

MERITOR INC  
Form 10-K/A  
June 28, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A (Amendment no. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended October 3, 2010

Commission file number 1-15983

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MERITOR, INC.

(Formerly ARVINMERITOR, INC.)

(Exact name of registrant as specified in its charter)

|                                                                   |                                         |
|-------------------------------------------------------------------|-----------------------------------------|
| Indiana                                                           | 38-3354643                              |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |

|                                          |            |
|------------------------------------------|------------|
| 2135 West Maple Road                     |            |
| Troy, Michigan                           | 48084-7186 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (248) 435-1000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

|                                                                                           |                                           |
|-------------------------------------------------------------------------------------------|-------------------------------------------|
| Title of each class                                                                       | Name of each exchange on which registered |
| Common Stock, \$1 Par Value (including the<br>associated Preferred Share Purchase Rights) | New York Stock Exchange                   |

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding twelve months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on April 1, 2011 (the last business day of the most recently completed second fiscal quarter) was approximately \$1,542,572,181.

94,448,940 shares of the registrant's Common Stock, par value \$1 per share, were outstanding on April 3, 2011.

### DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Proxy Statement for the Annual Meeting of Shareowners of the registrant held on January 20, 2011 is incorporated by reference into Part III of the Annual Report on Form 10-K for the fiscal year ended October 3, 2010.

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### EXPLANATORY NOTE - AMENDMENT

Meritor, Inc. (the “company” or “Meritor”), formerly known as ArvinMeritor, Inc., is filing this Form 10-K/A to include in its Annual Report on Form 10-K for the fiscal year ended October 3, 2010 (the “Annual Report”), pursuant to Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, financial statements and related notes of Master Sistemas Automotivos Ltda. (“MSA”) and Suspensys Sistemas Automotivos Ltda. (“SSA”), unconsolidated joint ventures incorporated in Brazil in which the company owns an interest. Meritor owns a 49% interest in MSA (directly) and a 50% interest in SSA (through both direct and indirect interests).

Rule 3-09 of Regulation S-X provides that if a 50% or less owned person accounted for by the equity method meets the first or third condition of the significant subsidiary tests set forth in Rule 1-02(w), substituting 20% for 10%, separate financial statements for such 50% or less owned person shall be filed. Such statements are required to be audited only in the years in which such person met such test.

Both MSA and SSA met such test for Meritor’s fiscal years 2010 and 2008 and did not meet such test for Meritor’s fiscal year 2009. Normally, therefore, under Rule 3-09 of Regulation S-X, the company would be required to file MSA’s and SSA’s audited financial statements for the fiscal years ended December 31, 2010 and 2008 (“2010” and “2008”) and to file unaudited financial statements for the fiscal year ended December 31, 2009 (“2009”).

Effective January 1, 2009, however, Brazil has adopted International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements of MSA and SSA for 2010 and 2009 have been prepared in accordance with IFRS as issued by the IASB. These financial statements are the first presented in accordance with IFRS.

As permitted by General Instruction G to Form 20-F (as well as Securities and Exchange Commission (“SEC”) interpretations applying such instruction to foreign businesses whose financial statements are required to be filed under Rule 3-09 of Regulation S-X), the company has availed itself of the one-time accommodation for first-time IFRS implementers to file two years rather than three years of statements of income, changes in shareholders equity and cash flows prepared in accordance with IFRS as issued by the IASB, with appropriate related disclosure in the financial statements. As required, the company has included balance sheets as of three periods. Consequently, the company has included in this Form 10-K/A the following audited financial statements of MSA and SSA:

- Balance Sheets, December 31, 2010 and 2009 and January 1, 2009;
- Statements of Income, Changes in Shareholders’ Equity, and Cash Flows, years ended December 31, 2010 and 2009.

In reliance on the one-time accommodation noted above, MSA and SSA financial statements for 2008 are not included in this Form 10-K/A.

Since the financial statement of MSA and SSA are presented in accordance with IFRS as issued by the IASB, reconciliations between local GAAP and U.S. GAAP are not required pursuant to SEC Release numbers 33-8879 and 34-57026 and have been omitted.

Item 15 is the only portion of the Annual Report being supplemented or amended by this Form 10-K/A. Additionally, in connection with the filing of this Form 10-K/A and pursuant to SEC rules, Meritor is including currently dated certifications. This Form 10-K/A does not otherwise update any exhibits as originally filed and does not otherwise reflect events occurring after the original filing date of the Annual Report. Accordingly, this Form 10-K/A should be read in conjunction with Meritor’s filings with the SEC subsequent to the filing of the Annual Report.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Financial Statements, Financial Statement Schedules and Exhibits.

(1) Financial Statements.

Meritor

The following financial statements and related notes were filed as part of the Annual Report filed with the SEC on November 24, 2010 (all financial statements listed below are those of the company and its consolidated subsidiaries):

Consolidated Statement of Operations, years ended September 30, 2010, 2009 and 2008.

Consolidated Balance Sheet, September 30, 2010 and 2009.

Consolidated Statement of Cash Flows, years ended September 30, 2010, 2009 and 2008.

Consolidated Statement of Shareowners' Equity, years ended September 30, 2010, 2009 and 2008.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

Master Sistemas Automotivos Ltda.

The following financial statements and related notes of Master Sistemas Automotivos Ltda. are included in this Amendment No. 1 on Form 10-K/A pursuant to Rule 3-09 of Regulation S-X:

Balance Sheets, December 31, 2010 and 2009 and January 1, 2009

Statements of Income, Changes in Shareholders' Equity, and Cash Flows, years ended December 31, 2010 and 2009.

Independent Auditors' Report.

Suspensys Sistemas Automotivos Ltda.

The following financial statements and related notes of Suspensys Sistemas Automotivos Ltda. are included in this Amendment No. 1 on Form 10-K/A pursuant to Rule 3-09 of Regulation S-X:

Balance Sheets, December 31, 2010 and 2009 and January 1, 2009

Statements of Income, Changes in Shareholders' Equity, and Cash Flows, years ended December 31, 2010 and 2009.

Independent Auditors' Report.

# Master Sistemas Automotivos Ltda.

Financial Statements as of December 31, 2010  
and 2009 And January 1, 2009 and for the  
Years Ended December 31, 2010 and 2009 and  
Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheets of Master Sistemas Automotivos Ltda. (the "Company"), a company incorporated in Brazil, as of December 31, 2010 and 2009 and January 1, 2009 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2010 and 2009, all expressed in Brazilian reais. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009 and January 1, 2009 and the results of its operations and its cash flows for the years ended December 31, 2010 and 2009 in conformity with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

May 6, 2011

/s/ DELOITTE TOUCHE TOHMATSU Auditores Independentes  
DELOITTE TOUCHE TOHMATSU Auditores Independentes  
Porto Alegre, Brazil

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MASTER SISTEMAS AUTOMOTIVOS LTDA.

BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2009

(In thousands of Brazilian reais - R\$)

| ASSETS                                       | Note | 12/31/2010     | 12/31/2009     | 1/1/2009       |
|----------------------------------------------|------|----------------|----------------|----------------|
| <b>CURRENT ASSETS</b>                        |      |                |                |                |
| Cash and banks                               | 5    | 105,273        | 58,080         | 12,986         |
| Short-term investments                       | 6    | -              | -              | 32,222         |
| Trade receivables                            | 7    | 38,306         | 30,820         | 34,362         |
| Recoverable taxes                            | 8    | 1,464          | 3,254          | 5,759          |
| Inventories                                  | 9    | 30,368         | 24,130         | 29,715         |
| Dividends and interest on capital receivable |      | 14,437         | 2,219          | 11,789         |
| Prepaid expenses                             |      | 133            | 153            | 268            |
| Other receivables                            |      | 1,627          | 559            | 1,365          |
| Total current assets                         |      | 191,608        | 119,215        | 128,466        |
| <b>NON-CURRENT ASSETS</b>                    |      |                |                |                |
| Amounts due from parent company              | 14   | 96             | 354            | 597            |
| Recoverable taxes                            | 8    | 1,634          | 3,056          | 4,324          |
| Deferred taxes                               | 22   | 2,005          | 1,356          | 2,751          |
| Retirement benefit plan                      | 15   | 371            | 249            | -              |
| Escrow deposits                              |      | 198            | 198            | 198            |
| Investments:                                 |      |                |                |                |
| Investment in associate                      | 10   | 120,002        | 96,851         | 85,456         |
| Other investments                            |      | 25             | 25             | 25             |
| Total investments                            |      | 120,027        | 96,876         | 85,481         |
| Property, plant and equipment                | 11   | 84,146         | 83,785         | 84,561         |
| Intangible assets                            | 12   | 4,418          | 344            | 471            |
| Total non-current assets                     |      | 212,895        | 186,218        | 178,383        |
| <b>TOTAL ASSETS</b>                          |      | <b>404,503</b> | <b>305,433</b> | <b>306,849</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |      |                |                |                |
| <b>CURRENT LIABILITIES</b>                   |      |                |                |                |
| Trade payables                               |      | 11,213         | 8,780          | 7,240          |
| Borrowings and financing                     | 13   | 8,600          | 10,793         | 28,803         |
| Derivative transactions                      | 17   | -              | -              | 4,385          |
| Taxes and contributions payable              |      | 2,226          | 2,152          | 1,554          |
| Salaries payable                             |      | 1,113          | 874            | 452            |
| Accrued vacation and related charges         |      | 3,671          | 2,513          | 2,214          |
| Dividends and interest on capital payable    | 14   | 22,021         | 4,930          | 14,316         |
| Employee and management profit sharing       |      | 3,888          | 2,781          | 2,253          |
| Advances from customers                      |      | 295            | 294            | 56             |
| Amounts due to related parties               | 14   | 151            | -              | 1,334          |
| Other payables                               |      | 1,009          | 761            | 843            |
| Total current liabilities                    |      | 54,187         | 33,878         | 63,450         |
| <b>NON-CURRENT LIABILITIES</b>               |      |                |                |                |

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|                                |    |        |        |        |
|--------------------------------|----|--------|--------|--------|
| Borrowings and financing       | 13 | 74,444 | 51,308 | 29,938 |
| Amounts due to parent company  | 14 | -      | -      | 864    |
| Amounts due to related parties | 14 | 1,205  | 1,043  | 2,845  |
| Reserve for contingencies      | 16 | 443    | -      | -      |
| Contributions payable          |    | 3,129  | 2,301  | 1,370  |
| Deferred taxes                 | 22 | 6,024  | 6,466  | 6,816  |
| Other payables                 |    | 520    | 594    | 516    |

## SHAREHOLDERS' EQUITY

|                            |    |         |         |         |
|----------------------------|----|---------|---------|---------|
| Capital                    | 18 | 105,000 | 105,000 | 105,000 |
| Earnings reserve           |    | 139,805 | 83,787  | 73,921  |
| Retained earnings          |    | 19,746  | 21,056  | 22,129  |
| Total shareholders' equity |    | 264,551 | 209,843 | 201,050 |

|                                            |  |         |         |         |
|--------------------------------------------|--|---------|---------|---------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY |  | 404,503 | 305,433 | 306,849 |
|--------------------------------------------|--|---------|---------|---------|

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

## MASTER SISTEMAS AUTOMOTIVOS LTDA.

## INCOME STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In thousands of Brazilian reais - R\$)

|                                                           | Note | 2010      | 2009      |
|-----------------------------------------------------------|------|-----------|-----------|
| NET REVENUE                                               | 20   | 431,166   | 272,553   |
| COST OF SALES AND SERVICES                                | 21   | (347,602) | (226,144) |
| GROSS PROFIT                                              |      | 83,564    | 46,409    |
| OPERATING INCOME (EXPENSES)                               |      |           |           |
| Selling expenses                                          | 21   | (14,520)  | (9,206)   |
| General and administrative expenses                       | 21   | (10,623)  | (7,677)   |
| Equity in associate                                       | 10   | 43,316    | 27,296    |
| Other operating expenses, net                             | 21   | (5,655)   | (4,256)   |
|                                                           |      | 12,518    | 6,157     |
| PROFIT FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES) |      | 96,082    | 52,566    |
| FINANCIAL INCOME (EXPENSES)                               |      |           |           |
| Financial income                                          | 23   | 11,282    | 6,922     |
| Financial expenses                                        | 23   | (5,387)   | (4,556)   |
| Exchange gains (losses), net                              | 23   | 96        | 4,069     |
|                                                           |      | 5,991     | 6,435     |
| PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION          |      | 102,073   | 59,001    |
| INCOME TAX AND SOCIAL CONTRIBUTION                        |      |           |           |
| Current                                                   | 22   | (16,467)  | (6,291)   |
| Deferred                                                  | 22   | 1,107     | (962)     |
| NET PROFIT FOR THE YEAR                                   |      | 86,713    | 51,748    |

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

MASTER SISTEMAS AUTOMOTIVOS LTDA.

