	-	-	-	-	-	-	(6,113)	-	-	-	-	(74)	-	-	(11,999)	(17,749)
Equity in net income of subsidiaries and associated companies	32,488	12,876	72	(58)	(598)	4,412	(997)	(324)	25,740	(575)	229	323	583	318	(108)	(1,323)	73,058	96,807
Accumulated translation adjustments	-	8,644	452	(33)	6,420	1,073	71	(641)	-	279	-	117	-	-	-	-	16,382	4,142
Capital gain/loss in investments	-	-	-	-	-	-	-	-	(187)	-	-	-	-	-	-	-	(187)	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	(9,222)	-	-	-	-	-	(9,222)	-
Final balances:																		
At equity value	195,167	70,001	6,616	506	47,375	32,139	216	(6,795)	178,402	1,519	-	1,738	14,820	5,032	(58)	(334)	546,344	434,163

	GBPolo	Hanegas	Loma	San Marino	TMML	Joint ventures Total 2012	2011
	(1)	(1)	(1)		(1)		
Investment data							
Capital	31,484	4	40,910	48,511	63,155		
Adjusted Shareholders' equity	7,967	(790)	46,588	83,111	54,514		
Share or quotas held	4,803,922	1,800	15,949,948	7,478,482	24,500		
% interest	49,00	49,875	50,00	45,00	49,00		
Net income (loss) for the period	(10,418)	(18)	2,708	27,705	7,176		
Changes in the investments							
Opening balances:							
At equity value	8,694	(321)	53,494	62,590	21,828	146,285	115,460
Capital subscription	-	-	11,642	-	-	11,642	2
Acquisition of equity interest	-	-	-	-	-	-	2,260
Goodwill	-	-	-	-	-	-	9,527
Dividends received	-	-	(10,833)	(2,674)	-	(13,507)	(4,491)
Equity in net income of subsidiaries and associated companies	(5,105)	(9)	1,354	12,452	3,516	12,208	22,744
Accumulated translation adjustments	314	(64)	(1,911)	32	1,368	(261)	783
Closing balance:							
At equity value	3,903	(394)	53,746	72,400	26,712	156,367	146,285

	MVC	Mercobus	Spheros	WSul	Associated companies Total 2012	2011
		(1)				
Investment data						
Capital	34,011	464	15,000	6,100		
Adjusted Shareholders' equity	44,282	2,182	32,965	7,464		
Share or quotas held	1	232	244,898	1,830,000		
% interest	26,00	40,00	40,00	30,00		
Net income (loss) for the period	10,000	0	15,963	1,351		
Changes in the investments						
Opening balances:						
At equity value	8,913	-	10,230	2,434	21,577	22,133
Acquistion of equity interest	-	873	-	-	873	-
Dividendos recebidos	-	-	(3,500)	(600)	(4,100)	(6,382)
Dividends received	2,600	-	6,385	405	9,390	8,404
Equity in net income of subsidiaries and associated companies	-	-	71	-	71	(105)
Sale of investments	-	-	-	-	-	(2,473)
Closing balances:						
At equity value	11,513	873	13,186	2,239	27,811	21,577

(1) External subsidiaries.
(2) With the adoption of CPC 2 "Effects of currency rate changes and translation of financial statements", the subsidiary adopted the US dollar as its funcional currency.

(b) Acquisition of investment – Volgren Australia Pty. Limited

On February 01, 2012 the Company concluded the acquisition of a controlling interest in the company Volgren Australia Pty. Limited ("Volgren"), based in Melbourne, Australia. To make this acquisition the Company carried out the following steps:

- Creation of a company established Australia, fully controlled by Marcopolo, under the name Marcopolo Australia Holdings Pty Ltd.;

- Creation of another company in Australia named “Pologren Australia Holdings Pty Ltd. (“Pologren”). This company was created with a 75% interest of Marcopolo and 25% interest of Grenda Corporation Pty Ltd (“Grenda”), formerly the parent company of Volgren.; and

- Acquisition by Pologren of the entire stock held by the former shareholders of Volgren.

The acquisition price for the 75% interest already paid by the Company, indirectly via Pologren, was A$ 52,5 million (Australian dollars). In addition to this amount, the amount paid by the Company includes contingent payment adjustments for effective earnings based on the EBITDA for the next three years. These amounts were measured at fair value, based on expected effective EBITDA for the next three years, discounted to present value at the acquisition date.

Under the acquisition contract call options were also issued to the Company over the minority interests, that can be exercised within three years as from the closing date, at a price based on the average EBITDA in the three years prior to the exercise date. If the Company does not exercise this option, the minority shareholders are entitled to exercise a put option over their interest at the same strike price, with a term of one year from expiry of Marcopolo's call option.

Considering the put option held by the minority shareholder, the Company included in its call option the expected strike price for the option discounted to present value, which was charged to noncurrent liabilities. As an accounting policy, the Company simultaneously elected to adopt an advanced acquisition method of the minority interest, writing off the minority interest when recognizing the liability posed by the put option over the remaining interest in favor of the minority shareholders.

The sum of the aforesaid amounts was compared against the preliminary fair value determined of the net assets acquired, resulting in the following amounts:

	A$ k
Initial acquisition price	52,500
Additional value over purchase price (*)	3,919
Contingent payments	7,823
Strike price of option at present value	16,995
Net assets estimated at fair value	(14,204)
Allocation of the purchase price to intangible	(9,481)
Allocation of the purchase price to PPE	(1,357)
Remaining goodwill of acquisition	56,195

(*)As provided in the initial purchase contract, the additional value represents the difference between net assets assumed at the acquisition date and the net assets projected before it, during the Volgren acquisition control process.

The remaining goodwill converted into R$ on December 31, 2012 was measured at R$ 119,059. The amounts referring to contingent payments and the option strike price at present value are stated in the non-current liabilities at R$ 53,903 as of December 31, 2012 (obligations to acquire equity interests).

