(A free translation of the original in Portuguese)

Marcopolo S.A.

Financial statements in accordance with accounting practices adopted in Brazil and IFRS at December 31, 2011 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

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

We have audited the accompanying financial statements of Marcopolo S.A. ("Parent company"), which comprise the balance sheet as at December 31, 2011 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.

We have also audited the accompanying consolidated financial statements of Marcopolo S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated 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, 2011, 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, 2011, 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, and the maintenance of the balance of deferred charges as at December 31, 2008, which is being amortized.

Other matters

Statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2011, 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.

Caxias do Sul, February 24, 2012

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

Carlos Alexandre Peres
Contador CRC 1SP198156/O-7 "S" RS

Marcopolo S.A.

Balance sheet at December 31

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

		Parent		Consolidated	
Assets	**Note**	**2011**	**2010**	**2011**	**2010**
Current assets					
Cash and cash equivalents	7	739,949	548,921	904,318	672,123
Financial assets at fair value through profit or loss	7	1,803	40,424	1,803	40,424
Derivative financial instruments	7		13,644	591	13,668
Trade receivables	8	489,699	416,026	920,217	810,464
Inventories	9	252,123	194,133	368,330	311,448
Taxes and contributions recoverable	10	30,187	65,356	53,466	87,144
Other receivables		31,789	33,258	46,118	55,238
		1,545,550	1,311,762	2,294,843	1,990,509
Non-current assets					
Long-term receivables					
Available-for-sale financial assets	7	116,152	127,980	116,371	128,096
Trade receivables	8			433,825	425,700
Related parties	14	20,432	19,408		
Taxes and contributions recoverable	10	1,712	1,669	3,792	2,975
Deferred income tax and social contribution	18	36,376	14,046	68,593	43,315
Judicial deposits	16	4,606	11,930	10,319	14,365
Other receivables		62	7,114	724	10,766
		179,340	182,147	633,624	625,217
Investments	11	602,025	487,348	21,802	22,272
Property, plant and equipment	12	157,903	139,868	353,567	318,761
Goodwill and intangible assets	13	9,574	15,340	77,295	72,842
		769,502	642,556	452,664	413,875
Total assets		2,494,392	2,136,465	3,381,131	3,029,601

		Parent		Consolidated	
Liabilities and equity	**Note**	**2011**	**2010**	**2011**	**2010**
Current liabilities					
Trade payables		221,384	195,589	324,261	306,901
Borrowings	15	376,809	58,031	612,529	267,412
Derivative financial instruments	7	3,639		4,690	788
Salaries and vacation pay		94,953	108,401	124,597	135,427
Taxes and contributions payable		26,838	36,820	69,774	64,938
Related parties	14	30	12		
Advances from customers		31,646	35,814	40,909	37,238
Commissioned representatives		20,551	12,361	27,788	17,031
Interest on capital and dividends	20	41,016	35,632	41,016	35,632
Management profit sharing		7,699	7,060	7,699	7,060
Other payables		39,103	42,841	68,002	76,309
		863,668	532,561	1,321,265	948,736
Non-current liabilities					
Borrowings	15	458,495	638,615	869,809	1,094,439
Provisions	16	6,041	4,510	16,072	17,444
Other payables				2,493	5,592
		464,536	643,125	888,374	1,117,475
Total liabilities		1,328,204	1,175,686	2,209,639	2,066,211
Equity - capital and reserves attributable to owners of the parent	19				
Share capital		700,000	700,000	700,000	700,000
Capital reserves		(1,578)	(790)	(1,578)	(790)
Revenue reserves		506,556	306,748	502,512	301,863
Carrying value adjustments		(26,305)	(31,125)	(26,305)	(31,125)
Treasury shares		(12,485)	(14,054)	(12,485)	(14,054)
		1,166,188	960,779	1,162,144	955,894
Non-controlling interests				9,348	7,496
		1,166,188	960,779	1,171,492	963,390
Total liabilities and equity		2,494,392	2,136,465	3,381,131	3,029,601

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

	Note	Parent		Consolidated	
		2011	2010	2011	2010
Continuing operations					
Net sales and services		2,203,211	1,977,132	3,368,876	2,964,499
Cost of sales and services	24	(1,755,765)	(1,595,613)	(2,627,180)	(2,333,156)
Gross profit		447,446	381,519	741,696	631,343
Distribution costs	24	(116,254)	(111,456)	(173,520)	(162,650)
Administrative expenses	24	(90,272)	(79,187)	(144,799)	(138,174)
Other operating income (expenses), net		(5,794)	6,350	(3,299)	26,189
Share of profit of subsidiaries and jointly-controlled entities	11	119,552	106,082		
Operating profit		354,678	303,308	420,078	356,708
Finance income	25	209,889	186,993	249,835	208,803
Finance costs	25	(141,716)	(107,965)	(182,357)	(130,638)
Finance result		68,173	79,028	67,478	78,165
Share of profit of associates	11	8,404	7,084	8,404	7,084
Profit before income tax and social contribution		431,255	389,420	495,960	441,957
Income tax and social contribution	18				
Current		(111,282)	(80,174)	(177,215)	(134,562)
Deferred		22,330	(13,198)	25,278	(11,641)
Profit for the year from continuing operations		342,303	296,048	344,023	295,754
Attributable to:					
Company's stockholders		342,303	296,048	343,144	296,538
Non-controlling interests				879	(784)
		342,303	296,048	344,023	295,754
Earnings per share from continuing operations attributable to the stockholders of the Company during the year (expressed in R$ per share)					
Basic	26				
From continuing operations		0.7669	0.6637	0.7707	0.6631
Diluted	26				
From continuing operations		0.7633	0.6602	0.7671	0.6595

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)

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Profit for the year	342,303	296,048	344,023	295,754
Foreign currency translation adjustments	4,820	(4,646)	5,793	(5,181)
Total comprehensive income for the year	347,123	291,402	349,816	290,573
Attributable to:				
Company's stockholders	347,123	291,402	347,964	291,892
Non-controlling interests			1,852	(1,319)
	347,123	291,402	349,816	290,573

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

	Attributable to the Company's stockholders															
		Capital reserves		Revenue reserves												
	Share capital	Investment incentives	Gain/(loss) from sale of own shares	Legal reserve	For future capital increase	For payment of interim dividends	For purchase of own shares	Proposed additional dividends	Carrying value adjustments	Treasury shares	Retained earnings (accumulated deficit)	Total equity - CPCs	Reversal of deferred charges	Total equity - IFRS	Non-controlling interests	Total equity
At December 31, 2009	450,000	688	(1,494)	26,755	196,633	45,000	40,394		(13,082)	(2,427)	(7,234)	735,233	(5,375)	729,858	8,815	738,673
Comprehensive income for the year																
Profit for the year											296,048	296,048	490	296,538	(784)	295,754
Foreign exchange variation on investments abroad									(4,646)			(4,646)		(4,646)	(535)	(5,181)
Total comprehensive income									(4,646)		296,048	291,402	490	291,892	(1,319)	290,573
Contributions by and distributions to owners of the Company																
Capitalization of reserves	250,000	(688)		(25,000)	(164,312)	(30,000)	(30,000)									
Sale of treasury shares			704							1,584		2,288		2,288		2,288
Purchase of treasury shares										(13,211)		(13,211)		(13,211)		(13,211)
Allocations																
Legal reserve				14,802							(14,802)					
Interest on capital (R$ 45,228, net of tax effect of R$ 15,378)											(29,850)	(29,850)		(29,850)		(29,850)
Proposed dividends								79,731			(104,814)	(25,083)		(25,083)		(25,083)
Transfer between reserves					106,921	22,912	22,912		(13,397)		(139,348)					
Total contributions by and distributions to owners of the Company	250,000	(688)	704	(10,198)	(57,391)	(7,088)	(7,088)	79,731	(13,397)	(11,627)	(288,814)	(65,856)		(65,856)		(65,856)
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

	Attributable to the Company's stockholders															
		Capital reserves		Revenue reserves												
	Share capital	Investment incentives	Gain/(loss) from sale of own shares	Legal reserve	For future capital increase	For payment of interim dividends	For purchase of own shares	Proposed additional dividends	Carrying value adjustments	Treasury shares	Retained earnings (accumulated deficit)	Total equity - CPCs	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 investments 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 of 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.

	Note	Parent		Consolidated	
		2011	2010	2011	2010
Cash flows from operating activities					
Profit for the year		342,303	296,048	344,023	295,754
Cash flows from operating activities					
Depreciation and amortization	12 and 13	20,425	17,949	35,584	34,479
Loss on disposal of investments, property, plant and equipment and intangible assets		5,070	14,933	9,742	12,417
Equity in results of investees	11	(127,956)	(113,166)	(8,404)	(7,084)
Provision for impairment of trade receivables		(4,331)	4,936	(5,780)	3,325
Deferred income tax and social contribution		(22,330)	13,198	(25,278)	11,641
Appropriated interest and charges		16,002	(6,151)	53,603	33,177
Non-controlling interests				879	(784)
Changes in assets and liabilities					
(Increase) decrease in trade receivables		(69,342)	(21,301)	(106,816)	(140,160)
(Increase) decrease in other receivables		48,135	8,269	56,970	1,208
(Increase) decrease in inventories		(57,990)	(62,079)	(54,468)	(75,610)
(Increase) decrease in marketable securities		64,093	(176,820)	63,424	(144,750)
Increase (decrease) in trade payables		25,795	75,556	16,391	100,052
Increase (decrease) in other payables		(8,711)	99,028	1,916	134,920
Net cash provided by operating activities		231,163	150,400	381,786	258,585
Cash flows from investing activities					
Investments		(12,997)	(19,199)	(86)	
Dividends from subsidiaries, jointly-controlled entities and associates		31,459	11,797	6,383	2,247
Purchases of property, plant and equipment		(33,101)	(23,599)	(67,473)	(72,888)
Purchases of intangible assets		(1,367)	(8,286)	(12,651)	(10,122)
Proceeds from sale of property, plant and equipment		(823)	(714)	(835)	(720)
Net cash used in investing activities		(16,829)	(40,001)	(74,662)	(81,483)
Cash flows from financing activities					
Loans from related parties		(1,006)	(19,850)		12
Borrowings from third parties		195,319	260,266	479,205	595,504
Payment of borrowings - principal		(47,084)	(103,796)	(342,481)	(457,148)
Payment of borrowings - interest		(21,940)	(18,218)	(66,160)	(56,437)
Interest on capital and dividends		(149,376)	(73,069)	(149,376)	(73,069)
Treasury shares		781	(11,611)	781	(10,923)
Net cash provided by (used in) financing activities		(23,306)	33,722	(78,031)	(2,061)
Foreign exchange gains/(losses) on cash and cash equivalents				3,102	(1,890)
Net increase in cash and cash equivalents		191,028	144,121	232,195	173,151
Cash and cash equivalents at the beginning of the year		548,921	404,800	672,123	498,972
Cash and cash equivalents at the end of the year		739,949	548,921	904,318	672,123

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

Marcopolo S.A.