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009  
(In thousands of Brazilian reais - R\$)

|                                                                                  | 2010   | 2009   |
|----------------------------------------------------------------------------------|--------|--------|
| NET PROFIT FOR THE YEAR                                                          | 86,713 | 51,748 |
| OTHER COMPREHENSIVE INCOME                                                       |        |        |
| Actuarial gains on retirement benefit plan                                       | 46     | 244    |
| Deferred income tax and social contribution<br>on other comprehensive income     | (16)   | (83)   |
| Other comprehensive income of associate accounted for<br>under the equity method | 32     | 149    |
|                                                                                  | 62     | 310    |
| COMPREHENSIVE INCOME FOR THE YEAR                                                | 86,775 | 52,058 |

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

## MASTER SISTEMAS AUTOMOTIVOS LTDA.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009  
(In thousands of Brazilian reais - R\$)

|                                   | Note | Capital | Earnings<br>reserve | Retained<br>earnings | Total    |
|-----------------------------------|------|---------|---------------------|----------------------|----------|
| BALANCES AT JANUARY 1, 2009       |      | 105,000 | 73,921              | 22,129               | 201,050  |
| Net profit for the year           |      | -       | -                   | 51,748               | 51,748   |
| Other comprehensive income        |      | -       | -                   | 310                  | 310      |
| Comprehensive income for the year |      | -       | -                   | 52,058               | 52,058   |
| Interest on capital               | 19   | -       | -                   | (10,358)             | (10,358) |
| Payment of dividends              | 19   | -       | (21,107)            | (11,800)             | (32,907) |
| Earnings reserve                  |      | -       | 30,973              | (30,973)             | -        |
| BALANCES AT DECEMBER 31, 2009     |      | 105,000 | 83,787              | 21,056               | 209,843  |
| Net profit for the year           |      | -       | -                   | 86,713               | 86,713   |
| Other comprehensive income        |      | -       | -                   | 62                   | 62       |
| Comprehensive income for the year |      | -       | -                   | 86,775               | 86,775   |
| Interest on capital               | 19   | -       | -                   | (10,990)             | (10,990) |
| Payment of dividends              | 19   | -       | (8,400)             | (12,677)             | (21,077) |
| Earnings reserve                  |      | -       | 64,418              | (64,418)             | -        |
| BALANCES AT DECEMBER 31, 2010     |      | 105,000 | 139,805             | 19,746               | 264,551  |

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

## MASTER SISTEMAS AUTOMOTIVOS LTDA.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009  
(In thousands of Brazilian reais - R\$)

|                                                                                                                     | Note | 2010     | 2009     |
|---------------------------------------------------------------------------------------------------------------------|------|----------|----------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                         |      |          |          |
| Profit before income tax and social contribution                                                                    |      | 102,073  | 59,001   |
| Adjustments to reconcile profit before income tax and social contribution to cash provided by operating activities: |      |          |          |
| Depreciation of property, plant and equipment                                                                       | 11   | 8,317    | 7,963    |
| Amortization of intangible assets                                                                                   | 12   | 135      | 157      |
| Provisions                                                                                                          |      | 708      | (5)      |
| Profit on sale of property, plant and equipment                                                                     |      | 45       | 4        |
| Exchange differences and interest on borrowings and derivatives                                                     |      | 7,002    | (4,896)  |
| Equity in associate                                                                                                 | 10   | (43,316) | (27,296) |
| Increase (decrease) in assets and liabilities                                                                       |      |          |          |
| Decrease (increase) in trade receivables                                                                            |      | (7,486)  | 3,542    |
| Decrease (increase) in inventories                                                                                  |      | (6,238)  | 5,585    |
| Decrease in other receivables                                                                                       |      | 1,886    | 5,313    |
| Decrease in trade payables                                                                                          |      | 2,433    | 1,540    |
| Increase in other payables and provisions                                                                           |      | 2,635    | 1,774    |
| Redemption of investments                                                                                           | 6    | -        | 32,222   |
| Dividends and interest on capital received                                                                          |      | 7,215    | 24,930   |
| Income tax and social contribution paid                                                                             |      | (16,466) | (6,291)  |
| Interest paid on borrowings                                                                                         |      | (3,552)  | (3,775)  |
| Net cash provided by operating activities                                                                           |      | 55,391   | 99,768   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                                         |      |          |          |
| Purchase of property, plant and equipment                                                                           | 11   | (8,725)  | (7,190)  |
| Purchase of intangible assets                                                                                       | 12   | (4,208)  | (30)     |
| Net cash used in investing activities                                                                               |      | (12,933) | (7,220)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                                         |      |          |          |
| Payment of dividends and interest on capital                                                                        |      | (13,328) | (51,099) |
| Borrowings from related parties                                                                                     |      | 570      | (864)    |
| Borrowings from third parties                                                                                       |      | 27,987   | 37,379   |
| Repayment of borrowings and financing                                                                               |      | (10,494) | (32,870) |
| Net cash provided by (used in) financing activities                                                                 |      | 4,735    | (47,454) |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                                                    |      |          |          |
|                                                                                                                     |      | 47,193   | 45,094   |
| Cash and cash equivalents at the beginning of the year                                                              | 5    | 58,080   | 12,986   |
| Cash and cash equivalents at the end of the year                                                                    | 5    | 105,273  | 58,080   |

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



MASTER SISTEMAS AUTOMOTIVOS LTDA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009  
(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. OPERATIONS

Master Sistemas Automotivos Ltda. (the “Company”) is a limited liability company established in Brazil with its head office and principal place of business in Caxias do Sul – RS. The Company was incorporated on April 24, 1986, and is a jointly-controlled entity by Randon S.A. Implementos e Participações (“Randon”) and Meritor Inc. (“Meritor”), having started its operations in April 1987, and is engaged in the development, manufacture, sale, assembly, distribution, import and export of movement control systems for buses, trailers and trucks and their parts and components.

The Company holds a 53.177% interest in Suspensys Sistemas Automotivos Ltda. which has its registered office and principal place of business in Caxias do Sul – RS and is engaged in the manufacture and sale of air and mechanical suspension systems for trucks, buses and trailers, axles for trailers, third axles, hubs and drums for trucks, buses and trailers, and the provision of technical assistance services for its products.

Although the Company has a 53.177% equity interest in Suspensys, the Company does not have voting control due to the following factors:

- Suspensys is jointly controlled as there is an agreement between Suspensys quotaholders’ (the Company, Randon and Meritor) that Suspensys’ Consultative Board (i.e., governing body) is comprised of six members, which makes the significant decisions associated with Suspensys’ operations. Three members of the consultative board are elected by Randon and the other three by Meritor and all decisions need to be agreed by at least four board members.
- In accordance with the articles of association, each matter discussed in Suspensys’ quotaholders meeting are approved by at least 80% of the quotaholders.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Company’s Financial Statements for the years ended on December 31, 2010 and 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB). These Financial Statements are the first presented in accordance with IFRS.

The Financial Statements of the Company have been prepared in accordance with Brazilian accounting practices (BRGAAP) and provisions of the Brazilian corporate law until December 31, 2009 and these practices differ in some aspects from IFRS. When preparing the Financial Statements for 2010, the Company adjusted certain accounting, valuation and consolidation criteria used under BRGAAP in order to conform with IFRS. The 2009 comparative data were restated to reflect such adjustments, as explained in note 4.