12 Property, plant and equipment

(a) Summary of changes in the parent's company property, plant and equipment

	Land	Buildings and constructions	Machinery and equipments	Furniture and fixtures	Computer equipment	Vehicles	Other PPE	PPE in progress	Total
Balance as of January 1, 2011	14,471	37,381	62,277	1,955	3,313	1,911	98	18,462	139,868
Additions	30	4,166	16,646	979	1,700	775	-	8,805	33,101
Write-offs	-	(1,261)	(330)	(13)	(43)	(106)	-	(19)	(1,772)
Transfers	-	15,362	1,311	-	-	-	-	(16,673)	-
Depreciation	-	(1,812)	(9,394)	(380)	(1,284)	(424)	-	-	(13,294)
Balance as of December 31, 2011	14,501	53,836	70,510	2,541	3,686	2,156	98	10,575	157,903
Cost of property, plant and equipment	14,501	116,194	157,909	6,471	13,243	4,278	98	10,575	323,269
Accumulated depreciation	-	(62,358)	(87,399)	(3,930)	(9,557)	(2,122)	-	-	(165,366)
Residual value	14,501	53,836	70,510	2,541	3,686	2,156	98	10,575	157,903
Balance as of December 31, 2011	14,501	53,836	70,510	2,541	3,686	2,156	98	10,575	157,903
Additions	3,370	13,137	14,738	1,046	4,291	500	-	11,342	48,424
Write-offs	-	(68)	(755)	(32)	(206)	(35)	-	(1)	(1,097)
Transfers	-	998	900	348	(7)	-	-	(2,239)	-
Depreciation	-	(1,907)	(10,283)	(433)	(1,553)	(470)	-	-	(14,646)
Balance as of December 31, 2012	17,871	65,996	75,110	3,470	6,211	2,151	98	19,677	190,584
Cost of property, plant and equipment	17,871	130,147	171,498	7,773	14,803	4,643	98	19,677	366,510
Accumulated depreciation	-	(64,151)	(96,388)	(4,303)	(8,592)	(2,492)	-	-	(175,926)
Residual value	17,871	65,996	75,110	3,470	6,211	2,151	98	19,677	190,584
Annual depreciation rates - %		2.0	8.3	8.3	20.0	20.0			

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

	Land	Buildings and constructions	Machinery and equipments	Furniture and fixture	Computer equipments	Vehicles	Other PPE	PPE in progress	Total
Balance as of January 1, 2011	.	114,714	115,245	7,370	3,751	4,435	8,485	41,356	318,761
Exchange effect	153	1,223	(2,003)	(98)	2	337	(161)	1,664	1,117
Additions	1,023	8,895	27,021	1,808	1,793	2,031	4,757	20,145	67,473
Write-offs	-	(1,339)	(2,601)	(30)	(43)	(1,018)	(1,103)	(274)	(6,408)
Transfers	148	20,846	4,613	141	66	260	(4,451)	(21,623)	-
Depreciation	-	(4,204)	(16,345)	(1,107)	(1,314)	(944)	(3,462)	-	(27,376)
Balance as of December 31, 2011	24,729	140,135	125,930	8,084	4,255	5,101	4,065	41,268	353,567
Cost of property, plant and equipment	24,729	224,438	267,126	15,640	14,942	10,069	9,854	41,268	608,066
Accumulated depreciation	-	(84,303)	(141,196)	(7,556)	(10,687)	(4,968)	(5,789)	-	(254,499)
Residual value	24,729	140,135	125,930	8,084	4,255	5,101	4,065	41,268	353,567
Balance as of December 31, 2011	24,729	140,135	125,930	8,084	4,255	5,101	4,065	41,268	353,567
Exchange effect	447	4,198	4,341	323	(3)	227	231	(1,161)	8,603
Additions	5,577	36,407	50,508	1,956	4,614	2,772	1,913	27,387	131,134
Write-offs	-	(289)	(802)	(46)	(208)	(230)	(3)	(1,036)	(2,614)
Transfers	474	4,244	3,110	356	(7)	-	-	(8,177)	-
Depreciation	-	(5,699)	(24,333)	(1,429)	(1,708)	(1,377)	(1,229)	-	(35,775)
Balance as of December 31, 2012	31,227	178,996	158,754	9,244	6,943	6,493	4,977	58,281	454,915
Cost of property, plant and equipment	31,227	269,649	343,916	18,702	16,758	12,921	11,742	58,281	763,196
Accumulated depreciation	-	(90,653)	(185,162)	(9,458)	(9,815)	(6,428)	(6,765)	-	(308,281)
Residual value	31,227	178,996	158,754	9,244	6,943	6,493	4,977	58,281	454,915
Annual depreciation rates - %		2.0	8.3	8.3	20.0	20.0	13.0		

Property, plant and equipment items of the subsidiary Ciferal of R$ 13,500 as of December 31, 2012 were submitted as guarantee of loans obtained under the Fund for Financing of Studies and Projects (FINEP) program (December 31, 2011 - R$ 13,500).

Land and buildings mainly comprise plants and offices.

13 Goodwill and intangible assets

(a) Summary of changes in the parent's company intangible assets

	Softwares	Registered Trademarks And licenses	Total
Balance as of January 1, 2011	15,210	130	15,340
Additions	1,367	-	1,367
Write-offs	(2)	-	(2)
Amortization	(7,095)	(36)	(7,131)
Balance as of December 31, 2011	9,480	94	9,574
Cost of intangible assets	43,867	1,216	45,083
Accumulated amortization	(34,387)	(1,122)	(35,509)
Residual value	9,480	94	9,574
Balance as of December 31, 2011	9,480	94	9,574
Additions	2,640	6	2,646
Write-offs	(51)	-	(51)
Amortizations	(7,361)	(27)	(7,388)
Balance as of December 31, 2012	4,708	73	4,781
Cost of intangible assets	46,092	1,223	47,315
Accumulated amortization	(41,384)	(1,150)	(42,534)
Residual balance	4,708	73	4,781
Annual amortization rate - %	20.0	7.0	

(b) Summary of changes in the consolidated intangible assets

	Softwares	Registered Trademarks And licenses	Client Portfolio	Other Intangibles	Goodwill	Total
Balance as of January 1, 2011	.	378	-	-	55,926	72,842
Exchange effects	36	-	-	-	-	36
Additions	1,791	15	-	1,318	9,527	12,651
Write-offs	(26)	-	-	-	-	(26)
Transfers	1,318	-	-	(1,318)	-	-
Amortizations	(8,172)	(36)	-	-	-	(8,208)
Balance as of December 31, 2011	11,485	357	-	-	65,453	77,295
Cost of intangible assets	49,599	1,480	-	497	65,453	117,029
Accumulated amortization	(38,114)	(1,123)	-	(497)	-	(39,734)
Residual value	11,485	357	-	-	65,453	77,295
Balance as of December 31, 2011	11,485	357	-	-	65,453	77,295
Exchange effects	26	-	306	1,730	15,112	17,174
Additions	4,876	70	-	6,002	128,270	139,218
Write-offs	(55)	-	-	-	-	(55)
Transfers	-	-	16,947	7,376	(24,323)	-
Amortizations	(9,408)	(27)	(3,234)	(123)	-	(12,792)
Balance as of December 31, 2012	6,924	400	14,019	14,985	184,512	220,840
Cost of intangible assets	53,642	1,550	17,234	15,153	184,512	272,091
Accumulated amortization	(46,718)	(1,150)	(3,215)	(168)	-	(51,251)
Residual value	6,924	400	14,019	14,985	184,512	220,840
Annual amortization rates - %	20.0	8.3	25.0	10.0		

(c) Goodwill impairment test

Comprises the goodwill generated in the acquisition of San Marino and Loma investments totalizing R$ 65,453, where R$ 35,002 for San Marino and R$ 30,451 for Loma.