Statement of value added
Years ended December 31

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

	Parent		Consolidated (*)	
	2011	**2010**	**2011**	**2010**
Revenue	**2,570,257**	**2,276,361**	**3,915,494**	**3,421,895**
Sales of goods and services	2,555,571	2,276,702	3,878,442	3,417,760
Other revenue	10,355	4,595	31,272	7,460
Provision for impairment of trade receivables	4,331	(4,936)	5,780	(3,325)
Inputs acquired from third parties (including ICMS and IPI)	**(1,802,021)**	**(1,573,810)**	**(2,642,878)**	**(2,291,610)**
Cost of sales and services	(1,589,671)	(1,361,236)	(2,404,363)	(1,961,360)
Materials, electricity, outsourced services and others	(196,201)	(214,328)	(221,451)	(348,979)
Impairment/recovery of assets	(16,149)	1,754	(17,064)	18,729
Gross value added	**768,236**	**702,551**	**1,272,616**	**1,130,285**
Depreciation and amortization	(20,425)	(17,949)	(35,584)	(34,479)
Net value added generated by the entity	**747,811**	**684,602**	**1,237,032**	**1,095,806**
Value added received through transfer	**337,845**	**300,159**	**258,239**	**215,887**
Equity in the results of investees	127,956	113,166	8,404	7,084
Finance income	209,889	186,993	249,835	208,803
Total value added to distribute	**1,085,656**	**984,761**	**1,495,271**	**1,311,693**
Distribution of value added	**1,085,656**	**984,761**	**1,495,271**	**1,311,693**
Personnel	460,842	410,417	681,442	590,532
Direct remuneration	343,999	313,105	496,586	447,432
Benefits	90,417	74,701	146,365	113,923
Government Severance Indemnity Fund for Employees (FGTS)	26,426	22,611	38,491	29,177
Taxes and contributions	134,781	163,789	273,786	280,673
Federal	130,916	131,101	247,193	228,921
State	2,553	31,735	25,190	50,707
Municipal	1,312	953	1,403	1,045
Remuneration of third-party capital	147,730	114,507	196,020	144,734
Finance costs	141,716	107,965	182,357	130,638
Rentals	6,014	6,542	13,663	14,096
Profit for the year, interest on capital and dividends	342,303	296,048	344,023	295,754
Interest on capital	35,976	29,850	35,976	29,850
Dividends	111,593	104,814	111,593	104,814
Profits reinvested	194,734	161,384	196,454	161,090

(*) 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 General information

Marcopolo S.A. ("Marcopolo") is a publicly-traded corporation headquartered in Caxias do Sul, State of Rio Grande do Sul.

The Company's main activities comprise the manufacture and sale of buses, automotive vehicles, vehicle bodies, parts and agricultural and industrial machinery, and it also imports and exports and has investments in other companies.

Marcopolo's shares are traded on the Brazilian Stock Mercantile and Futures Exchange (BM&F BOVESPA).

Products are sold in domestic and foreign markets through subsidiaries (together with Marcopolo, the "Company").

The issue of the financial statements of Marcopolo S.A. and the Company's consolidated financial statements was authorized by the Board of Directors on February 24, 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(a) Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

(b) Parent company financial statements

The parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil issued by the CPC and are disclosed together with the consolidated financial statements.

In the parent company financial statements, subsidiaries are recorded based on the equity accounting method. The same adjustments are made in the parent company and consolidated financial statements to reach the same profit or loss and equity attributable to the owners of the parent company, except for those disclosed in note 31 to the financial statements. In the case of Marcopolo S.A., the accounting practices adopted in Brazil applicable to the parent company financial statements differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries and associates based on the equity accounting method, instead of cost or fair value in accordance with IFRS, and the maintenance of the balance of deferred charges recorded in a jointly-controlled subsidiary (and reflected in the account "Investments") at December 31, 2008, which is being amortized.

The main differences between the accounting practices previously adopted in Brazil and the CPCs applicable to these financial statements, including reconciliation of equity and profit or loss, are described in note 31.

2.2 Consolidation

(a) Consolidated financial statements

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

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing 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 applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of assets or liabilities resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets.

The excess of the consideration transferred plus the acquisition-date fair value of any previous equity interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. For acquisitions in which the Company attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and the goodwill is determined considering the participations of the Company and non-controlling interests. When the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income (note 2.12).

Transactions, balances and unrealized gains on transactions between the consolidated entities 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

Jointly-controlled entities are those in which the control is held jointly by the Company and one or more partners. The financial statements of jointly-controlled entities are consolidated proportionally to the Company's interest. Also, the investment balances may be reduced by the recognition of impairment losses.

Losses in jointly-controlled entities in excess of the investment made in these entities are not recognized, except when the Company has agreed to cover them.

Any excess of the acquisition cost of a financial investment over the net fair value of the assets, liabilities and contingent liabilities of the jointly-controlled entity on the respective date of acquisition is recorded as goodwill. The goodwill is added to the value of the respective investment and its recovery is analyzed annually as an integral part of the investment. When the cost of acquisition is lower than the fair value of the identifiable net assets, the difference is recorded as a gain in the statement of income in the period of the acquisition.

Dividends received from these entities are recorded as a reduction in the investment value.

Gains and losses on transactions with jointly-controlled entities are eliminated proportionately to the Company's interest, against the value of the investment in these companies.

(iii) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.13 for the impairment of non-financial assets, including goodwill.

The Company's share of its associates' post-acquisition profit or loss is recognized in the statement of income and its share of post-acquisition reserve movements is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

If the shareholding in an associate is reduced, but a significant influence is maintained, only a proportional part of the amounts previously recognized in other comprehensive income will be reclassified to the statement of income, where appropriate.

Dilution gains and losses arising on investments in associates are recognized in the statement of income.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, which makes the Company's strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional currency, and also its presentation currency.

Each entity's functional currency is listed below:

Subsidiaries	Referred to as	Functional currency	Country
Banco Moneo S.A.	Banco Moneo	Real	Brazil
Ciferal Indústria de Ônibus Ltda.	Ciferal	Real	Brazil
Ilmot International Corporation.	Ilmot	U.S. dollar	Uruguay
Laureano S.A.	Laureano	Argentine peso	Argentina
Marcopolo Argentina S.A.	Marsa	Argentine peso	Argentina
Marcopolo Auto Components Co.	MAC	Renminbi	China
Marcopolo Indústria de Carroçarias Lda.	MPC	Euro	Portugal
Marcopolo International Corp.	MIC	U.S. dollar	Virgin Islands
Marcopolo International Corporation S.A.	MIC UY	U.S. dollar	Uruguay
Marcopolo Latinoamérica S.A.	Mapla	Argentine peso	Argentina
Marcopolo South Africa Pty Ltd.	Masa	Rand	South Africa
Marcopolo Trading S.A.	Trading	Real	Brazil
Moneo Investimentos S.A.	Moneo	Real	Brazil
Syncroparts Comércio e Distribuição de Peças Ltda.	Syncroparts	Real	Brazil
PoloAutoRus LLC.	PoloRus	Ruble	Russia
Polo Serviços em Plásticos Ltda.	Polo Serviços	Real	Brazil
Polomex S.A. de C.V.	Polomex	U.S. dollar	Mexico
Fundo de Investimentos Paradiso Multimercado.	Fundo Paradiso	Real	Brazil

Jointly-controlled entities	Referred to as	Functional currency	Country
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
Marcopolo Argentina S.A.	Marsa	Argentine peso	Argentina
Rotas do Sul Logística Ltda.	Rotas do Sul	Real	Brazil
San Marino Bus de México, S.A. de C.V.	San Marino Mexico	Mexican peso	Mexico
San Marino Ônibus e Implementos Ltda.	San Marino	Real	Brazil
Superpolo S.A.	Superpolo	Colombian peso	Colombia
Hanegas S.A.S.	Hanegas	Colombian peso	Colombia
Tata Marcopolo Motors Limited.	TMML	Rupee	India

Associates	Referred to as	Functional currency	Country
MVC Componentes Plásticos Ltda.	MVC	Real	Brazil
Poloplast Painéis e Componentes Ltda.	Painéis	Real	Brazil
Spheros Climatização do Brasil S.A.	Spheros	Real	Brazil
Spheros México, S.A. de C.V.	Spheros Mexico	Mexican peso	Mexico
Spheros Thermosystems Colombia Ltda.	Spheros Colombia	Colombian peso	Colombia
WSul Espumas Indústria e Comércio Ltda.	WSul	Real	Brazil

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within "Finance income or costs".

Translation differences on non-monetary financial assets and liabilities, such as equities measured at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss, and those on items, such as equities classified as available for sale, are included in the available-for-sale reserve in equity.

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognized in equity, in the account "Carrying value adjustments".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other foreign currency instruments designated as hedges of such investments, are taken to 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 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 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, with immaterial risk of change in value.

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for realization in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. All financial assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables, including interbank accounts, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise "Trade and other receivables" and "Cash and cash equivalents" in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the previous categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

2.6.2 Recognition and measurement

Normal purchases and sales of financial assets are typically recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the statement of income within "Finance result" or "Other income (expenses), net" in the period in which they arise. Dividends on financial assets at fair value through profit or loss are recognized in the statement of income as part of other income when the Company's right to receive payments is established.

When securities classified as available for sale are sold or become impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income as "Finance result".

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of income as part of other income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes the fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of income. Impairment testing of trade receivables is described in note 2.8.

2.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets

(a) Assets carried at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a 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 that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or debtor;

(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 it 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; and

. 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 any impairment 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 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. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 statement of income.

(b) Assets classified as available for sale

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in (a) above. In the case of investments in equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of income. Impairment losses on equity instruments recognized in the statement of income are not reversed through the statement of income. If, in a subsequent period, the fair value of this instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of income.

2.7 Derivatives at fair value through profit or loss

The derivative instruments contracted do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the statement of income within "Finance income (costs)".

2.8 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the Company's business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), 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 provision for impairment of trade receivables.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories are determined using the weighted moving average method. Inventory costs include expenditures incurred in acquisition, transportation and storage of inventories. The costs of finished products and work in process includes part of general production expenses, allocated based on the normal production capacity. Provisions for slow-moving or obsolete inventories are recognized to reflect their recoverable value when considered necessary by management.

2.10 Non-current assets held for sale

Assets of the disposal group are classified as held for sale when their carrying value is recoverable, particularly in the case of a sale and when the completion of such sale is practically certain. These assets are stated at the lower of the carrying value and fair value, less costs to sell, if the carrying value can be recovered, particularly by means of a sale transaction and not due to continuing use.