The reconciliation and description of the effects of transition from accounting practices adopted in Brazil to IFRS, relating to shareholders’ equity, net income and cash flow, are presented in Note 4.

The Company adopted all rules, revision of rules, and interpretations issued by IASB that are applicable for the year ended on December 31, 2010. The summary of the principal accounting policies adopted by the Company is detailed in note 3.

The financial statements were approved by the Company’s Board of Directors and authorized for issue on May 6, 2011.

3. PRINCIPAL ACCOUNTING POLICIES

3.1. Basis of preparation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.2 Functional currency and presentation currency

The financial statements are presented in thousands of reais, which is the Company's functional currency. All financial information presented in thousands of reais was rounded to the closest number.

### 3.3 Accounting estimates

In the application of accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, allowance for doubtful debts, impairment of inventories, realization of deferred taxes, and reserve for contingencies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Actual results may differ from these estimates due to uncertainties inherent in such estimates.

### 3.4 Revenue recognition

Revenue is recognized on an accrual basis.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Revenues from sales and services are subject to taxes and contributions at the following basic rates:

|                         | Rates         |
|-------------------------|---------------|
| State VAT (ICMS)        | 7% to 17%     |
| Federal VAT (IPI)       | 0% to 18%     |
| Tax on Revenue (PIS)    | 1.65% to 2.3% |
| Tax on Revenue (COFINS) | 7.6% to 10.8% |
| Service Tax (ISSQN)     | 4%            |

### 3.5 Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

3.6 Current and non-current assets

- Cash and banks balances

Include cash on hand and in banks and temporary cash investments redeemable in up to 90 days from the investment date. Temporary cash investments are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These investments are carried at cost plus yield accrued through the end of the reporting period, which approximates their fair values.

- Trade receivables

Trade receivables are recognized at the billed amount, including the related taxes and reduced to their present value at the end of the reporting period.

Allowances for doubtful debts are recognized based on estimated irrecoverable amounts determined by reference to the Company's past default experience and an analysis of the debtor's current financial position.

- Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined under the weighted average cost method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

- Investments in associate

The investment in associate is recognized under the equity method.

- Property, plant and equipment

Stated at cost of acquisition or construction. The Company elected to measure the main items included in the classes of land, buildings, machinery and equipment at deemed cost at the date of adoption of IFRS, that is, January 1, 2009. The effects of the deemed cost increased the property, plant and equipment balance, with a corresponding entry in retained earnings, net of tax effects (as mentioned in note 4.6.a).

Properties in the course of construction are carried at cost. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy (note 3.9). Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. For the other classes of property, plant and equipment, depreciation is calculated using the straight-line method at the rates mentioned in note 11, which take into consideration the estimated useful lives of assets. The estimated useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

- Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3.7. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amount of its tangible and intangible assets to determine where there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an asset individually, the Company calculates the recoverable amount of the cash generating unit to which the asset belongs. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

3.8 Discount to present value

Monetary assets and liabilities are discounted to present value when the effect is considered material in relation to the financial statements taken as a whole. The discount to present value is calculated based on an interest rate that reflects the timing and risk of each transaction. For term transactions, the Company uses the variation of the Interbank Certificate of Deposit (CDI).

Trade receivables are discounted to present value with a corresponding entry in sales revenue in the income statement, and the difference between the present value of a transaction and the face value of the billing is considered as financial income and will be recognized based on the amortized cost and the effective long-term rate of the transaction.

The discount to present value of purchases is recorded in “trade payables”, and its realization has a corresponding entry in line item “financial expenses” over the term of their suppliers.

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.10 Retirement benefit plan

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are immediately recognized in equity according to the available option in paragraph 93A of IAS 19 – Employee Benefits.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

3.11 Financial instruments

(a)

Classification and measurement

The classification depends on the purpose for which the financial assets and liabilities were acquired or contracted. The Company's management classifies its financial assets and liabilities at the time of initial contracting.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables measured at amortized cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, cash and cash equivalents and short-term investments) are measured at amortized cost using the effective interest method, less any impairment.

Financial liabilities measured at amortized cost

Borrowings are initially recognized at fair value, upon receipt of funds, net of transaction costs. They are subsequently measured at amortized cost. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss.

The fair value measurement of derivative financial instruments is normally made by the Company's treasury department based on information on each contracted transaction and its related market information at the end of the reporting periods. The fair values of derivative financial instruments are disclosed in note 17.

3.12. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at Management's best estimate of the expenditure required to settle the Company's obligation.

### 3.13 Income Tax and Social Contribution

#### Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated based on rates prevailing at the end of the reporting period (15% plus a 10% surtax on taxable profit exceeding R\$20 per month for Income Tax and 9% on taxable profit for Social Contribution on Net Profit).

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### Current and deferred taxes for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

#### 3.14. New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- a) IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

This standard will be adopted in the Company's financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Company financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- b) The amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments (effective for annual periods beginning on or after July 1, 2011) also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Company does not anticipate that these amendments to IFRS 7 will have a significant effect on the financial statements.

- c) IAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The Company does not anticipate that these amendments to IAS 24 (effective for annual periods beginning on or after January 1, 2011) will have a significant effect on the financial statements.

- d) The amendments to IAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.

The Company does not anticipate that these amendments to IAS 32 (effective for annual periods beginning on or after February 1, 2010) will have a significant effect on the financial statements.

- e) IFRIC 19 (effective for annual periods beginning on or after July 1, 2010) provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Company has not entered into transactions of this nature. However, if the Company does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognized in profit or loss.

#### 4. EFFECTS OF THE ADOPTION OF THE IFRS ON THE FINANCIAL STATEMENTS

In preparing its financial statements, the Company adopted for the first-time all International Financial Reporting Standards and related interpretations and guidance issued by the International Accounting Standards Board (IASB). The Company applied the accounting policies defined above in all reporting periods, which include the opening balance sheet as at January 1, 2009.

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

- a) Exemption for presenting the fair value of fixed assets as acquisition cost: The Company remeasured its fixed assets on the transition date at the fair value, as described in note 4.6.a.
- b) Exemption for measuring employee benefits: The Company recognized all actuarial gains and losses arising from employee benefit plan on the transition date against retained earnings. From that date onward, the Company also recognizes all the actuarial gains and losses in equity according to the paragraph 93A of IAS 19.
- c) Exemption related to the classification of financial instruments: The Company decided to classify and evaluate its financial instruments according to IAS 32 and IAS 39 on the transition date. Retroactive analyses to the original contracting date of the current financial instruments were not made on the transition date. All financial instruments contracted after the transition date were analyzed and classified on the contract date of the operations.