The projections were elaborated for a five year period and the premisses used for determining the fair value through the discounted cash flow method includes cash flow projections based on management estimatives for future flows, discount rates and growth rates.

The average assumptions used in the calculation of the cash-generating unit are as follows:

	San Marino		Loma	
				Percentage
Goodwill impairment test	**2012**	**2011**	**2012**	**2011**
Budgeted Gross Margin	17.20	19.50	19.60	29.60
Expected growth rate	18.70	8.08	23.70	15.50
Discount rate	9.10	10.70	9.10	10.73

14 Related parties\

(a) Saldos e transações com partes relacionadas

The main asset and liability balances at December 31, 2012, as well as the transactions with related parties that influenced the statement of income in the period, are detailed below:

	Asset balances of loans and current accounts	Liability balances of loans and current accounts	Other payables	Trade accounts receivable	Trade payables	Sales of goods/ services	Purchase of goods/ services	Financial revenue	Financial expenses
Subsidiary									
Ciferal	13,931	-	-	15,133	162	70,660	3,617	-	-
GB Polo	22,130	-	-	1,792	-	423	-	356	-
Ilmot	249	-	-	-	-	-	-	11	-
Loma Hermosa	-	-	-	701	-	715	-	-	-
Mac	-	-	-	185	-	427	-	-	-
Mapla	-	20	-	-	-	-	-	-	-
Masa	-	-	-	11,197	-	27,197	-	-	-
Moneo Investimentos	6	-	-	-	-	20	-	4	-
MPC	-	-	9,048	295	-	-	-	-	-
Polo Serviços	-	-	-	-	-	-	-	1	2
Polomex	-	-	-	8,435	-	38,977	-	-	-
Polorus	-	-	-	-	-	-	705	-	-
San Marino	-	-	-	404	55	1,319	-	-	-
Superpolo	-	-	-	1,835	-	7,772	-	-	-
Syncroparts	1	-	-	-	-	-	-	1	-
TMML	-	-	-	8,343	-	5,681	-	-	-
Trading	28	-	-	-	-	-	-	1	1
Volare Veículos	518	-	-	-	-	-	-	-	-
Volare Comércio	79	-	-	-	-	-	-	1	-
Balance at 2012	36,942	20	9,048	48,320	217	153,191	4,322	375	3
Balance at 2011	20,432	30	49,080	49,080	187	174,269	3,440	274	-

	Asset balances of loans and current accounts	Liability balances of loans and current accounts	Other payables	Trade accounts receivable	Trade payables	Sales of goods/ services	Purchase of goods/ services	Financial revenue	Financial expenses
Associated companies									
MVC	-	-	-	229	973	1,572	7,174	-	-
Spheros	-	-	-	-	2,567	-	42,508	-	-
WSul	-	-	-	-	794	-	8,146	-	-
Balance at 2012	-	-	-	229	4,334	1,572	57,828	-	-
Balance at 2011	-	-	-	490	4,657	1,315	65,616	-	-

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

(b) Compensation of key management personnel

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

	2012				
	Fixed	**Variable**	**Retirement plan**	**Share based payments**	**Total**
Board of Directors and Executive Board	9,420	7,570	153	256	**17,399**
Non-executive officers	5,870	4,718	187	506	**11,281**
	15,290	12,288	340	762	**28,680**

As of December 31, 2012 the company exercised the purchase option of 388,800 preferred shares of management and employees of Marcopolo per R$ 6.75 per share, using treasuary shares, according to Marcopolo's share purchase option plan.

	2011			
	Fixed	**Variable**	**Retirement plan**	**Total**
Board of Directors and Executive Board	9.002	7.699	112	**16.813**
Non-executive officers	5.314	3.069	167	**8.550**
	14.316	10.768	279	**25.363**

As of December 31, 2011 the company exercised the purchase option of 1,068,901 preferred shares of management and employees of Marcopolo per R$ 5.75 per share, using treasuary shares, according to Marcopolo's share purchase option plan.

15 Loans and financing

	Weighted Average Rate	**Due date Vencimento**	**Parent company 2012**	**Parent company 2011**	**Consolidated 2012**	**Consolidated 2011**
Local currency						
FINAME	6.41	2015 a 2022	12,067	9,474	18,627	13,356
Bank loans	6.43	2013 a 2021	929	1,414	28,864	8,980
FINEP	4.76	2014 a 2020	118,034	107,312	132,902	116,156
Special pre-shipment financing(*)	5.33	2013	360,282	648,166	360,282	648,166
Foreign currency						
Advances on export contracts	2.15	2013	52,883	20,666	59,301	20,666
Export prepayments in US dollar	4.11	2013	14,836	48,272	14,836	48,272
Financing in dollar	2.03	2013	-	-	10,750	19,377
Financing in Argentine peso	19.44	2013	-	-	8,245	4,885
Financing in Colombian peso	6.97	2013 a 2015	-	-	12,217	11,563
Financing in Indian rupee	4.45	2013 a 2026	-	-	5,297	13,617
Financing in rands	8.50	2014	-	-	30	-
Financing in renminbi	5.69	2013	-	-	10,846	6,237

	Weighted Average Rate	Due date Vencimento	Parent company 2012	Parent company 2011	Consolidated 2012	Consolidated 2011
Financing in Australian dollar	4.96	2013 a 2015	-	-	63,687	-
Related parties	Libor + 3.00	-	20	30	-	-
Money market funding						
Local currency						
BNDES	TJLP + 1.00	2018	-	-	614,844	571,063
			559,051	835,334	1,340,728	1,482,338
Current liability			(452,445)	(376,839)	(757,412)	(612,529)
Non-current liability			106,606	458,495	583,316	869,809

(*) BNDES credit line used for producing exportation goods, where the shipment must occur no later than 3 years after the initial contract.

The long-term installments have the following payment schedule:

	Parent company 2012	Parent company 2011	Consolidated 2012	Consolidated 2011
From 13 to 24 months	22,895	395,935	202,861	564,100
From 25 to 36 months	62,047	52,894	342,839	295,874
After 36 months	21,664	9,666	37,616	9,835
	106,606	458,495	583,316	869,809

(a) Loans and financing

The FINAME (Government Agency for Machinery and Equipment Financing) loans are guaranteed by liens on the financed assets, totaling R$ 18,627 as of December 31, 2012 (R$ 13,356 as of December 31, 2011) and the FINEP (Fund for Financing Studies and Projects) loan is guaranteed by real estate of R$ 15,800.

(b) Money market funding

Funds obtained in the money market are received by Banco Moneo from the National Bank for Economic and Social Development (BNDES) to finance FINAME loans. These liabilities incur financial charges of 1% per annum in addition to TJLP.