2.11 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Historical cost also includes finance costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Company and they can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives (note 12).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period (note 12).

An asset's carrying amount is written down immediately to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount (note 2.13).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other operating income (expenses), net" in the statement of income.

To the acquisition cost of property, plant and equipment in construction, management aggregates monthly the interest incurred on borrowings, taking into consideration the following capitalization criteria: (a) interest is capitalized while the construction of property, plant and equipment item is in progress and the capitalization of interest ceases when the asset is available for use; (b) interest is capitalized considering the weighted average rate of loans existing on the capitalization date;

(c) interest capitalized monthly does not exceed the interest expenses calculated in the period of capitalization; and (d) capitalized interest is depreciated using the same criteria and useful life determined for the property, plant and equipment item to which it was aggregated.

Expenditures with replacement of property, plant and equipment items, which are separately recorded, including inspections and surveys, are accounted for in property, plant and equipment. Other expenditures are capitalized only when there is an increase in the economic benefits of the property, plant and equipment item.

2.12 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of assets and liabilities of the acquired entity. Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets". If negative goodwill is determined, the amount is recorded as a gain in profit or loss for the period at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Trademarks and licenses

Separately acquired trademarks and licenses are stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Subsequently, trademarks and licenses with a finite useful life are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 10 to 20 years.

(c) Computer software

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the software (three to five years).

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

. it is technically feasible to complete the software product so that it will be available for use;

. management intends to complete the software product and use or sell it;

. there is an ability to use or sell the software product;

. it can be demonstrated how the software product will generate probable future economic benefits;

. adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

. the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of applicable overheads. Costs also include finance costs related to the acquisition of the software product.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful life, which does not exceed five years.

2.13 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due in one year or less (or in the normal operating cycle of the business, if 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 method. In practice, they are usually recognized at the amount of the related invoice.

2.15 Borrowings

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 total amount payable is recognized in the statement of income over the period of the borrowings using the effective interest method.

Borrowings 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.

2.16 Provisions

Provisions for legal claims (labor, civil and tax) are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not made for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate before tax effects that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.17 Current and deferred income tax and social contribution on net income

The income tax and social contribution expenses for the period comprise current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized in comprehensive income or directly in equity. In such cases, the taxes are also recognized in comprehensive income or directly in equity.

The current and deferred income tax and social contribution are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of Marcopolo operate and generate taxable income. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and it establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax and social contribution are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax and social contribution are determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences/tax losses can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

The Company has several employee benefit plans including pension and retirement plans, profit sharing, bonus, and share-based payment, as well as other retirement and termination benefits. The main benefit plans granted to the Company's employees are described in note 17.

The actuarial obligations related to the pension and retirement benefits and those related to the healthcare plan are recorded based on actuarial calculations performed every year by an independent actuary, using the projected unit credit method, net of the assets that fund the plan, when applicable, and the related costs are recognized over the period the employees acquire the corresponding rights.

The projected unit credit method considers each period of service as a triggering event of an additional benefit unit, which are accumulated to calculate the total obligation. Other actuarial assumptions are also used such as biological and economic assumptions and also historical data on costs and employee contributions.

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions of the pension and retirement benefit plans and other actuarial obligations are recognized in comprehensive income for the year.

2.19 Share capital

Common and preferred shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and, in the consolidated financial statements, after eliminating intercompany sales.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will result from the transaction and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimate of product returns on past experience, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of buses

Sales of buses are recognized when the vehicles are delivered to the customer, which then assumes total control over the acquired products, and when there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue is not recognized until: (i) the products have been shipped to the customer; (ii) the risks of obsolescence and loss have been transferred to the customer (iii) the customer has accepted the vehicles in accordance with the sales contract; or (iv) the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

Sales are recorded based on the price specified in the sales contracts and are discounted to present value.

(b) Interest income

Interest income is recognized on the accrual basis, using the effective interest method. When a loan and receivable instrument is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Subsequently, as time goes by, interest is incorporated into loans and receivables against interest income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, that is, the original rate of the instrument.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.21 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's stockholders is recognized as a liability in the Company's financial statements at year-end based on the Company's bylaws. Any amount that exceeds the minimum required is only provided on the date it is approved by the stockholders at the General Meeting.

The tax benefit of interest on capital is directly recognized in equity.

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

The following new standards, amendments and interpretations to existing standards were issued by IASB but are not effective for 2011. The early adoption of these standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

- IAS 19, "Employee benefits" was amended in June 2011. The impact on the Company will be as follows: (i) to eliminate the corridor approach; (ii) to recognize all actuarial gains and losses in other comprehensive income as they occur; (iii) to immediately recognize all past service costs; and (iv) to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Management is evaluating the full impact of these changes for the Company. The standard is applicable as from January 1, 2013.

- IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch. The Company is yet to assess the full impact of IFRS 9. The standard is applicable as from January 1, 2013.

- IFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control. The Company is yet to assess the full impact of IFRS 10. The standard is applicable as from January 1, 2013.

- IFRS 11,"Joint arrangements" was issued in May 2011. The standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: (i) joint operations - when a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses; and (ii) joint ventures - when the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. The proportional consolidation method will no longer be permitted in joint ventures. The standard is applicable as from January 1, 2013.

- IFRS 12, "Disclosures of interests in other entities". The standard provides guidance on the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12. The standard is applicable as from January 1, 2013.

- IFRS 13, "Fair value measurement" was issued in May 2011. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Company is yet to assess the full impact of IFRS 13. The standard is applicable as from January 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3 Critical accounting estimates and judgments

Estimates and judgments are continually reassessed 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 financial year are described below.

(a) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.12. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates (note 13).

(b) Income tax, social contribution and other taxes

The Company is subject to income taxes in all countries in which it operates. Significant judgment is required in determining the worldwide provision for income taxes.

(c) 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; 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) Foreign exchange 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.

The strategy adopted to mitigate the effects of fluctuations in exchange rates is to maintain a natural hedge holding assets also susceptible to exchange rate variations.

At December 31, 2011 and 2010, the Company had assets, liabilities and forwards denominated in foreign currency in the amounts described below (in thousands of reais):

	2011			
	Trade receivables	**Trade payables**	**Borrowings**	**Forwards (*)**
Currency				
U.S. dollar	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 peso	12,843	13,219	11,563	
Chinese renminbi	4,516	397	6,237	
	254,273	64,840	98,029	233,291

	2010			
	Trade receivable	**Trade payables**	**Borrowings**	**Forwards (*)**
Currency				
U.S. dollar	210,216	39,596	77,471	208,323
Argentine peso	9,614	3,335	3,723	
Indian rupee	8,870	25,890	18,983	
South African rand	8,878	13,730		12,958
Euro	456	814		
Egyptian pound	1,210	13,500		
Colombian peso	5,900	6,777	21,235	
Chinese renminbi	3,486	267	3,025	
	248,630	103,909	124,437	221,281

(*) The forward contracts mentioned above refer to sold position in U.S. dollar for operations in Brazil and purchased position in U.S. dollar for operations in South Africa, the functional currency of which is the South African rand.

(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 borrowings obtained in the market, or a decrease in finance income related to financial investments. The Company continuously monitors market interest rates in order to assess the need to contract new instruments to hedge against the volatility risk of these rates.

(iii) Sales and purchases price risk

Considering that exports are equivalent to 20.2% of the projected revenues for 2012, 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 38.7% 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

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and other financial institutions, as well as credit exposures to customers, including outstanding receivables and commitments. If there is no independent rating, the Company's credit analysis department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits determined by the Board. The utilization of credit limits is regularly monitored.

At December 31, 2011, the Company also has a provision for impairment of trade receivables of R$ 27,650 (parent company) and R$ 58,730 (consolidated) (December 31, 2010 - R$ 31,981 and R$ 64,510) representing 5.3% and 4.2%, respectively, of the outstanding accounts receivable balance of the parent company and the consolidated (December 31, 2010 - 7.1% and 5.0%), which was recorded to cover credit risk.

(c) Liquidity risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
In 2011				
Borrowings	612,529	564,100	295,874	9,835
Derivative financial instruments	4,690			
Trade payables	324,261			
In 2010				
Borrowings	267,412	527,147	521,164	46,128
Derivative financial instruments	788			
Trade payables	306,901			

(d) Additional sensitivity analysis required by the Brazilian Securities Commission (CVM)

The table below presents the sensitivity analysis of the financial instruments, describing risks that may result in material losses for the Company. It describes the most probable scenario (scenario I), according to an evaluation carried out by management, considering a twelve-month period, when the next financial statements should be disclosed. In addition, two other 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 the determination of CVM Instruction 475/08.

Assumptions	Effects on results	Probable scenario (Scenario I)	(Scenario II)	(Scenario III)
CDI - %		9.00	11.25	13.50
TJLP - %		6.00	7.50	9.00
Exchange rate - US$		1.75	2.19	2.63
LIBOR - %		1.50	1.88	2.25
Cost of advances on foreign exchange contracts (ACC) discount - %		4.00	5.00	6.00
	Financial investments	68,730	82,106	95,442
	Interbank accounts	75,197	85,186	95,175
	Borrowings	(76,920)	(101,624)	(126,382)
	Forwards	16,202	(33,487)	(83,176)
	Receivables less payables	(12,812)	31,993	76,799
		70,397	64,174	57,858

4.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for 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 aspects, the Company places emphasis on the economic and financial results, which leads 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 tools to measure and control achievement of targets, thus facilitating 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 Gearing (Debt/Equity) Ratio. These key indicators were as follows in the past few years:

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

The financial leverage ratios at December 31, 2011 and 2010 were as follows:

	Consolidated	
	2011	**2010**
Total borrowings (note 15)	1,482,338	1,361,851
Less: cash and cash equivalents (note 7.1)	(904,318)	(672,123)
Net debt	578,020	689,728
Total equity	1,162,144	955,894
Total capital	1,740,164	1,645,622
Financial leverage ratio (net debt to total equity) - %	50	72

4.3 Fair value estimation

The carrying values of trade receivables and payables, less impairment provision in the case of trade receivables, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure 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:

. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

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

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

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2011 and 2010:

	Consolidated	
	2011	**2010**
Level 2		
Assets		
Financial assets at fair value through profit or loss		
Fixed income investment fund	1,803	40,424
Trading derivatives	591	13,668
Available-for-sale assets		
Bank Deposit Certificates (CDB)	116,371	128,096
	118,765	182,188
Liabilities		
Financial liabilities at fair value through profit or loss		
Trading derivatives	4,690	788
	4,690	788

5 Financial instruments by category

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

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

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

(b) Loans and receivables

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

(ii) Trade receivables - Amounts due from customers for products sold and services rendered.

(iii) Related parties - Represented by intercompany loans.

(c) Available-for-sale

(i) Financial investments are represented by investments in Bank Deposit Certificates.