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4.1 Effects of the adoption of the IFRS on the balance sheet

|                                                 | January 1, 2009   |                                        |         | December 31, 2009 |                                     |         |
|-------------------------------------------------|-------------------|----------------------------------------|---------|-------------------|-------------------------------------|---------|
|                                                 | Brazilian<br>GAAP | Effect<br>of<br>adoption<br>of<br>IFRS | IFRS    | Brazilian<br>GAAP | Effect of<br>adoption<br>of<br>IFRS | IFRS    |
| <b>CURRENT ASSETS</b>                           |                   |                                        |         |                   |                                     |         |
| Cash and banks                                  | 12,986            | -                                      | 12,986  | 58,080            | -                                   | 58,080  |
| Temporary cash investments                      | 32,222            | -                                      | 32,222  | -                 | -                                   | -       |
| Trade receivables                               | 34,362            | -                                      | 34,362  | 30,820            | -                                   | 30,820  |
| Recoverable taxes                               | 5,759             | -                                      | 5,759   | 3,254             | -                                   | 3,254   |
| Inventories                                     | 29,715            | -                                      | 29,715  | 24,130            | -                                   | 24,130  |
| Dividends and interest on<br>capital receivable | 11,789            | -                                      | 11,789  | 2,219             | -                                   | 2,219   |
| Prepaid expenses                                | 268               | -                                      | 268     | 153               | -                                   | 153     |
| Deferred taxes (g)                              | 2,357             | (2,357)                                | -       | 1,074             | (1,074)                             | -       |
| Other receivables                               | 1,365             | -                                      | 1,365   | 559               | -                                   | 559     |
| Total current assets                            | 130,823           | (2,357)                                | 128,466 | 120,289           | (1,074)                             | 119,215 |
| <b>NON-CURRENT ASSETS</b>                       |                   |                                        |         |                   |                                     |         |
| Amounts due from parent<br>company              | 597               | -                                      | 597     | 354               | -                                   | 354     |
| Recoverable taxes                               | 4,324             | -                                      | 4,324   | 3,056             | -                                   | 3,056   |
| Deferred taxes (b)(d)(g)                        | -                 | 2,751                                  | 2,751   | -                 | 1,356                               | 1,356   |
| Retirement benefit plan (e)                     | -                 | -                                      | -       | -                 | 249                                 | 249     |
| Other receivables                               | 198               | -                                      | 198     | 198               | -                                   | 198     |
| Investment in associate (f)                     | 75,468            | 9,988                                  | 85,456  | 87,246            | 9,605                               | 96,851  |
| Other investments                               | 25                | -                                      | 25      | 25                | -                                   | 25      |
| Property, plant and equipment (a)(c)            | 64,513            | 20,048                                 | 84,561  | 65,559            | 18,226                              | 83,785  |
| Intangible assets                               | 471               | -                                      | 471     | 344               | -                                   | 344     |
| Deferred charges (b)                            | 1,264             | (1,264)                                | -       | 933               | (933)                               | -       |
| Total non-current assets                        | 146,860           | 31,523                                 | 178,383 | 157,715           | 28,503                              | 186,218 |
| Total assets                                    | 277,683           | 29,166                                 | 306,849 | 278,004           | 27,429                              | 305,433 |
| <b>CURRENT LIABILITIES</b>                      |                   |                                        |         |                   |                                     |         |
| Trade payables                                  | 7,240             | -                                      | 7,240   | 8,780             | -                                   | 8,780   |
| Borrowings and financing                        | 28,803            | -                                      | 28,803  | 10,793            | -                                   | 10,793  |
| Derivative transactions                         | 4,385             | -                                      | 4,385   | -                 | -                                   | -       |
| Taxes and contributions<br>payable              | 1,554             | -                                      | 1,554   | 2,152             | -                                   | 2,152   |
| Salaries payable                                | 452               | -                                      | 452     | 874               | -                                   | 874     |
| Accrued vacation and related<br>charges         | 2,214             | -                                      | 2,214   | 2,513             | -                                   | 2,513   |
| Dividends and interest on<br>capital payable    | 14,316            | -                                      | 14,316  | 4,930             | -                                   | 4,930   |
| Employee and management                         |                   |                                        |         |                   |                                     |         |

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|                                |        |    |        |        |    |        |
|--------------------------------|--------|----|--------|--------|----|--------|
| profit sharing                 | 2,253  | -  | 2,253  | 2,781  | -  | 2,781  |
| Advances from customers        | 56     | -  | 56     | 294    | -  | 294    |
| Amounts due to related parties | 1,334  | -  | 1,334  | -      | -  | -      |
| Other payables (d)             | 825    | 18 | 843    | 743    | 18 | 761    |
| Total current liabilities      | 63,431 | 18 | 63,450 | 33,860 | 18 | 33,878 |

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|                                               | January 1, 2009   |                                     |         | December 31, 2009 |                                     |         |
|-----------------------------------------------|-------------------|-------------------------------------|---------|-------------------|-------------------------------------|---------|
|                                               | Brazilian<br>GAAP | Effect of<br>adoption<br>of<br>IFRS | IFRS    | Brazilian<br>GAAP | Effect of<br>adoption<br>of<br>IFRS | IFRS    |
| NON-CURRENT LIABILITIES                       |                   |                                     |         |                   |                                     |         |
| Borrowings and financing                      | 29,938            | -                                   | 29,938  | 51,308            | -                                   | 51,308  |
| Amounts due to parent<br>company              | 864               | -                                   | 864     | -                 | -                                   | -       |
| Amounts due to related<br>parties             | 2,845             | -                                   | 2,845   | 1,043             | -                                   | 1,043   |
| Contributions payable                         | 1,370             | -                                   | 1,370   | 2,301             | -                                   | 2,301   |
|                                               | (a)(c)            |                                     |         |                   |                                     |         |
| Deferred taxes                                | (e)(g)            | -                                   | 6,816   | 314               | 6,152                               | 6,466   |
| Other payables                                | (d)               | 314                                 | 202     | 391               | 202                                 | 594     |
| Total long-term liabilities                   | 35,331            | 7,018                               | 42,349  | 55,357            | 6,355                               | 61,712  |
| SHAREHOLDERS' EQUITY                          |                   |                                     |         |                   |                                     |         |
| Capital                                       | 105,000           | -                                   | 105,000 | 105,000           | -                                   | 105,000 |
| Earnings reserve                              | 73,921            | -                                   | 73,921  | 83,787            | -                                   | 83,787  |
|                                               | (a)(b)(c)         |                                     |         |                   |                                     |         |
| Retained earnings                             | (d)(e)(f)         | -                                   | 22,129  | -                 | 21,056                              | 21,056  |
| Total shareholders' equity                    | 178,921           | 22,129                              | 201,050 | 188,787           | 21,056                              | 209,843 |
| Total liabilities and<br>shareholders' equity |                   |                                     |         |                   |                                     |         |
|                                               | 277,683           | 29,166                              | 306,849 | 278,004           | 27,429                              | 305,433 |