The face value and the fair value of long-term installments of money market funds are as follows:

	Face value (future)		Fair value (present)	
	2012	**2011**	**2012**	**2011**
From 1 to 12 months	217,468	210,516	194,334	182,722
From 13 to 24 months	179,057	173,205	164,158	154,728
From 25 to 36 months	126,375	124,076	118,264	113,802
After 36 months	142,365	127,134	138,088	119,811
	665,265	634,931	614,844	571,063

The face value of loans in current liabilities approximates the fair value.

16 Provisions

(a) Civil, labor and tax contingencies

The Company is a party to labor, civil, tax and other lawsuits in progress, and is disputing them at the administrative and judicial levels, which, when applicable, are supported by judicial deposits. The provisions for any losses under these proceedings are estimated and restated by Management, relaying on the opinion of its independent and in-house legal advisers.

The contingencies as of December 31, 2012 and December 31, 2011, which are considered to be probable and possible losses, according to the opinion of legal counsel, are shown below. Contingencies involving probable risks of loss have been provisioned for.

	Parent company			
	2012		**2011**	
Nature	**Probable**	**Possible**	**Probable**	**Possible**
Civil	181	147	200	83
Labor	2,314	4,628	1,733	3,465
Tax	4,108	151,888	4,108	169,520
	6,603	156,663	6,041	173,068

	Consolidated			
	2012		**2011**	
Nature	**Probable**	**Possible**	**Probable**	**Possible**
Civil	581	609	582	83
Labor	6,117	4,628	4,069	3,465
Tax	11,665	170,818	11,421	185,538
	18,363	176,055	16,072	189,086

Judicial deposits	Parent company		Consolidated	
	2012	2011	2012	2011
Civil	964	964	1,583	1,503
Labor	319	436	2,072	1,454
Tax	4,564	3,206	9,335	7,362
	5,847	4,606	12,990	10,319

(i) Civil and labor claims

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

(ii) Tax contingencies

The Company and its subsidiaries are party to various tax lawsuits. The nature of the principal lawsuits is detailed below:

. Provisioned for:

	Parent company		Consolidated	
	2012	2011	2012	2011
ICMS – Transfer of credits (i)	3,144	3,144	3,144	3,144
COFINS – increase in rate (ii)	-	-	7,362	7,118
Other contingent liabilities of lesser amounts	964	964	1,159	1,159
	4,108	4,108	11,665	11,421

(i) Contingencies regarding the discussion on the transfer to suppliers of ICMS credits arising from exports.

(ii) Contingencies relating to the increase in the Social Contribution on Revenues (COFINS) introduced by Law 9718/98. The lawsuits are still in progress at the judicial level.

. Not provisioned for:

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
PIS, COFINS e FINSOCIAL - offset	5,156	4,762	5,156	4,762
IRPJ – understated inflationary profit	2,035	1,880	2,035	1,880
IRPJ e CSLL on exports intermediated by export companies (i)	114,083	159,953	114,083	159,953
IRPJ e CSLL – overseas profit (ii)	12,089	-	12,089	-
ICMS – shipment of goods with reduced tax rate to non-taxpayers (iii)	-	-	13,866	13,013
ICMS – disreputable documents (iv)	10,808	-	10,808	-
ISS – services received from third parties	3,168	2,925	3,168	2,925
INSS – services taken from legal entities	4,549	-	4,549	-
Other contingent liabilities of lesses amounts	-	-	5,064	3,005
	151,888	169,520	170,818	185,538

(i) Contingencies deemed as possible loss, regarding IRPJ and CSLL allegedly due on exports intermediated by offshore subsidiaries, carried out in the period from 1999 to 2007 which, according to the tax authorities, characterize simulated transactions. The processes are awaiting judgment of the appeals to the Administrative Board of Tax Appeals. In September 2011, in the processes related to calendar years 2001-2007 the Administrative Board of Tax Appeals (CARF) unanimously ruled in favor of the Company, fully canceling the tax assessment notices. In July 2012 the above decision was upheld by the Superior Chamber of Tax Appeals of the Board of Tax Appeals. The process with respect to the calendar year of 2003 had become final.

(ii) Contingency whose perspective of loss is considered possible related to the consolidation of overseas results from indirect subsidiaries, prior to offer profits to taxation in Brazil. The disputes are in progress at the Brazilian Internal Revenue Service.

(iii) Contingency of a subsidiary, deemed as possible loss, regarding ICMS liabilities from shipments of goods with a reduced tax rate to non-taxpayers established out of the state. The disputes are in progress at the Taxpayers Council of the State of Rio de Janeiro.

(iv) Contingency, deemed as possible loss, regarding ICMS liabilities for alleged issue tax documents with error in rate application to non-taxpayers established out of the state. The disputes are in progress at the Taxpayers Council of the State of São Paulo.

There are other contingent liabilities, with lower values, totaling R$ 19,972 (R$ 12,572 in December 31, 2011 for which unfavorable outcomes are assessed as possible.

(b) Contingent assets

Contingent assets are summarized below, together with the possibilities of a favorable outcome, according to the opinion of legal counsel:

	Consolidated			
	2012		2011	
Nature	Probable	Possible	Probable	Possible
Contingent				
Tax	9,605	8,550	19,000	17,270
Social Security	-	1,855	3,320	1,715
	9,605	10,405	22,320	18,985

(i) Tax contingencies

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

- Excise Tax - IPI.
- Social Integration Program - PIS and Tax for Social Security Financing - COFINS.
- Corporate Income Tax - IRPJ and Social Contribution on Net Income - CSLL.
- Tax on Financial Transactions (IOF) and Income Tax Withheld at Source (IRRF).
- Eletrobrás compulsory loan.
- ICMS on consumption and usage materials.

(ii) Social security contingencies

- National Institute of Social Security (INSS) contribution.

The Company has not recorded contingency gains, since they only recognized once the lawsuit has became final or the financial asset is effectively received.

17 Pension plan and retirement benefits for employees

Marcopolo 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 government social security benefits to all employees of the sponsors: Marcopolo (main sponsor), Syncroparts, Trading, Polo Serviços, Banco Moneo and Fundação Marcopolo. The total consolidated contributions for the period ended as of December 31, 2012 is R$ 9,670 (R$ 8,845 in 2011). The actuarial method for determining the cost and contributions is the capitalization method. This is a mixed plan, with features that are both defined benefit, where the sponsor is solely responsible for the contributions, and defined contribution, where the sponsor and participant are responsible for the contributions on an optional basis.

As of December 31, 2012 and 2011, amounts related to post-employment benefits were determined in the annual actuarial assessment carried out by independent actuaries and were recognized in the financial statements.

The balance booked in the financial statement is as follows:

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
Present value of actuarial liabilities	(231,722)	(159,903)	(233,440)	(159,903)
Fair value of active plans	188,665	160,291	190,072	160,291
Surplus not subject to refund or reduction in future contributions	-	(388)	-	(388)
Liability to be recognized	(43,057)	-	(43,368)	-

According to the retirement plan statute and the installment recorded for the supplementary retirement plan it is not possible to reimburse the amounts, increase the benefit or reduce future contributions. Therefore, the asset originated from the plan surplus was not recorded as of December 31, 2011 and 2010.