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

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

(e) Other financial liabilities

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

	2011		2010	
Nature of liability	**Book value**	**Market value**	**Book value**	**Market value**
Borrowings	1,482,338	1,464,939	1,361,851	1,362,499

(i) Trade payables are represented by amounts payable for the purchase 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 statement of income in the account "Finance income (costs) from foreign exchange variations".

Company	Counterparty	Position	Beginning	End	Notional value	Market value		Amounts receivable/ payable	
					2011	2011	2010	2011	2010
Marcopolo					USD thousand				
	BBA	Sale	9/22/2011	3/8/2012	5,450	(260)		(260)	
	Bradesco	Sale	9/22/2011	4/26/2012	19,500	(841)	2,859	(841)	2,859
	Brazil	Sale	9/22/2011	1/19/2012	1,800	92	5,243	92	5,243
	Citibank	Sale	6/9/2010	3/24/2011			2,064		2,064
	HSBC	Sale	6/10/2010	2/24/2011			871		871
	Merrill Lynch	Sale	9/19/2011	4/26/2012	43,150	(1,908)	2,160	(1,908)	2,160
	Santander	Sale	12/13/2011	4/26/2012	2,800	(40)		(40)	
	Votorantim	Sale	9/13/2011	4/24/2012	20,050	(682)	447	(682)	447
						(3,639)	13,644	(3,639)	13,644
Ciferal									
	BBA	Sale	10/18/2011	1/24/2012	850	(71)		(71)	
	Bradesco	Sale	9/5/2011	4/26/2012	18,345	(856)	23	(856)	23
	Brazil	Sale	10/11/2011	2/23/2012	2,750	(108)	1	(108)	1
	Santander	Sale	12/22/2011	2/16/2012	1,800	(16)		(16)	
						(1,051)	24	(1,051)	24
						(4,690)	13,668	(4,690)	13,668
Masa					Rand thousand				
	Citibank	Purchase	8/25/2010	4/28/2011			(63)		(63)
	ABSA	Purchase	6/27/2011	5/16/2012	2,920	591	(725)	591	(725)
						591	(788)	591	(788)

The Company had the following gains and losses from derivatives in the years ended December 31, 2011 and 2010:

	Realized gains/losses			
	Interest on derivatives		Foreign exchange variation on derivatives	
	2011	2010	2011	2010
Marcopolo	14,051	14,805	(20,617)	14,011
Ciferal	1,882	12	(5,855)	18
Masa	(290)		1,318	798

6 Consolidated financial statements

The consolidated financial statements include the statements of Marcopolo S.A. and its subsidiaries, as follows:

(a) Subsidiaries

	Percentage holding			
	2011		2010	
	Direct	Indirect	Direct	Indirect
Subsidiaries				
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	
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
Funds				
Fundo Paradiso			100.00	

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

(a) Intercompany balances are eliminated.

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

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

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

(e) Non-controlling interests are shown separately in the consolidated financial information.

(b) Jointly-controlled subsidiaries

	Percentage holding			
	2011		2010	
	Direct	Indirect	Direct	Indirect
Jointly-controlled subsidiaries				
GB Polo	49.00		49.00	
Loma	50.00		40.00	
Metalpar		50.00		40.00
Marsa		50.00		40.00

	Percentage holding			
	2011		2010	
	Direct	Indirect	Direct	Indirect
San Marino	45.00		45.00	
Rotas do Sul		45.00		45.00
San Marino Mexico		45.00		45.00
Superpolo		50.00		50.00
Hanegas	49.875	0.125		
TMML	49.00		49.00	

The main balances of the financial statements of these companies can be summarized as follows:

	Assets		Liabilities		Net revenue		Profit (loss)	
	2011	2010	2011	2010	2011	2010	2011	2010
GBPolo	70,013	71,694	52,269	45,510	13,392	34,563	(9,381)	(2,978)
Loma	89,163	58,438	43,080	28,490	193,566	116,538	21,385	9,048
San Marino	204,064	180,895	142,753	153,633	381,401	315,677	29,832	13,206
Superpolo	134,932	116,210	77,130	80,306	250,232	121,766	21,824	8,904
Hanegas	4,874		5,519				(648)	
TMML	125,958	147,247	81,411	107,669	180,598	194,476	7,237	(2,031)

(c) Associates (not consolidated)

	Percentage holding			
	2011		2010	
	Direct	Indirect	Direct	Indirect
Associates				
MVC	26.00		36.00	
Painéis		26.00		36.00
Spheros	40.00		40.00	
Spheros Colombia		40.00		40.00
Spheros Mexico		40.00		40.00
WSul	30.00		30.00	

The main balances of the financial statements of these companies can be summarized as follows:

	Assets		Liabilities		Net revenue		Profit	
	2011	2010	2011	2010	2011	2010	2011	2010
MVC	104,587	69,927	70,297	45,201	120,915	103,015	9,554	5,759
Spheros	41,946	45,135	16,371	18,988	114,854	95,822	13,875	11,024
WSul	10,167	12,289	2,053	3,072	20,237	19,537	1,396	1,981

7 Cash and cash equivalents, financial assets and derivatives

7.1 Cash and cash equivalents

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Cash and banks				
In Brazil	24,979	40,673	35,921	51,910
Abroad			26,207	31,253
Highly liquid marketable securities				
In Brazil (*)	714,970	508,248	840,965	588,673
Abroad			1,225	287
Total cash and cash equivalents	739,949	548,921	904,318	672,123

(*) Substantially corresponds to Bank Deposit Certificates (CDB) remunerated at a rate ranging between 95.5% and 107% of the Interbank Deposit Certificate (CDI), resulting in a weighted average rate of 102.01% of the CDI at December 31, 2011.

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

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Held for trading				
Fixed income investment funds	1,803	40,424	1,803	40,424
Derivatives - Non-deliverable Forwards (*)		13,644	591	13,668
	1,803	54,068	2,394	54,092
Available-for-sale				
Bank Deposit Certificates (CDB)	116,152	127,980	116,371	128,096
	116,152	127,980	116,371	128,096

(*) At December 31, 2011, losses of R$ 3,639 in the parent company and of R$ 4,690 in the consolidated (consolidated - R$ 788 in 2010) were recognized in respect of its non-deliverable forwards transactions with derivative financial instruments, recorded in current liabilities.

Bank Deposit Certificates (CDB) are remunerated at rates ranging between 11.0% and 13.2% p.a., resulting in a weighted average rate 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.

Derivative financial instruments are measured at fair value. Gains and losses are recognized in the statement of income as incurred.

8 Trade receivables

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Current				
Domestic market	362,855	290,269	487,496	419,966
Foreign market	157,761	160,615	236,916	217,786
Interbank accounts			255,275	228,445
Adjustment to present value	(3,267)	(2,877)	(5,374)	(3,989)
Provision for impairment of trade receivables	(27,650)	(31,981)	(54,096)	(51,744)
	489,699	416,026	920,217	810,464
Non-current				
Foreign market				1,222
Interbank accounts			438,459	437,244
Provision for impairment of trade receivables			(4,634)	(12,766)
			433,825	425,700
	489,699	416,026	1,354,042	1,236,164

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.

Trade receivables mature as follows:

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Amounts not yet due	394,207	342,604	1,230,882	1,129,910
Amounts overdue				
Up to 30 days	42,388	36,151	62,799	77,553
From 31 to 60 days	13,158	14,432	18,702	28,340
From 61 to 90 days	6,234	5,865	10,123	6,792
From 91 to 180 days	15,614	7,349	26,699	11,915
Over 181 days	49,015	44,483	68,941	50,153
Adjustment to present value	(3,267)	(2,877)	(5,374)	(3,989)
(-) Provision for impairment of trade receivables	(27,650)	(31,981)	(58,730)	(64,510)
	489,699	416,026	1,354,042	1,236,164

The changes in the provision for impairment of trade receivables are as follows:

	Parent	Consolidated
At January 1, 2010	(27,045)	(63,405)
Provision for the year	(4,936)	(11,928)
Reversal of provision for receivables (write-off)		10,823
Foreign exchange variations		
At December 31, 2010	(31,981)	(64,510)
Provision for the year	(6,361)	(14,042)
Reversal of provision for receivables (write-off)	10,692	21,408
Foreign exchange variations		(1,586)
At December 31, 2011	(27,650)	(58,730)

Trade receivable are denominated in the following currencies:

	Parent		Consolidated	
	2011	2010	2011	2010
Real	331,938	255,411	1,131,018	1,030,543
U.S. dollar	157,761	160,615	172,391	166,566
Euro			939	456
Argentine peso			22,918	10,240
Colombian peso			12,843	5,899
Mexican peso			47	16
Rand			4,759	8,878
Rupee			4,178	8,870
Egyptian pound			433	1,210
Renminbi			4,516	3,486
	489,699	416,026	1,354,042	1,236,164

9 Inventories

	Parent		Consolidated	
	2011	2010	2011	2010
Finished goods	103,036	48,575	120,830	68,539
Work in progress	30,066	29,808	45,884	46,535
Raw and auxiliary materials	115,886	105,794	190,158	179,108
Advances to suppliers and others	3,524	10,834	14,472	21,689
Provision for losses on inventories	(389)	(878)	(3,014)	(4,423)
	252,123	194,133	368,330	311,448

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

	Parent	Consolidated
At January 1, 2010	(1,081)	(2,755)
Reversal of provision	878	2,552
Provision for the year	(675)	(4,220)
At December 31, 2010	(878)	(4,423)
Reversal of provision	1,054	2,025
Provision for the year	(565)	(616)
At December 31, 2011	(389)	(3,014)

10 Taxes and contributions recoverable

	Parent		Consolidated	
	2011	2010	2011	2010
Current				
Corporate Income Tax (IRPJ)	12,651	26,437	14,397	27,236
Social Contribution on Net Income (CSLL)	5,072	10,146	5,719	11,347
Excise Tax (IPI)	4,967	23,477	7,502	25,226
Value-added Tax on Sales and Services (ICMS)	3,862	3,008	4,893	5,467
Social Integration Program (PIS)	561	569	1,059	1,242
Social Contribution on Revenues (COFINS)	1,687	1,719	5,292	4,500
Value-added Tax (IVA)			13,103	11,243
Other	1,387		1,501	883
	30,187	65,356	53,466	87,144
Non-current				
Value-added Tax on Sales and Services (ICMS)	1,712	1,669	1,921	1,902
Value-added Tax (IVA)			1,871	1,073
	1,712	1,669	3,792	2,975
	31,899	67,025	57,258	90,119

11 Investments

	Parent		Consolidated	
	2011	2010	2011	2010
Subsidiaries	434,163	349,755		
Jointly-controlled subsidiaries	146,285	115,460		
Associates	21,577	22,133	21,577	22,133
Other investments			225	139
	602,025	487,348	21,802	22,272