4.2 Reconciliation of shareholders' equity

|                                                              | January 1,<br>2009 | December 31,<br>2009 |
|--------------------------------------------------------------|--------------------|----------------------|
| Total shareholders' equity in accordance with Brazilian GAAP | 178,921            | 188,787              |
| Adoption of deemed cost                                      | (a) 13,231         | 11,786               |
| Derecognition of deferred charges                            | (b) (944)          | (726)                |
| Capitalization of interest                                   | (c) -              | 368                  |
| Employee termination plan                                    | (d) (146)          | (146)                |
| Retirement benefit plan                                      | (e) -              | 168                  |
| Adoption of IFRS by associate Suspensys Sist. Autom. Ltda.   | (f) 9,988          | 9,605                |
| Total shareholders' equity in accordance with IFRS           | 201,050            | 209,843              |

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## 4.3 Effects of the adoption of the IFRS on the income statement

|                                                              |        | Year ended December 31, 2009 |                                 |           |
|--------------------------------------------------------------|--------|------------------------------|---------------------------------|-----------|
|                                                              |        | Brazilian<br>GAAP            | Effect of transition<br>of IFRS | IFRS      |
| NET REVENUE                                                  |        | 272,553                      | -                               | 272,553   |
|                                                              | (a)(b) |                              |                                 |           |
| COST OF SALES AND SERVICES                                   | (e)    | (224,289)                    | (1,855)                         | (226,144) |
| GROSS PROFIT                                                 |        | 48,264                       | (1,855)                         | 46,409    |
| OPERATING INCOME (EXPENSES)                                  |        |                              |                                 |           |
| Selling expenses                                             |        | (9,206)                      | -                               | (9,206)   |
| General and administrative expenses                          |        | (7,677)                      | -                               | (7,677)   |
| Equity in associate                                          | (f)    | 27,827                       | (531)                           | 27,296    |
| Other operating (expenses) income, net                       |        | (4,256)                      | -                               | (4,256)   |
| PROFIT FROM OPERATIONS BEFORE<br>FINANCIAL INCOME (EXPENSES) |        | 54,952                       | (2,386)                         | 52,566    |
| FINANCIAL INCOME (EXPENSES)                                  |        |                              |                                 |           |
| Financial income                                             |        | 6,922                        | -                               | 6,922     |
| Financial expenses                                           | (c)    | (4,924)                      | 368                             | (4,556)   |
| Exchange gains (losses), net                                 |        | 4,069                        | -                               | 4,069     |
| PROFIT BEFORE INCOME TAX AND SOCIAL<br>CONTRIBUTION          |        | 61,019                       | (2,018)                         | 59,001    |
| Income tax and social contribution                           |        |                              |                                 |           |
| Current                                                      |        | (6,291)                      | -                               | (6,291)   |
| Deferred                                                     | (a)(b) |                              |                                 |           |
|                                                              | (c)(e) | (1,596)                      | 634                             | (962)     |
| NET PROFIT FOR THE YEAR                                      |        | 53,132                       | (1,384)                         | 51,748    |

## 4.4 Reconciliation of net profit

|                                                               |     | Year ended December 31,<br>2009 |
|---------------------------------------------------------------|-----|---------------------------------|
| Net profit for the year in accordance with<br>Brazilian GAAP  |     | 53,132                          |
| Adoption of deemed cost                                       | (a) | (1,446)                         |
| Derecognition of deferred charges                             | (b) | 218                             |
| Capitalization of interest                                    | (c) | 368                             |
| Retirement benefit plan                                       | (e) | 7                               |
| Adoption of IFRS by associate Suspensys Sist.<br>Autom. Ltda. | (f) | (531)                           |
| Net profit for the year in accordance with IFRS               |     | 51,748                          |



#### 4.5 Effects of the adoption of the IFRS on the statement of cash flows

|                                      |     | Brazilian<br>GAAP | Year ended December 31, 2009    |          |
|--------------------------------------|-----|-------------------|---------------------------------|----------|
|                                      |     |                   | Effect of transition<br>of IFRS | IFRS     |
| Cash flows from operating activities | (c) | 99,399            | 368                             | 99,767   |
| Cash flows from investing activities | (c) | (6,852)           | (368)                           | (7,220)  |
| Cash flows from financing activities |     | (47,454)          | -                               | (47,454) |

#### 4.6 Notes to the reconciliation of the effects of the IFRS

##### a) Deemed Cost

The Company elected to adopt the deemed cost, adjusting the opening balances at the transition date on January 1, 2009.

The fair values used in the adoption of the deemed cost were estimated by outside professionals (engineers) and, for this work, these professionals considered information about the use of the valued assets, technological changes occurred and in progress and the economic environment in which they operate, considering the planning and other business particularities of the Company. As part of the adoption of the deemed cost, the Company's management conducted a valuation of the items included in the classes of land, buildings and machinery and equipment considered relevant, for purposes of adoption of the deemed cost at January 1, 2009. Additionally, the Company conducted a review of the estimated useful lives of these assets, with no changes in relation to the useful lives already used by the Company since 2009.

The effects of the adoption of the deemed cost at January 1, 2009 were:

| Class                   | Balance at<br>12/31/2008 | Adjustment due to<br>attribution of new cost | Balance at<br>01/01/2009 |
|-------------------------|--------------------------|----------------------------------------------|--------------------------|
| Land                    | 2,745                    | 1,655                                        | 4,400                    |
| Buildings               | 9,693                    | 2,169                                        | 11,862                   |
| Machinery and equipment | 35,665                   | 16,224                                       | 51,889                   |
| Total                   | 48,103                   | 20,048                                       | 68,151                   |

With effects at January 1, 2009, property, plant and equipment increased by R\$ 20,048, deferred income tax and social contribution in non-current liabilities increased by R\$ 6,816, and retained earnings in shareholders' equity increased by R\$ 13,231 as a result of the adoption of the deemed cost. The decrease in net profit for 2009 was R\$ 1,446.

The increases in depreciation expense in the income statements for the years ended December 31, 2010 and 2009 were R\$ 2,176 and R\$ 2,191, respectively, which caused a decrease in income tax and social contribution expense in those income statements by R\$ 740 and R\$ 745, respectively.