The changes over the benefit liability occurred during the year is described as follows:

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
As of January 1	388	2.434	388	2.434
Plan participants contributions	8.497	7.741	8.602	7.741
Actuarial (gains) / losses	(51.586)	(8.862)	(51.871)	(8.862)
Recognized net (expenses)/revenue	(356)	(925)	(487)	(925)
As of December 31	(43.057)	388	(43.368)	388

Changes in the fair value of the employee benefit plan are demonstrated below:

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
As of January 1	160,291	144,201	160,291	144,201
Sponsors contribution	8,497	7,741	8,602	7,741
Employees contribution	559	445	569	445
Benefits paid	(6,475)	(5,788)	(6,475)	(5,788)
Expected return of active plans	26,578	16,400	27,870	16,400
Actuarial gains (losses)	(785)	(2,708)	(785)	(2,708)
As of December 31	188,665	160,291	190,072	160,291

Changes in the actuarial liability are demonstrated below:

	Controladora		Consolidado	
	2012	2011	2012	2011
As of January 1	159,903	141,767	159,903	141,767
Actuarial gains (losses)	57,873	6,184	59,352	6,184
Current service costs	4,134	3,805	4,283	3,805
Financial costs	15,728	13,935	15,808	13,935
Employees contribution	559	-	569	-
Benefits paid	(6,475)	(5,788)	(6,475)	(5,788)
As of December 31	231,722	159,903	233,440	159,903

Amounts recorded in the income statement are:

	Parent company		Consolidated	
	2012	2011	2012	2011
Current service costs	4,134	3,805	4,283	3,805
Financial costs	15,728	13,935	15,808	13,935
Expected return over plan assets	(19,894)	(16,400)	(19,997)	(16,400)
Employees contributions	-	(415)	-	(415)
Total included as personal cost	(32)	925	94	925

The mains actuarial assumptions are:

. **Economic hypothesis**

	Percentage p.a.			
	Parent company		Consolidated	
	2012	2011	2012	2011
Discount rate (*)	8.64	10.08	8.64	10.08
Return rate expected over plan’s assets	8.64	12.39	8.64	12.39
Future salary increments	7.63	7.37	7.63	7.37
Inflation	4.50	4.24	4.50	4.24

(*) The discount rate is: inflation 4.50% p.a. plus interests of 3.96%p.a for 2012 (inflation 4.24%p.a. plus interests of 5.60%p.a. for 2011).

. **Demographic hypothesys**

	Percentual p.a.			
	Parent company		Consolidated	
	2012	2011	2012	2011
Mortality table	AT 2000	AT 2000	AT 2000	AT 2000
Invalid and mortality table	RRB 1983	RRB 1983	RRB 1983	RRB 1983
Invalid entrance table	RRB 1944	RRB 1944	RRB 1944	RRB 1944

18 Income and social contribution taxes

(a) Deferred income and social contribution taxes

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

	Parent company		Consolidated	
	2012	2011	2012	2011
Assets				
Provision for technical assistance	19,753	20,407	25,223	24,230
Provision for commission	26,595	20,815	31,470	26,116
Allowance for doubtful accounts	1,004	10,164	18,109	47,112
Provision for profit sharing	26,636	34,015	32,417	41,651
Provision for contingencies	6,603	6,041	18,363	16,072
Provision for sureties with third parties	704	1,414	704	1,414
Provision for inventory losses	417	389	4,366	3,014
Provisions for outsourced services	16,583	14,416	16,583	7,163
Employees benefit	43,057	-	43,368	-
Appropriation of (gains) losses on derivatives	(3,380)	3,639	(3,276)	4,690
Adjustment to present value	2,908	2,155	2,908	2,844
Other provisions	(18,668)	(6,466)	9,347	27,117
Tax loss/negative social contribution base	-	-	77	321
Calculation basis	122,212	106,989	199,659	201,744
Standard rate - %	34	34	34	34
Deferred income and social contribution taxes	41,552	36,376	67,884	68,593

(b) Estimative of realization of income taxes

The recovery of deferred tax assets is based on estimates of taxable income, as well as on the realization of temporary differences, in the following periods:

	Parent company		Consolidated	
	2012	2011	2012	2011
From 13 to 24 months	41,552	36,376	67,884	68,593
	41,552	36,376	67,884	68,593

(c) Reconciliation of current income taxes and social contribution

	Parent company		Consolidated	
	2012	2011	2012	2011
Reconciliation				
Net income before income tax and social contribution	351,639	431,255	409,143	495,960
Standard rate - %	34	34	34	34
	119,557	146,627	139,109	168,626
Permanent addition and exclusions				
Equity in net income of subsidiaries	(32,183)	(43,505)	(3,194)	(2,857)
Juros sobre capital próprio	(21,436)	-	(21,436)	-
PDI tax incentive (i)	(9,078)	(11,759)	(9,078)	(11,759)
Management profit sharing	(2,574)	(2,617)	(2,574)	(2,617)
IR/CS over foreign income	(578)	1,683	(578)	1,683
Other additions (exclusions)	1,946	(1,477)	4,567	(1,139)
	55,654	88,952	106,816	151,937
Income and social contribution taxes				
Current	(60,830)	(111,282)	(106,107)	(177,215)
Deferred	5,176	22,330	(709)	25,278
	55,654	88,952	106,816	151,937

(i) Incentive – Industrial development program;
(ii) Tax over fiscal accruals

19 Equity

(a) Capital social

The authorized Parent Company's capital is 2,100,000,000 share, where 700,000,000 are common shares and 1,400,000 are preferred shares, nominal and with no nominal value.

As of December 31, 2012, subscribed and paid-in capital consisted of 448,450,042 (448,450,042 as of December 31, 2011) registered shares with no par value, of which 170,812,872 are common shares and 277,637,170 are preferred shares.

Of the total subscribed capital, 147,242,700 (December 31, 2011 - 144,956,838) preferred shares are held by stockholders abroad.

(b) Reserves

(i) Legal reserves

Constituted at the rate of 5% of the net income determined in each financial year pursuant to article 193 of Law 6.404/76 up to the limit of 20% of the share capital.

(ii) Statutory reserves

At least 25% (twenty-five percent) of the remaining balance of profit is appropriated for the payment of a compulsory dividend on all shares of the Company. The remaining balance of profit is fully appropriated to the following reserves:

- Reserve for future capital increase - to be used for future capital increases and established at 70% of the remaining balance of the profit for each year, but the balance cannot exceed 60% of share capital.

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

Reserve for the purchase of own shares - to be used for the purchase of the Company's own shares, to be canceled, held in treasury and/or sold, and established at 15% of the remaining balance of the profit for each year, but the balance cannot exceed 10% of share capital..