(a) Investments in subsidiaries, jointly-controlled subsidiaries and associates

Investments in subsidiaries, jointly-controlled subsidiaries and associates are presented below:

	Subsidiaries														
														Total	
	Ciferal	Ilmot (1)	Mac (1)	Mapla (1)	Masa (1)	MIC (1)	MPC (1)	Moneo	PoloRus (1)	Polo	Polomex (2)	Syncro	Trading	2011	2010
Investment data															
Capital	20,000	28,877	6,132	865	7,211	2,625	3,296	100,000	426	500	16,527	4,000	3,000		
Adjusted equity	162,680	54,293	6,092	590	26,654	1,144	(8,330)	158,962	258	9,083	35,953	14,238	4,795		
Number of shares or quotas held	499,953	50,000	1	4,000	100,000	1,400,000	1	100,000	1	1	3,011,659	1	3,450,103		
Percentage holding	99.99	100.00	100.00	99.99	100.00	100.00	70.00	100.00	100.00	99.00	3.61	99.99	99.99		
Profit (loss) for the year	52,779	10,317	384	(124)	3,077	2,756	(635)	25,806	53	629	3,380	920	538		
Changes in investments															
Opening balances:															
At book value	109,900	42,934	3,019	704	25,589	(1,448)	(4,796)	139,285	190	8,370	1,041	13,317	11,650	349,755	264,445
Payment of capital			1,208											1,208	5,249
Acquisition of investment															20
Dividends received		(4,220)						(6,129)					(7,400)	(17,749)	(6,848)
Equity in the results of investees	52,779	10,317	384	(124)	3,077	2,756	(444)	25,806	53	623	122	920	538	96,807	98,973
Cumulative translation adjustments		5,262	1,481	17	(2,012)	(166)	(590)		15		135			4,142	(3,521)
Capital gain (loss) on investments															(7,949)
Capital decrease															(180)
Sale of investments															(434)
Closing balances:															
At book 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

	Jointly-controlled subsidiaries (joint ventures)						
						Total	
	GBPolo (1)	Hanegas (1)	Loma (1)	San Marino	TMML (1)	2011	2010
Investment data							
Capital	30,490	4	20,658	14,992	60,078		
Adjusted equity	17,743	(644)	46,082	54,502	44,547		
Number of shares or quotas held	4,803,922	1,800	15,949,948	7,478,482	24,500		
Percentage holding	49.00	49.875	50.00	45.00	49.00		
Profit (loss) for the year	(9,382)	(648)	21,386	29,832	7,238		
Changes in investments							
Opening balances:							
At book value	12,830		32,903	50,334	19,393	115,460	100,695
Payment of capital		2				2	13,930
Acquisition of investment			2,260			2,260	
Goodwill			9,527			9,527	
Dividends received			(3,302)	(1,189)		(4,491)	(2,702)
Equity in the results of investees	(4,597)	(323)	10,693	13,424	3,547	22,744	7,109
Cumulative translation adjustments	461		1,413	21	(1,112)	783	(3,572)
Closing balances:							
At book value	8,694	(321)	53,494	62,590	21,828	146,285	115,460

(1) Foreign subsidiary.
(2) When CPC 2, "Effects of changes in exchange rates and translation of financial statements" became effective, this subsidiary adopted the U.S. dollar as its functional currency.

	Associates				
				Total	
	MVC	Spheros	WSul	2011	2010
Investment data					
Capital	34,011	15,000	6,100		
Adjusted equity	34,280	25,575	8,114		
Number of shares or quotas held	1	244,898	1,830,000		
Percentage holding	26.00	40.00	30.00		
Profit for the year	9,554	13,785	1,396		
Changes in investments					
Opening balances:					
At book value	8,914	10,454	2,765	22,133	19,188
Dividends received		(5,632)	(750)	(6,382)	(2,247)
Equity in the results of investees	2,472	5,513	419	8,404	7,084
Cumulative translation adjustments		(105)		(105)	5
Sale of investments	(2,473)			(2,473)	(1,897)
Closing balances:					
At book value	8,913	10,230	2,434	21,577	22,133

(b) Sale of investments

The Company and its subsidiary Trading, the holders of 99.99974% and 0.00026%, respectively, of the capital of MVC, a company located in São José dos Pinhais, State of Paraná, entered into an agreement with Artecola Termoplásticos Ltda. ("Artecola"), a company headquartered in Campo Bom, State of Rio Grande do Sul, for the sale to Artecola of 74% of the quotas in MVC. The last 10% was sold on February 25, 2011. The MVC business related to Casa Prática (Painéis, headquartered in São José dos Pinhais, State of Paraná), and the business of Poloplast, based in Mexico, are not included in the deal.

(c) Acquisition of investment in joint ventures

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

When the acquisition cost is higher than the fair value of the interest of the acquiring entity in identifiable net assets, liabilities and contingent liabilities of the acquired entity, the acquiring entity records the related goodwill. Goodwill and other intangible assets with an indefinite useful life are not amortized. These assets must be evaluated at least once a year for impairment and whenever there is an indication that the value of an asset might be impaired. When the recoverable amount of goodwill or of any other asset is less than its carrying amount, an impairment loss must be recorded in the statement of income.

If the interest of the acquiring entity in the fair value of the identifiable assets, liabilities and contingent liabilities is higher than the acquisition cost, the excess (negative goodwill) should be initially reviewed in order to determine whether the fair values attributed to the assets acquired and liabilities and

contingent liabilities assumed were properly identified and valued. If, after such review, it is concluded that a negative goodwill resulted from the transaction, it should be recorded as a gain, directly in the statement of income. Non-controlling interests in the net assets of the acquiree must be recorded at fair value on the date of acquisition in a specific equity account.

Investments in joint ventures acquired by the Company:

Loma

Marcopolo acquired 33% of Loma on January 1, 2008, 7% on January 28, 2010 and 10% on January 28, 2011, totaling an investment of 50%.

Goodwill on these acquisitions is as follows:

	Loma
Current assets	32,308
Non-current assets	23,802
Other assets	9,637
Property, plant and equipment	14,165
Intangible assets	
Current liabilities	(12,688)
Dividends payable to former stockholder	(9,119)
Non-controlling interests	(737)
Non-current liabilities	(6,596)
Assets net of liabilities	26,970
Percentage of interest acquired	50.00%
Assets, acquired net of liabilities, assumed	13,485
Total acquisition price paid	43,936
Goodwill (note 13)	30,451

The fair values of the assets and liabilities described above were calculated based on internal information and market data available. Furthermore, the Company contracted external specialists to validate the estimates relating to the fair value of the brand and fixed assets.

12 Property, plant and equipment

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

	Land	Buildings and constructions	Machinery and equipment	Furniture and fittings	IT equipment	Vehicles	Other	Construction in progress	Total
At January 1, 2010	14,471	36,966	52,339	1,786	3,089	1,295	98	17,729	127,773
Additions		1,996	15,505	555	1,342	1,046		3,155	23,599
Disposals		(172)	(154)	(42)	(19)	(76)		(123)	(586)
Transfers		46	2,253					(2,299)	
Depreciation		(1,455)	(7,666)	(344)	(1,099)	(354)			(10,918)
At December 31, 2010	14,471	37,381	62,277	1,955	3,313	1,911	98	18,462	139,868
Cost of property, plant and equipment	14,471	97,927	142,875	5,596	12,027	3,754	98	18,462	295,210
Accumulated depreciation		(60,546)	(80,598)	(3,641)	(8,714)	(1,843)			(155,342)
Net book amount	14,471	37,381	62,277	1,955	3,313	1,911	98	18,462	139,868
At December 31, 2010	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
Disposals		(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)
At 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)
Net book amount	14,501	53,836	70,510	2,541	3,686	2,156	98	10,575	157,903
Annual depreciation rates - %		2.0	8.3	8.3	20.0	20.0	13.0		

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

	Land	Buildings and constructions	Machinery and equipment	Furniture and fittings	IT equipment	Vehicles	Other	Construction in progress	Total
At January 1, 2010	24,217	86,077	119,799	4,067	3,574	3,550	10,516	30,478	282,278
Foreign exchange effects	(826)	15,279	(16,594)	525	(187)	619	(3,053)	2,183	(2,054)
Additions	15	16,136	30,233	2,028	1,603	1,863	2,843	18,167	72,888
Disposals	(1)	(616)	(2,570)	(42)	(20)	(205)	(1,086)	(4,443)	(8,983)
Transfers		1,676	1,714	2,013		(420)	46	(5,029)	
Depreciation		(3,838)	(17,337)	(1,221)	(1,219)	(972)	(781)		(25,368)
At December 31, 2010	23,405	114,714	115,245	7,370	3,751	4,435	8,485	41,356	318,761
Cost of property, plant and equipment	23,405	195,532	239,745	13,667	13,448	8,682	13,389	41,356	549,224
Accumulated depreciation		(80,818)	(124,500)	(6,297)	(9,697)	(4,247)	(4,904)		(230,463)
Net book amount	23,405	114,714	115,245	7,370	3,751	4,435	8,485	41,356	318,761
At December 31, 2010	23,405	114,714	115,245	7,370	3,751	4,435	8,485	41,356	318,761
Foreign exchange effects	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
Disposals		(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)
At 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)
Net book amount	24,729	140,135	125,930	8,084	4,255	5,101	4,065	41,268	353,567
Annual depreciation rates - %		2.0	8.3	8.3	20.0	20.0	13.0		

Property, plant and equipment items of the subsidiary Ciferal, in the amount of R$ 13,500 at December 31, 2011, were given in guarantee of loans obtained under the Fund for Financing of Studies and Projects (FINEP) program (December 31, 2010 - R$ 13,500).

Land and buildings comprise mainly factories and offices. Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributed to the acquisition of the items. Historical cost also includes finance costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Company and they can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings	40-60
Machinery	10-15
Vehicles	5
Furniture, fittings and equipment	5-10

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

An asset's carrying amount is written down immediately to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount (note 2.13).