The Company estimated the effects of the adoption of the deemed cost on the depreciation expense for the current and future years as follows:

| Year                              | Increase in depreciation expense |
|-----------------------------------|----------------------------------|
| 2009                              | 2,191                            |
| 2010                              | 2,176                            |
| 2011                              | 2,123                            |
| 2012                              | 2,018                            |
| 2013                              | 1,877                            |
| 2014                              | 1,782                            |
| 2015                              | 1,312                            |
| 2016 and thereafter               | 4,914                            |
| Total depreciable items           | 18,393                           |
| Land (non-depreciable)            | 1,655                            |
| Total increase due to deemed cost | 20,048                           |

b) Deferred charges

In accordance with previous accounting practices, the Company recorded in line item “deferred charges” preoperating expenses and restructuring costs that will contribute to the increase in the result for more than one fiscal year, which are being derecognized at the date of adoption of the new accounting practices. The effect of this change is a decrease in shareholders' equity at December 31, 2009 by R\$ 726 (R\$ 944 at January 1, 2009) and an increase in profit for 2009 by R\$ 218.

c) Capitalization of interest

In accordance with previous accounting practices, borrowing costs related to the construction of qualifying assets were recorded as financial expense in the income statement. With the adoption of IAS 23 – Borrowing Costs, borrowing costs related to the construction of qualifying assets are capitalized to the cost of the asset, during the construction period. The effect of this change is an increase in shareholders' equity at December 31, 2009 and in profit for 2009 by R\$ 368.

d) Employee termination plan

The Company has an employee termination plan, which consists in granting a bonus to the employee at the date of his/her retirement, calculated based on the payment of 1.5 nominal salary for the employee at that date. With the adoption of IAS 19 – Employee Benefits, the Company currently accrues the best estimate of the present value of the expected disbursements for this benefit. The effect of this change at January 1 and December 31, 2009 is an increase in deferred tax assets by R\$ 74, an increase in current liabilities by R\$ 18, an increase in non-current liabilities by R\$ 202, and a decrease in shareholders' equity by R\$ 146.

e) Retirement benefit plan

The Company is the co-sponsor of the pension fund RANDONPREV, whose benefit plan is a defined contribution plan under the financial capitalization regime, with some benefit supplementations for employees, not covered by the defined contributions. With the adoption of IAS 19 – Employee Benefits, the Company currently recognizes this obligation as a defined benefit plan. Also, at the date of adoption of IFRS, the Company recognized all cumulative gains and losses in its opening balance sheet. The effect of this change is an increase in non-current assets by R\$ 249, an increase in deferred tax liabilities by R\$ 81, and an increase in shareholders' equity at December 31, 2009 by R\$ 168. In profit for 2009, the effect of this change was an increase by R\$ 7 and an increase in other comprehensive income by R\$ 161 (resulting in a total increase in comprehensive income by R\$ 168).

f) Adoption of IFRS by associate Suspensys Sistemas Automotivos Ltda. (“Suspensys”)

This investment in associate is accounted for under the equity method in the financial statements.

For the adoption of the IFRS, the amounts of the investment in Suspensys Sistemas Automotivos Ltda. were adjusted to reflect the adjustments made in the financial information on these investments due to the impacts of the new accounting standards. The new accounting practices that impacted the equity and profit of Suspensys Sistemas Automotivos Ltda. were the same that impacted the Company and are listed in items “a” to “e” above. The effect is an increase in the Company’s investments in associate and in retained earnings at December 31, 2009 by R\$ 9,605 (R\$ 9,988 at January 1, 2009), an increase in carrying value adjustments by R\$ 10,315 (R\$ 11,371 at January 1, 2009) and a decrease in retained earnings/accumulated losses by R\$ 710 (R\$ 1,383 at January 1, 2009).

The Company’s profit for 2009 was decreased by R\$ 531 and other comprehensive income was increased by R\$ 149 (resulting in a total increase in comprehensive income by R\$ 382).

g) Deferred taxes

In accordance with previous accounting practices, deferred taxes on temporary differences were recognized in the balance sheet over their expected period of realization. In accordance with the new accounting practices, these taxes are currently recognized as non-current assets or liabilities.

h) Presentation of the statement of comprehensive income

In accordance with previous Brazilian GAAP, there was no requirement to present a statement of comprehensive income, which is required to be prepared since 2009.

## 5. CASH AND CASH EQUIVALENTS

Short-term investments refer to bank certificates of deposit (CDBs), linked to the variation of the interbank certificates of deposit (CDI). The yield on these short-term investments is as follows:

|                                 | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|---------------------------------|------------|------------|------------|
| Cash and banks                  | 412        | 467        | 191        |
| Cash in transit                 | 1,708      | -          | -          |
| Temporary cash investments:     |            |            |            |
| CDB – 97.50% to 99.99% of CDI   | 87         | 33         | 19         |
| CDB – 100.00% to 100.99% of CDI | 25,309     | 10,079     | 3,612      |
| CDB – 101.00% to 101.99% of CDI | -          | 1,547      | 2,034      |
| CDB – 102.00% to 102.99% of CDI | -          | 521        | 4,515      |
| CDB – 103.00% to 103.99% of CDI | 6,413      | 9,475      | 2,615      |
| CDB – 104.00% to 104.99% of CDI | 35,927     | 30,540     | -          |
| CDB – 105.00% to 105.99% of CDI | 35,417     | 5,418      | -          |
|                                 | 103,153    | 57,613     | 12,795     |
| Total                           | 105,273    | 58,080     | 12,986     |

## 6. SHORT-TERM INVESTMENTS

At January 1, 2009, in addition to the investments linked to CDI stated in note 5, the Company had R\$ 32,222 in investments with fixed rate, with restrictions on early redemption and yield from 14.38% to 15.23% per annum.

## 7. TRADE RECEIVABLES

Trade receivables are as follows:

|                                                   | 12/31/2010    | 12/31/2009    | 01/01/2009    |
|---------------------------------------------------|---------------|---------------|---------------|
| Trade receivables from third parties – domestic   | 23,313        | 19,437        | 15,776        |
| Trade receivables from third parties – foreign    | 49            | 748           | 2,648         |
| Trade receivables from related parties – domestic | 11,066        | 3,994         | 3,718         |
| Trade receivables from related parties – foreign  | 3,878         | 6,641         | 12,220        |
| <b>Total</b>                                      | <b>38,306</b> | <b>30,820</b> | <b>34,362</b> |

Trade receivables include amounts that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable, through negotiation with customers. The aging of past-due trade receivables for which an allowance for doubtful debts was not recorded is as follows:

|                     | 12/31/2010    | 12/31/2009    | 01/01/2009    |
|---------------------|---------------|---------------|---------------|
| 1 to 30 days        | 4,231         | 6,157         | 7,807         |
| 31 to 60 days       | 1,400         | 455           | 2,167         |
| 61 to 90 days       | 281           | 617           | 894           |
| 91 to 180 days      | 477           | 345           | 740           |
| Over 180 days       | 128           | 324           | 300           |
| Past-due amounts    | 6,517         | 7,898         | 11,908        |
| Falling due amounts | 31,789        | 22,922        | 22,454        |
| <b>Total</b>        | <b>38,306</b> | <b>30,820</b> | <b>34,362</b> |