(c) Treasury stock

Treasury stock comprises 1,298,240 preferred nominative shares, purchased at the average cost of R$ 6.0073 per share. The market value of the treasury stock, calculated at the closing date for the period, was R$ 7,798. According to article 168 (3) of Brazilian Corporation Law and CVM Instruction No. 390/03, the shares will be utilized to grant managers and employees share purchase options, pursuant to the Stock Option Plan approved by the Extraordinary General Meeting held on December 22, 2005.

20 Interest on shareholders' equity – Law 9249/95 and dividends

As permitted by Law 9249/95, the Company approved, calculated interest on shareholders' equity based on Long Term Interest Rate (TJLP) of the current period total gross amount of R$ 63,046 (December 31, 2011 - R$ 54,509), being paid R$ 15,648 after June 29, 2012, with the ratio of R$ 0.035 per share, R$ 15.650 after September 28, 2012, with the ratio of R$ 0.035 per share, R$ 15,650 after December 28, 2012, with the ratio of R$ 0.035 per share and R$ 16.097 after March 28, 2013, with the ratio of R$ 0.036 per share, for common shares and the same for preferred shares, which were recorded as a financial expense, as requested per local applicable fiscal law. For financial statement purposes, the interests were eliminated from the financial expense and are presented in accumulated profit account agains cash and cash equivalent account.

The Income and social contribution tax were reduced per R$ 21,436 (R$ 18,533 in 2011), approximately, due to the reduction of those taxes per the interest on shareholders' equity guaranteed to the shareholders.

Additionally, as of December 31, 2012, Marcopolo proposed to pay dividends base on the current exercise, in a total amount of R$ 80,040 (R$ 111,593 in 2011) to be paid after march 28, 2013, with the ratio of R$ 0.36 per representative share the Companys' equity, approved in December 19, 2012, in the Management Board Meeting.

Minimum dividends calculation:

	2012	2011
Net income (Parent company)	295,985	342,303
Legal Reserve (5%)	(14,799)	(17,115)
Dividends base	281,186	325,188
Minimum mandatory dividends (25%)	70,296	81,297
Additional dividends proposed	72,790	84,805
Total dividends proposed per Management	143,086	166,102
Intermediate dividends paid	48,676	40,281
Minimum dividends to be paid – current liability	21,620	41,016
Additional dividends proposed	72,790	84,805
Interest on shareholders' equity allocated to dividends		
Gross value	63,046	54,509
Withholding Income Tax(15%)	(9,457)	(8,176)
Suspended Withholding income tax	2,540	1,986
Net value of credited interests	56,129	48,319
Antecipated dividends credited	80,040	111,593
Net value of interest, credited dividends and proposed dividends	136,169	159,912

The amount of the referred interests were allocated to mandatory dividends declared in advance, since the current exercise is according to item V of CVM deliberation number 207/96.

The minimum mandatory dividends are demonstraded in 2011 as a legal liability (accrued as a current liability) and the dividend excess to the minimum as a income to be distributed reserve.

21 Insurance coverage (not audited)

As of December 31, 2012, the Company had insurance coverage against fire and other risks to the assets comprising the property, plant and equipment and inventory, at amounts deemed sufficient to cover any losses. Given their nature, the risk assumptions adopted do not comprise the scope of a financial statements audit, and were not therefore examined by our independent auditors.

The main insurance policies cover:

		Consolidated	
Asset's nature	**Valor patrimonial**	**2012**	**2011**
Inventories and warehouses	Fire and sundry risks	353,856	407,869
Buildings and contents	Fire and sundry risks	513,853	515,007
Vehicles	Collision, civil liability	23,900	20,497
		891,609	943,373

22 Sureties and Guarantees

As of December 31, 2012, the Company had issued sureties and/or guarantees of R$ 11,047 (December 31, 2011 - R$ 20,829), in connection with the financing of customers by banks, which has as a counter-guarantee the respective assets financed.

23 Employee profit sharing

During 2012, according to Law number 10.101 of December 19, 2000, Management opted to pay the employee profit sharing semiannually, being paid in July 2012 one part, and the rest in February 2013.

The employee profit sharing was calculated in accordance with the terms established in the Instrument for the Agreement of the Marcopolo Targets/Efficiency Program (EFIMAR), dated March 22, 2012, which was approved by the employee union.

The amounts were classified in the statement of income as follows:

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
Cost of goods sold and services provided	28,236	33,225	34,825	41,265
Sales expenses	4,075	5,562	4,252	5,832
Administrative expenses	3,557	4,623	5,182	6,234
	35,868	43,410	44,529	53,331

24 Revenue

The reconciliation between gross sales and net revenue is as follows:

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
Gross Sales	3,062,488	2,773,698	4,647,747	4,133,517
Sales taxes and returns	(639,819)	(570,487)	(830,613)	(764,641)
Net revenue	2,422,669	2,203,211	3,817,134	3,368,876

25 Expenses by nature

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
Raw material and consumables	1,802,541	1,589,671	2,752,087	2,404,363
Direct remuneration	280,116	275,902	500,613	418,568
Management remuneration	17,436	15,842	17,436	15,842
Employee profit sharing	35,868	43,410	44,259	53,331
Depreciation and amortization charges	22,034	20,425	48,567	35,584
Private pension plan expenses	9,670	8,845	9,670	8,845
Other expenses	13,902	8,196	61,953	8,966
Total Sales costs, distribution costs and administrative expenses	2,181,567	1,962,291	3,434,585	2,945,499

26 Financial income

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
Financial revenue				
Interest earnings	12,563	12,900	15,585	16,941
Derivative operation income	14,606	14,051	17,285	15,643
Income on short-term investments	54,118	82,480	60,651	87,703
Exchange variance	48,478	39,944	54,451	54,532
Exchange variance over derivatives	25,941	28,909	28,121	29,605
Present value adjustment of accounts receivable	23,417	31,605	33,574	45,411
	179,123	209,889	209,667	249,835
Financial expenses				
Interest on loans and financing	35,464	36,817	49,965	45,159
Exchange variance	46,801	29,034	54,848	46,267
Exchange variance over derivatives	47,048	49,526	53,756	56,195
Banks expenses	4,327	4,863	9,871	6,313
Present value adjustment of accounts payable	17,168	21,476	23,310	28,423
	150,808	141,716	191,750	182,357
Financial income, net	28,315	68,173	17,917	67,478

27 Earning per share

(a) Basic

The Company calculates basic earnings per share by dividing the net income attributable to the company's shareholders by the weighted average number of common shares issued in the year, excluding the shares purchased by the company and held as treasury stock.