13 Goodwill and intangible assets

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

	Software	Trademarks and licenses	Total
At January 1, 2010	20,486	188	20,674
Additions	1,701		1,701
Disposals	(4)		(4)
Amortization	(6,973)	(58)	(7,031)
At December 31, 2010	15,210	130	15,340
Cost of intangible assets	42,505	1,216	43,721
Accumulated amortization	(27,295)	(1,086)	(28,381)
Net book amount	15,210	130	15,340

	Software	Trademarks and licenses	Total
At December 31, 2010	15,210	130	15,340
Additions	1,367		1,367
Disposals	(2)		(2)
Amortization	(7,095)	(36)	(7,131)
At 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)
Net book amount	9,480	94	9,574
Annual depreciation rates - %	20.0	7.0	

(b) Summary of changes in goodwill and intangible assets - consolidated

	Software	Trademarks and licenses	Other	Goodwill	Total
At January 1, 2009	21,747	307	492	49,341	71,887
Foreign exchange effects	508	(36)	(488)		(16)
Additions	3,467	70		6,585	10,122
Disposals	(14)	(4)	(22)		(40)
Transfers	(294)	140	154		
Amortization	(8,876)	(99)	(136)		(9,111)
At December 31, 2010	16,538	378		55,926	72,842
Cost of intangible assets	46,505	1,464	1,235	55,926	105,130
Accumulated amortization	(29,967)	(1,086)	(1,235)		(32,288)
Net book amount	16,538	378		55,926	72,842
At December 31, 2010	16,538	378		55,926	72,842
Foreign exchange effects	36				36
Additions	1,791	15	1,318	9,527	12,651
Disposals	(26)				(26)
Transfers	1,318		(1,318)		
Amortization	(8,172)	(36)			(8,208)
At 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)
Net book amount	11,485	357		65,453	77,295
Annual amortization rates - %	20.0	7.0			

(c) Impairment tests for goodwill

Goodwill of R$ 65,453 refers to the acquisition of investments in San Marino (R$ 35,002) and in Loma (R$ 30,451).

The projections used in the impairment tests cover a five-year period and the assumptions adopted to determine the fair value through the discounted cash flow method include cash flow forecasts based on management estimates for future cash flows, discount rates and growth rates.

The average of the assumptions used in the calculation for the cash-generating units is as follows:

	San Marino		Loma	
				Percentage
Impairment tests for goodwill	**2011**	**2010**	**2011**	**2010**
Budgeted gross margin	19.50	19.25	29.60	20.92
Expected growth rate	8.08	4.34	15.48	6.63
Discount rate	13.11	10.46	1.29	8.79

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets acquired, liabilities assumed and contingent liabilities of a subsidiary, jointly-controlled or associated company on the date of acquisition.

The Company applied the provisions of IFRS 3 to account for the acquisitions of subsidiaries after the date of transition to IFRS.

Goodwill is not amortized and is subject to impairment tests annually, or whenever impairment indicators are identified. Any impairment loss is immediately recognized in the statement of income and is not subject to subsequent reversal. The Company assessed the recoverability of goodwill and the tests performed did not identify losses during the year.

14 Related parties

(a) Balances and transactions with related parties

The main asset and liability balances at December 31, 2011, as well as the transactions with related parties that affected the statement of income in the year, are detailed below:

	Asset balances of loans and current accounts	Liability balances of loans and current accounts	Trade receivables	Trade payables	Sales of goods/ services	Purchases of goods/ services	Finance income	Finance costs
Subsidiaries								
Moneo Investimentos	27						2	
Ciferal		9	17,613	20	91,088	822	94	
Ilmot	644						20	
GB Polo	19,705		291		181		157	
MAC			86		581			
MPC			8,939					
Mapla		21						
Masa			10,101		22,282	53		
Loma Hermosa			93		324	101		
Trading	7							
Polo	47						1	
Polomex			4,466	46	39,555	921		
San Marino			659	121	4,188	1,515		
Superpolo			3,298		11,577	28		
Syncroparts	2							
TMML			3,534		4,493			
Balance in 2011	20,432	30	49,080	187	174,269	3,440	274	
Balance in 2010	19,408	12	65,954	544	194,002	1,434	158	20

	Asset balances of loans and current accounts	Liability balances of loans and current accounts	Trade receivables	Payables from purchases	Sales of goods/ services	Purchases of goods/ services	Finance income	Finance costs
Associates								
MVC			489	1,062	1,315	12,682		
Spheros			1	2,842		44,678		
WSul				753		8,256		
Balance in 2011			490	4,657	1,315	65,616		
Balance in 2010			319	4,887	755	31,518		

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 at the semi-annual Libor rate plus 3% p.a.

(b) Key management compensation

Key management includes members of the Board of Directors, statutory directors and members of the Executive Committee. The compensation paid or payable to key management for their services is shown below:

	2011			
	Fixed	Variable	Retirement plan	Total
Board of Directors and statutory directors	9,002	7,699	112	**16,813**
Non-statutory directors	5,314	3,069	167	**8,550**
	14,316	10,768	279	**25,363**

In the year ended December 31, 2011, options on 1,068,901 book-entry preferred shares were exercised by the Company's officers and employees at the market price of R$ 5.75 per share, utilizing treasury shares, as determined in the Company's share option plan.

	2010				
	Fixed	Variable	Retirement plan	Share-based payments	Total
Board of Directors and statutory directors	8,262	7,060	83	71	**15,476**
Non-statutory directors	5,384	19,586	187	206	**25,363**
	13,646	26,646	270	277	**40,839**

In the year ended December 31, 2010, options on 193,636 book-entry preferred shares were exercised by the Company's officers and employees at the price of R$ 6.32 per share, utilizing treasury shares, as determined in the Company's share option plan.

15 Borrowings

	Weighted average rate - % p.a.	Parent		Consolidated	
		2011	2010	2011	2010
Local currency					
FINAME	6.93	9,474	8,177	13,356	10,341
Bank borrowings	9.00	1,414	1,215	8,980	18,951
FINEP	5.62	107,312	110,416	116,156	118,156
Special pre-shipment financing	5.42	648,166	516,095	648,166	516,095
Foreign currency					
Advances on exchange contracts	2.14	20,666		20,666	15
Export prepayments in U.S. dollars	3.87	48,272	60,743	48,272	61,143
Financing in U.S. dollars	4.50			19,377	15,525
Financing in Argentine pesos	17.28			4,885	3,723
Financing in Colombian pesos	5.17			11,563	21,235
Financing in Indian rupees	9.37			13,617	18,982
Financing in renminbi	4.20			6,237	3,025
Funds obtained in the open market					
Local currency					
BNDES	TJLP + 1.00			571,063	574,660
		835,304	696,646	1,482,338	1,361,851
Current liabilities		(376,809)	(58,031)	(612,529)	(267,412)
Non-current liabilities		458,495	638,615	869,809	1,094,439

Long-term liabilities fall due as follows:

	Parent		Consolidated	
	2011	2010	2011	2010
From 13 to 24 months	395,935	341,909	564,100	527,147
From 25 to 36 months	52,894	282,756	295,874	521,164
After 36 months	9,666	13,950	9,835	46,128
	458,495	638,615	869,809	1,094,439

(a) Borrowings

FINAME loans are guaranteed by liens on the financed assets, totaling R$ 13,356 at December 31, 2011 (R$ 10,341 at December 31, 2010), and the FINEP bank loan is guaranteed by real estate of R$ 15,800 and bank guarantees.

(b) Funds obtained in the open market

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

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

	Face value (future)		Fair value (present)	
	2011	**2010**	**2011**	**2010**
From 13 to 24 months	173,205	167,398	154,728	148,219
From 25 to 36 months	124,076	128,222	113,802	117,360
After 36 months	127,134	148,628	119,811	139,773
	424,415	444,248	388,341	405,352

The face value of borrowings recorded 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 litigation in progress, and is discussing such matters at the administrative and judicial levels, which, when applicable, are supported by judicial deposits. The provisions for probable losses arising from these matters are estimated and periodically updated by management, supported by the opinion of its internal and external legal advisors.

The contingencies at December 31, 2011 and 2010, which are considered to involve probable and possible losses, according to the opinion of legal counsel, are shown below. Contingencies involving probable risks of loss have been provisioned.

	Parent			
	2011		2010	
Nature of the contingency	**Probable**	**Possible**	**Probable**	**Possible**
Civil	200	83	152	
Labor	1,733	3,465	2,147	4,294
Tax	4,108	169,520	2,211	238,153
	6,041	173,068	4,510	242,447

	Consolidated			
	2011		2010	
Nature of the contingency	**Probable**	**Possible**	**Probable**	**Possible**
Civil	582	83	152	442
Labor	4,069	3,465	4,995	4,294
Tax	11,421	185,538	12,297	251,347
	16,072	189,086	17,444	256,083

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Judicial deposits				
Civil	964		1,503	
Labor	436	704	1,454	1,539
Tax	3,206	11,226	7,362	12,826
	4,606	11,930	10,319	14,365

(i) Civil and labor contingencies

The Company is a 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 parties to various tax disputes, the nature of which is detailed below:

. Provided

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
ICMS – transfers of credits (i)	3,144	2,211	3,144	2,211
COFINS – increase in rate (ii)			7,118	6,790
Other contingent liabilities of lesser amounts	964		1,159	3,296
	4,108	2,211	11,421	12,297

(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 litigation is in progress at the administrative and judicial levels.

. Not provided

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
PIS, COFINS and Tax for Social Security Financing (FINSOCIAL) - offset	4,762	4,254	4,762	4,254
IRPJ – understated realization of inflationary profit	1,880	1,725	1,880	1,725
IRPJ and CSLL on exports intermediated by export companies (i)	159,953	229,488	159,953	229,488
ICMS – shipment of goods with a reduced tax rate to non-taxpayers (ii)			13,013	11,688
ISS – services received from third parties	2,925	2,686	2,925	2,686
Other contingent liabilities of lesser amounts			3,005	1,506
	169,520	238,153	185,538	251,347

(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 (CARF). In

September 2011, in the processes related to calendar years 2001-2007 the Administrative Board of Tax Appeals, by unanimous vote, ruled in favor of the Company, fully canceling the tax assessment notices.

(ii) Contingency of a subsidiary, deemed as possible loss, regarding ICMS liabilities from shipments of goods with a reduced tax rate to non-taxpayers located outside the state. The litigation is in progress at the Taxpayers Council of the State of Rio de Janeiro.

There are other contingent liabilities of a subsidiary, of smaller amounts, totaling R$ 12,572 (December 31, 2010 - R$ 10,171), for which unfavorable outcomes are deemed as possible.

(b) Contingent assets

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

	Consolidated			
	2011		2010	
Nature of contingent asset	**Probable**	**Possible**	**Probable**	**Possible**
Tax	19,000	17,270	41,415	15,865
Social security	3,320	1,715	3,050	1,570
	22,320	18,985	44,465	17,435

(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 Social Contribution on Revenues (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 use and consumption material.

(ii) Social security contingencies

. National Institute of Rural Settlement and Agrarian Reform (INCRA) contribution.
. National Institute of Social Security (INSS) contribution.

17 Pension plan and post-employment 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. In 2011, the total consolidated contributions amounted to R$ 8,845 (R$ 7,614 in 2010). 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, 2011 and 2010, 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 as presented below.

The amounts recognized in the balance sheet are as follows:

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Present value of the actuarial liabilities	(159,903)	(141,767)	(159,903)	(141,767)
Fair value of plan assets	160,291	144,201	160,291	144,201
Surplus not subject to reimbursement or reduction of future contributions	(388)	(2,434)	(388)	(2,434)

Considering that the plan regulations do not permit reimbursement, benefit increase or reduction of future contributions, the assets arising from the plans' surplus were not recognized in the financial statements at December 31, 2011 and 2010.

The changes in the defined benefit obligation during the years were as follows:

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
At January 1	2,434	16,860	2,434	16,860
Plan participants' contributions	7,741	6,723	7,741	6,723
Actuarial losses/(gains)	(8,862)	(20,538)	(8,862)	(20,538)
Benefits paid	(925)	(611)	(925)	(611)
At December 31	388	2,434	388	2,434

The changes in the fair value of plan assets for the years presented were as follows:

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
At January 1	144,201	129,357	144,201	129,357
Sponsor contributions	7,741	6,723	7,741	6,723
Employee contributions	445	437	445	437
Benefits paid	(5,788)	(5,128)	(5,788)	(5,128)

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Expected return on plan assets	16,400	13,391	16,400	13,391
Actuarial (losses)/gains	(2,708)	(579)	(2,708)	(579)
At December 31	160,291	144,201	160,291	144,201

The changes in the actuarial obligation in the years presented were as follows:

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
At January 1	141,767	112,497	141,767	112,497
Actuarial (losses)/gains	6,184	19,936	6,184	19,936
Current service cost	3,805	2,731	3,805	2,731
Interest cost	13,935	11,731	13,935	11,731
Benefits paid	(5,788)	(5,128)	(5,788)	(5,128)
At December 31	159,903	141,767	159,903	141,767

The amounts recognized in the statement of income are as follow:

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Current service cost	3,805	2,731	3,805	2,731
Interest cost	13,935	11,731	13,935	11,731
Expected return on plan assets	(16,400)	(13,391)	(16,400)	(13,391)
Employee contributions	(415)	(460)	(415)	(460)
Total, included in personnel costs	925	611	925	611

The main actuarial assumptions at the balance sheet date are as follows:

. Economic assumptions

	Percentage p.a.			
	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Discount rate	10.08	10.03	10.08	10.03
Expected rate of return on the plan assets	12.39	11.32	12.39	11.32
Future salary increases	7.37	7.37	7.37	7.37
Inflation	4.24	4.24	4.24	4.24

. Demographic assumptions

	Percentage p.a.			
	Parent		Consolidated	
	2011	2010	2011	2010
Mortality table	AT 2000	AT 2000	AT 2000	AT 2000
Disability mortality table	RRB 1983	RRB 1983	RRB 1983	RRB 1983
Disability occurrence table	RRB 1944	RRB 1944	RRB 1944	RRB 1944

18 Income tax and social contribution

(a) Deferred income tax and social contribution

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

	Parent		Consolidated	
	2011	2010	2011	2010
Assets				
Provision for technical assistance	20,407	23,980	24,230	26,212
Provision for commissions	20,815	12,391	26,116	15,769
Provision for impairment of trade receivables	10,164	6,961	47,112	39,161
Provision for profit sharing	34,015		41,651	4,515
Provision for contingencies	6,041	2,211	16,072	17,398
Provision for sureties with third parties	1,414	1,215	1,414	1,215
Provision for losses on inventories	389	878	3,014	878
Provision for third-party services	14,416	16,312	7,163	16,312
Appropriation of (gains) losses on derivatives	3,639	(13,644)	4,690	(12,880)
Adjustment to present value	2,155	(1,639)	2,844	(1,639)
Other provisions	(6,465)	(7,353)	27,117	13,192
Income tax and social contribution losses			321	7,264
Calculation basis	106,990	41,312	201,744	127,397
Standard rate - %	34	34	34	34
Deferred income tax and social contribution	36,376	14,046	68,593	43,315

(b) Estimated period of realization of deferred tax assets

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		Consolidated	
	2011	2010	2011	2010
From 13 to 24 months	36,376	14,046	68,593	42,755
From 25 to 36 months				140
After 36 months				420
	36,376	14,046	68,593	43,315

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

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Reconciliation				
Profit before income tax and social contribution	431,255	389,420	495,960	441,957
Standard rate - %	34	34	34	34
	146,627	132,403	168,626	150,265
Permanent additions and exclusions				
Equity in results of investees	(43,505)	(38,476)	(2,857)	(2,410)
PDI Tax incentive (i)	(11,759)	(10,858)	(11,759)	(10,858)
Management profit sharing	(2,617)	(1,768)	(2,617)	(1,768)
Recovery of IRPJ/CSLL (ii)		4,321		5,473
IRPJ/CSLL on results of subsidiaries abroad	1,683	2,967	1,683	2,967
Other additions (exclusions)	(1,477)	4,783	(1,139)	(47)
Temporary additions and exclusions				
Tax losses				2,581
	88,952	93,372	151,937	146,203
Income tax and social contribution				
Current	(111,282)	(80,174)	(177,215)	(134,562)
Deferred	22,330	(13,198)	25,278	(11,641)
	88,952	93,372	151,937	146,203

(i) Incentive – industrial development program
(ii) Taxes on tax provisions

19 Equity

(a) Share capital

The parent company's authorized capital is 2,100,000,000 registered shares, of which 700,000,000 are common shares and 1,400,000,000 are preferred shares, all with no par value.

At December 31, 2011, subscribed and paid-up share capital is represented by 448,450,042 (December 31, 2010 - 448,450,042) registered shares, of which 170,812,872 are common shares and 277,637,170 are preferred shares, with no par value.

Of the total subscribed capital, 144,956,838 (December 31, 2010 - 156,690,470) preferred shares are held by stockholders abroad.

(b) Reserves

(i) Legal reserve

In accordance with article 193 of Law 6404/76, 5% of the profit of each year is transferred to this reserve, up to the limit of 20% of share capital.

(ii) Statutory reserves

At least 25% 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 paragraph 1 of article 33 of the Company's bylaws 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 shares

Treasury shares comprise 2,078,282 registered preferred shares, purchased at the average cost of R$ 6.0073 per share. The market value of the treasury shares, calculated at the closing date for the period, was R$ 14,735. According to paragraph 3 of article 168 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 capital - Law 9249/95 and dividends

As provided by Law 9249/95, the Company calculated interest on capital based on the TJLP in effect during the year, in the amount of R$ 54,509 (R$ 45,228 in 2010) of which R$ 12,970 was paid as from June 30, 2011, at R$ 0.029 per share, R$ 12,971 paid as from September 30, 2011, at R$ 0.029 per share, R$ 12,945 paid as from December 31, 2011, at R$ 0.029 per share, and R$ 15,623 is to be paid beginning on March 30, 2012, at 0.035 per share, for both common and preferred shares, and recorded as finance costs, as required by tax legislation. For the purposes of these financial statements, interest on capital was reversed from finance costs for the year and charged to retained earnings when paid.

The income tax and social contribution expense for the year was reduced by approximately R$ 18,533 (R$ 15,378 in 2010), as a result of the deductibility of the interest on capital credited to the stockholders.

Also in the year ended December 31, 2011, the Company proposed dividends for the current year in the amount of R$ 111,593 (R$ 104,814 in 2010) to be paid beginning on March 30, 2012, at R$ 0.25 per share, which was approved at the Board of Directors' meeting held on December 9, 2011.

The calculation of the minimum mandatory dividend is as follows:

	2011	2010
Profit for the year (parent company)	342,303	296,048
Legal reserve (5%)	(17,115)	(14,802)
Dividend calculation basis	325,188	281,246
Dividends proposed by management	166,102	150,042
Minimum mandatory dividends (25%)	81,297	70,311
Additional proposed dividends	84,805	79,731
Interest on capital imputed to dividends		
Gross value	54,509	45,228
Withholding Income Tax (15%)	(8,176)	(6,784)
Withholding income tax - suspended withholding	1,986	1,720
Net amount of interest on capital credited	48,319	40,164
Dividends paid in advance	111,593	104,814
Net amount of interest on capital and dividends credited and proposed	159,912	144,978

The amount of interest on capital was imputed to the minimum mandatory dividend paid in advance for the current year pursuant to item V of CVM Resolution No. 207/96.

Minimum mandatory dividends for 2011 are presented in the balance sheet as current liabilities and additional proposed dividends as a distributable reserve.

21 Insurance

At December 31, 2011, the Company had insurance protection against fire and sundry risks for property, plant and equipment items and inventories at amounts considered sufficient to cover possible losses.

The main insurance coverage is as follows:

		Consolidated	
Nature of asset	**Book value**	**2011**	**2010**
Inventories and warehouses	Fire and sundry risks	407,869	202,933
Buildings and contents	Fire and sundry risks	515,007	476,314
Vehicles	Collision, civil liability	20,497	7,205
		943,373	686,452

22 Sureties and guarantees

At December 31, 2011, the Company had issued sureties and/or guarantees of R$ 20,829 (2010 - R$ 16,734) and was the guarantor of "vendor" (customer financing) agreements, in the amount of R$ 6,079 in 2010 (2011 - nil), in connection with the financing of customers by banks, which has as a counter-guarantee the respective assets financed.

23 Employee profit sharing

In 2011, in conformity with Law 10101 of December 19, 2000, management opted for the semi-annual payment of profit sharing, having paid part in July 2011 and the remaining balance in February 2012.

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 December 22, 2010, which was approved by the employee union.

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

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Cost of sales and services	33,225	45,154	41,265	49,893
Distribution costs	5,562	15,634	5,832	15,751
Administrative expenses	4,623	8,414	6,234	9,422
	43,410	69,202	53,331	75,066

24 Expenses by nature

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Raw materials and consumables	1,589,671	1,361,236	2,404,363	1,961,360
Direct remuneration	275,902	221,275	418,568	349,739
Management fees	15,842	15,014	15,842	15,014
Employee profit sharing	43,410	69,202	53,331	75,066
Depreciation and amortization	20,425	17,949	35,584	34,479
Private pension plan expenses	8,845	7,614	8,845	7,614
Other expenses	8,196	93,966	8,966	190,708
Total cost of sales, distribution costs and administrative expenses	1,962,291	1,786,256	2,945,499	2,633,980

25 Finance result

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Finance income				
Interest and monetary variations received (i)	26,951	44,991	32,584	52,233
Income from financial investments	82,480	47,833	87,703	51,899
Foreign exchange gains (i)	68,853	70,064	84,137	70,082
Adjustment to present value of trade receivables	31,605	24,105	45,411	34,589
	209,889	186,993	249,835	208,803

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Finance costs				
Interest on borrowings	36,817	31,615	45,159	47,806
Foreign exchange losses (i)	78,560	58,862	102,462	58,865
Bank expenses	4,863	2,854	6,313	5,527
Adjustment to present value of trade payables	21,476	14,634	28,423	18,440
	141,716	107,965	182,357	130,638
Net finance result	68,173	79,028	67,478	78,165

(i) Includes foreign exchange variation and interest on derivatives, as detailed in note 5 (e).

26 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to stockholders of the Company by the weighted average number of shares outstanding during the year, excluding shares purchased by the Company and held as treasury shares.