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
Profit attributable to Marcopolo's shareholders From continuing operations	295,985	342,303	302,357	344,023
Weighted average number of shares outstanding (in thousands)	447,152	446,372	447,152	446,372
Earnings per share – from continuing operations	0.6619	0.7669	0.6762	0.7707

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of common and preferred shares outstanding to assume conversion of all dilutive potential common shares. The Company considers as dilution effect of common and preferred shares, the exercise of share options by employees and management. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Parent company		Consolidated	
	2012	**2011**	**2012**	**2011**
Profit attributable to Marcopolo's shareholders From continuing operations	295,985	342,303	302,357	344,023
Weighted average number of shares outstanding (in thousands)	447,152	446,372	447,152	446,372
Adjustments: - Exercising of share call options	1,298	2,078	1,298	2,078
Earnings per share – from continuing operations	0.6600	0.7633	0.6742	0.7671

28 Balance sheets and statement of income by segment

The industrial segment produces bus bodies and spare parts. The financial segment is responsible for financing transactions through Banco Moneo.

Balance sheet

	Consolidated		Industrial Segment		Financial Segment	
	2012	2011	2012	2011	2012	2011
Assets						
Current						
Cash and cash equivalent	393,945	904,318	359,564	850,257	34,381	54,061
Financial assets stated at fair value	132,167	1,803	132,167	1,803	-	-
Derivative financial instruments	3,523	591	3,523	591	-	-
Credits	1,127,115	920,217	866,921	675,030	260,194	245,187
Inventory	409,502	368,330	409,502	368,330	-	-
Other accounts receivable	170,598	99,584	132,836	91,854	37,762	7,730
	2,236,850	2,294,843	1,904,513	1,987,865	332,337	306,978
Non-current						
Long Term						
Credit	471,964	433,825	729	-	471,235	433,825
Other accounts receivable	88,308	199,799	81,870	183,781	6,438	16,018
Investments	39,198	21,802	39,198	21,802	-	-
Property, plant and equipment	454,915	353,567	454,518	353,145	397	422
Goodwill and intangible	220,840	77,295	220,498	76,974	342	321
	1,275,225	1,086,288	796,813	635,702	478,412	450,586
Total assets	3,512,075	3,381,131	2,701,326	2,623,567	810,749	757,564
Liabilities						
Current						
Trade payables	382,264	324,261	382,264	324,261		
Loans and financing	757,412	612,529	563,078	429,807	194,334	182,722
Derivative financial instruments	247	4,690	247	4,690		
Other accounts payable	356,856	379,785	338,945	352,697	17,911	27,088
	1,496,779	1,321,265	1,284,534	1,111,455	212,245	209,810
Noncurrent						
Financial institutions	583,316	869,809	162,806	481,468	420,510	388,341
Other accounts payable	119,536	18,565	119,225	18,565	311	-
	702,852	888,374	282,031	500,033	420,821	388,341
Minority Interest	12,519	9,348	12,519	9,348	-	-
Shareholders' equity	1,299,925	1,162,144	1,122,242	1,002,731	177,683	159,413
Total liabilities	3,512,075	3,381,131	2,701,326	2,623,567	810,749	757,564

Statement of Income

	Consolidated		Industrial Segment		Financial Segment	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Continued operations						
Net revenue from Sales and services	3,817,134	3,368,876	3,755,961	3,309,372	61,173	59,504
Cost of goods sold and services provided	(3,041,141)	(2,627,180)	(3,041,141)	(2,627,180)	-	-
Gross profit	775,993	741,696	714,820	682,192	61,173	59,504
Operational expenses(income)						
Sales	(220,223)	(173,520)	(217,276)	(174,568)	(2,947)	1,048
Administrative expenses	(173,221)	(144,799)	(160,645)	(131,831)	(12,576)	(12,968)
Other net operating income (expenses)	(683)	(3,299)	942	1,336	(1,625)	(4,635)
Equity in net income of subsidaries	9,390	8,404	9,390	8,404	-	-
Operating profit before financial income and equity interest	391,256	428,482	347,231	385,533	44,025	42,949
Financial income						
Financial revenue	209,667	249,835	209,667	249,835	-	-
Financial expenses	(191,750)	(182,357)	(191,750)	(182,357)	-	-
Profit before income and social contribution taxes	409,173	495,960	365,148	453,011	44,025	42,949
Income and social contribution taxes	(106,816)	(151,937)	(88,545)	(134,781)	(18,271)	(17,156)
Net income for the period from continuing operations	302,357	344,023	276,603	318,230	25,754	25,793

29 Statement of cash flow by business segment – indirect method

	Consolidated		Industrial Segment		Financial Segment	
	2012	2011	2012	2011	2012	2011
Cash flow from operating activities						
Net income in the period	**302.357**	**344.023**	**276.603**	**318.230**	**25.754**	**25.793**
Reconciliation of income (loss) to cash provided by operating activities:						
Depreciation and amortization	48,567	35,584	48,328	35,404	239	180
Cost on the Sales of permanent assets	1,625	9,742	1,625	9,742	-	-
Equity in net income of subsidiaries	(9,390)	(8,404)	(9,390)	(8,404)	-	-
Allowance for doubtful accounts	12,155	(5,780)	12,771	(4,331)	(616)	(1,449)
Deferred income and social contribution taxes	709	(25,278)	(3,494)	(26,105)	4,203	(827)
Interest and variance appropriated	47,537	53,603	14,335	20,609	33,202	32,994
Non-controlling interests	2,328	879	2,328	879	-	-
Changes in assets and liabilities						
(Increase) decrease in accounts receivable	(246,010)	(106,816)	(194,209)	(78,771)	(51,801)	(28,045)
(Increase) decrease in inventories	(29,628)	(54,468)	(29,628)	(54,468)	-	-
(Increase) decrease in other accounts receivable	(73,197)	56,970	(52,745)	52,302	(20,452)	(4,668)
(Increase) decrease in securities	(16,925)	63,424	(16,925)	63,424	-	-
Increase (decrease) in trade payables	49,585	16,391	49,585	16,391	-	-
Increase (decrease) in actuarial liabilities	43,368	-	43,057	-	311	
Increase (decrease) in trade payables and provisions	105,918	179,131	106,715	158,671	(797)	31,450
Cash provided in operating activities	**238,999**	**559,001**	**248,956**	**503,573**	**(9,957)**	**55,428**
Taxes paid over income	(106,107)	(177,215)	(92,039)	(160,886)	(14,068)	(16,329)
Net cash provided by operating activities	**132,892**	**381,786**	**156,917**	**342,687**	**(24,025)**	**39,099**
Cash flow from investment activities						
Investments	(12,024)	(86)	(12,024)	(86)	-	-
Subsidiary dividends	4,100	6,383	4,100	6,383	-	-
Permanent purchases	(270,352)	(80,124)	(270,117)	(79,918)	(235)	(206)
Receipt on sale of property, plant and equipment	1,044	(835)	1,044	(835)		
Net cash provided by investment activities	**(277,232)**	**(74,662)**	**(276,997)**	**(74,456)**	**(235)**	**(206)**
Cash flows from financing activities						
Gain on the sale of treasury stock	5,266	781	5,266	781	-	-
Dividends and interest on shareholders' equity paid	(167,137)	(149,376)	(161,137)	(143,256)	(6,000)	(6,120)
Obtainment of loans and financing	538,478	479,205	291,363	289,393	247,115	189,812
Payment of loans and financing	(744,884)	(408,641)	(508,349)	(185,926)	(236,535)	(222,715)
Net cash used in financing activities	**(368,277)**	**(78,031)**	**(372,857)**	**(39,008)**	**4,580**	**(39,023)**
Exchange variance on cash and cash equivalents	2,244	3,102	2,244	3,102	-	-
Net increase (decrease) in cash and cash equivalent	(510,373)	232,195	(490,693)	232,325	(19,680)	(130)