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Profit attributable to the Company's stockholders				
From continuing operations	342,303	296,048	344,023	295,754
Weighted average number of shares outstanding (in thousands)	446,372	446,042	446,372	446,042
Earnings per share - from continuing operations	0.7669	0.6637	0.7707	0.6631

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common and preferred shares outstanding to assume conversion of all potential common shares with dilutive effects. 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 be outstanding assuming the exercise of the share options.

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Profit attributable to the Company's stockholders				
From continuing operations	342,303	296,048	344,023	295,754
Weighted average number of shares outstanding (in thousands)	446,372	446,042	446,372	446,042
Adjustments for:				
Exercise of share purchase options	2,078	2,408	2,078	2,408
Earnings per share - from continuing operations	0.7633	0.6602	0.7671	0.6595

27 Balance sheets and statements 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 sheets

	Consolidated		Industrial segment		Financial segment	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Assets						
Current assets						
Cash and cash equivalents	904,318	672,123	850,257	617,932	54,061	54,191
Financial assets at fair value through profit or loss	1,803	40,424	1,803	40,424		
Derivative financial instruments	591	13,668	591	13,668		
Trade receivables	920,217	810,464	675,030	585,424	245,187	225,040
Inventories	368,330	311,448	368,330	311,448		
Other receivables	99,584	142,382	91,854	129,583	7,730	12,799
	2,294,843	1,990,509	1,987,865	1,698,479	306,978	292,030
Non-current assets						
Long-term receivables						
Trade receivables	433,825	425,700		1,222	433,825	424,478
Other receivables	199,799	199,517	183,781	183,073	16,018	16,444
Investments	21,802	22,272	21,802	22,272		
Property, plant and equipment	353,567	318,761	353,145	318,431	422	330
Intangible assets	77,295	72,842	76,974	72,455	321	387
	1,086,288	1,039,092	635,702	597,453	450,586	441,639
Total assets	3,381,131	3,029,601	2,623,567	2,295,932	757,564	733,669
Liabilities and equity						
Current liabilities						
Trade payables	324,261	306,901	324,261	306,901		
Borrowings	612,529	267,412	429,807	101,797	182,722	165,615
Derivative financial instruments	4,690	788	4,690	788		
Other payables	379,785	373,635	352,697	352,936	27,088	20,699
	1,321,265	948,736	1,111,455	762,422	209,810	186,314
Non-current liabilities						
Borrowings	869,809	1,094,439	481,468	689,087	388,341	405,352
Other payables	18,565	23,036	18,565	20,771		2,265
	888,374	1,117,475	500,033	709,858	388,341	407,617
Non-controlling interest	9,348	7,496	9,348	7,496		
Equity	1,162,144	955,894	1,002,731	816,156	159,413	139,738
Total liabilities and equity	3,381,131	3,029,601	2,623,567	2,295,932	757,564	733,669

Statements of income

	Consolidated		Industrial segment		Financial segment	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Statement of Income						
Net revenue	3,368,876	2,964,499	3,309,372	2,896,568	59,504	67,931
Cost of sales	(2,627,180)	(2,333,156)	(2,627,180)	(2,333,156)		
Gross profit	741,696	631,343	682,192	563,412	59,504	67,931
Operating income (expenses)						
Distribution costs	(173,520)	(162,650)	(174,568)	(156,032)	1,048	(6,618)
Administrative expenses	(144,799)	(138,174)	(131,831)	(123,751)	(12,968)	(14,423)
Other operating income (expenses), net	(3,299)	26,189	1,336	29,366	(4,635)	(3,177)
Equity in the results of investees	8,404	7,084	8,404	7,084		
Operating profit before equity results and finance result	428,482	363,792	385,533	320,079	42,949	43,713
Finance result						
Finance income	249,835	208,803	249,835	208,708		95
Finance costs	(182,357)	(130,638)	(182,357)	(130,638)		
Profit before income tax and social contribution	495,960	441,957	453,011	398,149	42,949	43,808
Income tax and social contribution	(151,937)	(146,203)	(134,781)	(128,157)	(17,156)	(18,046)
Profit for the year	344,023	295,754	318,230	269,992	25,793	25,762

28 Statements of cash flows by business segment - indirect method

	Consolidated		Industrial segment		Financial segment	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Cash flows from operating activities						
Profit for the year	344,023	295,754	318,230	269,992	25,793	25,762
Cash flows from operating activities:						
Depreciation and amortization	35,584	34,479	35,404	34,319	180	160
Loss on disposal of non-current assets	9,742	12,417	9,742	12,417		
Equity in results of subsidiaries	(8,404)	(7,084)	(8,404)	(7,084)		
Provision for impairment of trade receivables	(5,780)	3,325	(4,331)	3,413	(1,449)	(88)
Deferred income tax and social contribution	(25,278)	11,641	(26,105)	11,710	827	(69)
Appropriated interest and monetary variations	53,603	33,177	20,609	122	32,994	33,055
Non-controlling interests	879	(784)	879	(784)		
Changes in assets and liabilities						
(Increase) decrease in trade receivables	(106,816)	(140,160)	(78,771)	(86,868)	(28,045)	(53,292)
(Increase) decrease in inventories	(54,468)	(75,610)	(54,468)	(75,610)		
(Increase) decrease in other receivables	56,970	1,208	52,302	14,913	4,668	(13,705)
(Increase) decrease in marketable securities	63,424	(144,750)	63,424	(172,338)		27,588
Increase (decrease) in trade payables	16,391	100,052	16,391	100,052		
Increase (decrease) in payables and provisions	1,916	134,920	(2,215)	123,851	4,131	11,069
Net cash provided by operating activities	381,786	258,585	342,687	228,105	39,099	30,480

	Consolidated		Industrial segment		Financial segment	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Cash flows from investing activities						
Investments	(86)		(86)			
Dividends from investees	6,383	2,247	6,383	7,390		(5,143)
Purchases of property, plant and equipment and intangible assets	(80,124)	(83,010)	(79,918)	(82,774)	(206)	(236)
Proceeds from sale of property, plant and equipment	(835)	(720)	(835)	(720)		
Net cash used in investing activities	(74,662)	(81,483)	(74,456)	(76,104)	(206)	(5,379)
Cash flows from financing activities						
Related parties		12	5	255	(5)	(243)
Result on sale of treasury shares	781	(10,923)	781	(10,923)		
Dividends and interest on capital paid	(149,376)	(73,069)	(143,256)	(70,562)	(6,120)	(2,507)
New borrowings	479,205	595,504	289,388	418,159	189,817	177,345
Payment of borrowings and interest	(408,641)	(513,585)	(185,926)	(335,086)	(222,715)	(178,499)
Net cash used in financing activities	(78,031)	(2,061)	(39,008)	1,843	(39,023)	(3,904)
Foreign exchange gains (losses) on cash and cash equivalents	3,102	(1,890)	3,102	(1,890)		
Net increase (decrease) in cash and cash equivalents	232,195	173,151	232,325	151,954	(130)	21,197
Cash and cash equivalents at the beginning of the year	672,123	498,972	617,932	465,978	54,191	32,994
Cash and cash equivalents at the end of the year	904,318	672,123	850,257	617,932	54,061	54,191

29 Revenue

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

	Parent		Consolidated	
	2011	**2010**	**2011**	**2010**
Gross sales and services	2,773,698	2,461,406	4,133,517	3,635,800
Taxes on sales and returns	(570,487)	(484,274)	(764,641)	(671,301)
Net revenue	2,203,211	1,977,132	3,368,876	2,964,499

30 Additional information

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

(a) Net revenue by geographic area

	Consolidated	
	2011	**2010**
Brazil	2,849,156	2,436,300
Africa	53,991	187,144
Argentina	96,783	47,500
China	22,708	15,021
Colombia	125,116	60,883
United Arab Emirates		749
India	88,493	95,293
Mexico	122,016	99,379
Portugal	698	143
Virgin Islands	2,912	
Russia	441	
Uruguay		5,151
Egypt	6,562	16,936
	3,368,876	2,964,499

(b) Property, plant and equipment, goodwill and intangible assets by geographic area

	Consolidated	
	2011	**2010**
Brazil	323,203	276,893
Africa	15,329	18,068
Argentina	9,094	5,683
China	1,755	610
Colombia	14,332	13,243
Egypt	25,358	24,346
India	35,756	46,242
Virgin Islands	5	6
Mexico	5,977	6,388
Portugal	11	85
Russia	2	2
Uruguay	40	37
	430,862	391,603

31 Reconciliation of equity at December 31, 2011 and 2010 and of profit or loss for the years then ended

The reconciliation of equity and profit or loss for the year between CPCs (parent company) and IFRS (consolidated) is as follows:

Reconciliation of equity and profit or loss for the year between CPCs (parent company) and IFRS (consolidated)

	Equity		Profit or loss for the year	
	2011	2010	2011	2010
Parent company balances (CPCs)	1,166,188	960,779	342,303	296,048
Reversal of deferred charges in subsidiary (included in the investment balance)	(6,127)	(7,402)	1,275	742
Deferred income tax and social contribution	2,083	2,517	(434)	(252)
Consolidated - attributable to Marcopolo's stockholders	1,162,144	955,894	343,144	296,538
Non-controlling interests	9,348	7,496	879	(784)
Consolidated	1,171,492	963,390	344,023	295,754

32 Events after the reporting period

(a) Acquisition of subsidiary

Marcopolo signed, on December 12, 2011, a contract for the acquisition of a 75% investment in Volgren Australia Pty. Limited, headquartered in Melbourne, Australia. The amount to be disbursed for the 75% investment in Volgren will include the prepayment of A$ 52.5 million (Australian dollars) and adjustments related to the Company's performance based on the EBITDA for the next three years. Marcopolo has the right to purchase the remaining 25% of the investment after three years.

(b) Commitment for the establishment of a jointly-controlled subsidiary

On February 1, 2012, San Marino Ônibus e Implementos Ltda. signed a non-binding commitment with the North American company Navistar, Inc. for the formation of a partnership. The objective of this partnership will be the manufacture of complete buses focusing on the North and South American markets. Through this association, San Marino will increase its portfolio and expand its geographic area of operation. In this new corporate configuration, the investment of Marcopolo in San Marino will be 33%.

(c) Joint venture

Marcopolo informs that, through its subsidiary Syncroparts Comércio e Distribuição de Peças Ltda, it signed, on February 15, 2012, a contract for the establishment of a joint venture with Twice Investimentos e Participações Ltda., formed by the main quotaholders of Caio Induscar Indústria e Comércio de Carrocerias Ltda. The objective of the joint venture is to manufacture, for the domestic market, parts and accessories used in bus bodies, as well as the production of specific bodies for the foreign market. It is important to highlight that the new company shall operate independently from the shareholders, and its products shall have the company's own design and brand. The investment in the first year will be R$ 10 million, to be contributed equally by the partners.