	Consolidated		Industrial Segment		Financial Segment	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Cash and cash equivalent at beginning of the period	904,318	672,123	850,257	617,932	54,061	54,191
Cash and cash equivalent at the end of the period	**393,945**	**904,318**	**359,564**	**850,257**	**34,381**	**54,061**

30 Consolidated financial statement and by segment, according to the new standards and interpretations.

Considering the implementation of IFRS10/CPC 36 (R3) and IFRS 11/CPC 19 (R2) after 2013, the company is demonstrating the effects of such new standards over the financial statement for 2012. The Company will only adopted the new standard after its approval and validaty.

Balance sheet

	Consolidated		Industrial Segment		Financial Segment	
	2012		**2012**		**2012**	
	Current	**IFRS 10**	**Current**	**IFRS 10**	**Current**	**IFRS 10**
Assets						
Current						
Cash and cash equivalent	393,945	374,219	359,564	339,838	34,381	34,381
Financial assets stated at fair value	132,167	131,763	132,167	131,763		
Derivative financial instruments	3,523	3,523	3,523	3,523		
Credits	1,127,115	1,069,324	866,921	809,130	260,194	260,194
Inventory	409,502	364,529	409,502	364,529		
Other accounts receivable	170,598	143,970	132,836	106,208	37,762	37,762
	2,236,850	2,087,328	1,904,513	1,754,991	332,337	332,337
Noncurrent						
Long Term						
Credit	471,964	471,235	729		471,235	471,235
Other accounts receivable	88,308	102,439	81,870	96,001	6,438	6,438
Investments	39,198	155,954	39,198	155,954		
Property, plant and equipment	454,915	298,808	454,518	298,411	397	397
Goodwill and intangible	220,840	213,659	220,498	213,317	342	342
	1,275,225	1,242,095	796,813	763,683	478,412	478,412
Total assets	3,512,075	3,329,423	2,701,326	2,518,674	810,749	810,749
Liabilities						
Current						
Trade payables	382,264	333,431	382,264	333,431		
Loans and financing	757,412	722,468	563,078	528,134	194,334	194,334
Derivative financial instruments	247	247	247	247		
Other accounts payable	356,856	317,739	338,945	299,828	17,911	17,911
	1,496,779	1,373,885	1,284,534	1,161,640	212,245	212,245
Noncurrent						
Financial institutions	583,316	527,997	162,806	107,487	420,510	420,510
Other accounts payable	119,536	115,097	119,225	114,786	311	311
	702,852	643,094	282,031	222,273	420,821	420,821

	Consolidated		Industrial Segment		Financial Segment	
	2012		2012		2012	
	Current	IFRS 10	Current	IFRS 10	Current	IFRS 10
Minority Interest	12,519	12,519	12,519	12,519		
Shareholders' equity	1,299,925	1,299,925	1,122,242	1,122,242	177,683	177,683
Total liabilities	3,512,075	3,329,423	2,701,326	2,518,674	810,749	810,749

Statement of Income

	Consolidated		Industrial segment		Financial segment	
	2012		2012		2012	
	Current	IFRS 10	Current	IFRS 10	Current	IFRS 10
Continued operations						
Net revenue from Sales and services	3,817,134	3,369,939	3,755,961	3,308,766	61,173	61,173
Cost of goods sold and services provided	(3,041,141)	(2,676,953)	(3,041,141)	(2,626,953)		
Gross profit	775,993	692,986	714,820	631,813	61,173	61,173
Operational expenses(income)						
Sales	(220,223)	(195,562)	(217,276)	(192,615)	(2,947)	(2,947)
Administrative expenses	(173,221)	(150,823)	(160,645)	(138,247)	(12,576)	(12,576)
Other net operating income (expenses)	(683)	455	942	2,080	(1,625)	(1,625)
Equity in net income of subsidaries	9,390	28,257	9,390	28,257		
Operating profit before financial income and equity interest	391,256	375,313	347,231	331,288	44,025	44,025
Financial income						
Financial revenue	209,667	200,953	209,667	200,953		
Financial expenses	(191,750)	(175,342)	(191,750)	(175,342)		
Profit before income and social contribution taxes	409,173	400,924	365,148	356,899	44,025	44,025
Income and social contribution taxes	(106,816)	(98,567)	(88,545)	(80,296)	(18,271)	(18,271)
Net income for the period from continuing operations	302,357	302,357	276,603	276,603	25,754	25,754

31 Additional information

The industrial segment operates in the geographic areas listed below. The financial segment operates exclusively in Brazil.

(a) Net revenue by geographic area

	Consolidated	
	2012	**2011**
Brazil	3,032,306	2,849,156
África	72,506	53,991
Argentina	67,302	96,783
Australia	259,732	-
China	35,414	22,708
Colombia	90,178	125,116
Índia	113,229	88,493
Mexico	137,678	122,016
Portugal	-	698
Virgin Islands	-	2,912
Russia	618	441
Egypt	8,171	6,562
	3,817,134	3,368,876

(b) Fixed assets, goodwill and intangible by geographic area

	Consolidated	
	2012	**2011**
Brazil	387,655	323,203
África	14,493	15,329
Argentina	8,535	9,094
Australia	159,331	-
China	3,631	1,755
Colombia	17,117	14,332
Egypt	25,085	25,358
Índia	46,573	35,756
Virgin Islands	3	5
Mexico	13,242	5,977
Portugal	8	11
Russia	46	2
Uruguay	36	40
	675,755	430,862

32 Subsequent events

Strategic investment contract

Marcopolo informs that in January 23, 2013 signed a strategic investment contract of C$ 116,4 million (Canadian dollars) to subscribe 11,087,834 new common shares to be issued by New Flyer Industries Inc., representing 19.99% of the Company's equity.

The common shares will be issued at C$ 10.50 per share. In the first moment Marcopolo will subscribe 4,925,530 new common shares to be issued in/or up to March 1st, 2013 for C$ 51,7 million, and the remaining 6,162,304 common shares will be subscribed by Marcopolo by the same unitary price in only one installment up to twelve months from this date based on New Flyer's investment or financing need. The investment is subjected to approval of Toronto Stock Exchange, Canada.

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