## 8. RECOVERABLE TAXES

Recoverable taxes are as follows:

|                                                      | 12/31/2010   | 12/31/2009   | 01/01/2009    |
|------------------------------------------------------|--------------|--------------|---------------|
| Tax on revenue (PIS)                                 | 59           | 66           | 49            |
| State VAT (ICMS)                                     | 781          | 1,442        | 2,356         |
| ICMS on purchases of property, plant and equipment   | 1,153        | 2,747        | 3,597         |
| Tax on revenue (PIS)                                 | -            | 21           | 70            |
| PIS on purchases of property, plant and equipment    | 197          | 343          | 426           |
| Tax on revenue (COFINS)                              | -            | 112          | 351           |
| COFINS on purchases of property, plant and equipment | 908          | 1,579        | 1,964         |
| Social contribution                                  | -            | -            | 1,182         |
| Other                                                | -            | -            | 88            |
| <b>Total</b>                                         | <b>3,098</b> | <b>6,310</b> | <b>10,083</b> |
| <b>Current</b>                                       | <b>1,464</b> | <b>3,254</b> | <b>5,759</b>  |
| <b>Non-current</b>                                   | <b>1,634</b> | <b>3,056</b> | <b>4,324</b>  |



Recoverable taxes in non-current assets comprise ICMS, PIS and COFINS on purchases of property, plant and equipment for which the realization, pursuant to current applicable legislation, occurs in 48 monthly installments. Of the ICMS balance, R\$ 699 at December 31, 2009 and R\$ 1,211 at January 1, 2009 refers to the purchase of ICMS credit balance from Randon S/A and will be offset pursuant to the schedule prepared by the Rio Grande do Sul State Finance Department.

## 9. INVENTORIES

Inventories comprise:

|                                | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|--------------------------------|------------|------------|------------|
| Finished products              | 3,812      | 1,413      | 1,896      |
| Work in process                | 9,585      | 6,372      | 9,363      |
| Raw materials                  | 13,673     | 13,677     | 17,964     |
| Inventories in transit         | 1,266      | 1,176      | 490        |
| Advances to suppliers          | 121        | 245        | 392        |
| Imports in transit             | 1,911      | 1,247      | 1,999      |
| Allowance for inventory losses | -          | -          | (2,389)    |
| Total                          | 30,368     | 24,130     | 29,715     |

## 10. INVESTMENTS – INVESTMENT IN ASSOCIATE

The movement in investment in associate Suspensys Sistemas Automotivos Ltda. is as follows:

| Changes in the investment during the year | 12/31/2010 | 12/31/2009 |
|-------------------------------------------|------------|------------|
| Opening balance                           | 96,851     | 85,456     |
| Interest on capital receivable            | (5,100)    | (4,592)    |
| Reversal of dividends                     | -          | 1,216      |
| Dividends receivable                      | (10,102)   | -          |
| Dividends received                        | (4,995)    | (12,674)   |
| Equity in associate (a)                   | 43,316     | 27,296     |
| Other comprehensive income                | 32         | 149        |
| Closing balance                           | 120,002    | 96,851     |

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(a) As established in the joint venture agreement and ratified by the shareholders in the minutes of meeting for approval of the profit allocation, Randon S.A. – Implementos e Participações, also shareholder of Suspensys, is entitled to receive disproportionate dividends, in an amount corresponding to the Fundopem tax benefit received by Suspensys (which amounted R\$ 11,763 in 2010 and R\$ 13,013 in 2009), which was a VAT reduction received by Suspensys until October, 2010 (when the benefit expired). The Company adjusted net income of each year to eliminate the impact of the tax incentive as detailed below:

|                                                                    | 12/31/2010 | 12/31/2009 |
|--------------------------------------------------------------------|------------|------------|
| Suspensys' net income                                              | 93,218     | 64,345     |
| (Less) Disproportional dividend to Randon related to tax incentive | (11,763)   | (13,013)   |
| Basis for equity method                                            | 81,455     | 51,332     |
| Master ownership on Suspensys                                      | 53.177%    | 53.177%    |
| Equity in associate for the year                                   | 43,316     | 27,296     |

Of the total dividends and interest on capital payable by Suspensys during the year, R\$ 14,437 had not been paid up to December 31, 2010 (R\$ 2,219 at December 31, 2009 and R\$ 11,789 at January 1, 2009).

The summarized financial information on Suspensys Sistemas Automotivos is as follows:

|                                   | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|-----------------------------------|------------|------------|------------|
| <b>ASSETS</b>                     |            |            |            |
| <b>CURRENT ASSETS</b>             |            |            |            |
| Cash and cash equivalents         | 177,575    | 112,087    | 33,361     |
| Trade receivables                 | 90,027     | 71,776     | 66,973     |
| Inventories                       | 53,292     | 53,217     | 52,241     |
| Other current assets              | 6,078      | 12,388     | 14,521     |
| Total current assets              | 326,972    | 249,468    | 167,096    |
| <b>NON-CURRENT ASSETS</b>         |            |            |            |
| Property, plant and equipment     | 124,714    | 121,405    | 118,292    |
| Other non-current assets          | 12,788     | 7,057      | 11,529     |
| Total non-current assets          | 137,502    | 128,462    | 129,821    |
| Total assets                      | 464,474    | 377,930    | 296,917    |
|                                   | 12/31/2010 | 12/31/2009 | 01/01/2009 |
| <b>LIABILITIES</b>                |            |            |            |
| <b>CURRENT LIABILITIES</b>        |            |            |            |
| Trade payables                    | 35,654     | 48,915     | 19,000     |
| Borrowings and financing          | 15,702     | 11,138     | 22,555     |
| Dividends and interest on capital | 37,022     | 4,174      | 22,170     |
| Other current liabilities         | 26,042     | 18,355     | 19,221     |
| Total current liabilities         | 114,420    | 82,582     | 82,946     |
| <b>NON-CURRENT LIABILITIES</b>    |            |            |            |
| Borrowings and financing          | 105,985    | 89,360     | 34,846     |
| Deferred taxes                    | 11,639     | 11,613     | 11,015     |
| Other non-current liabilities     | 6,765      | 5,382      | 3,722      |
| Total non-current liabilities     | 124,389    | 106,355    | 49,583     |
| <b>SHAREHOLDERS' EQUITY</b>       | 225,665    | 188,993    | 164,388    |

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|                                            |         |         |         |
|--------------------------------------------|---------|---------|---------|
| Total liabilities and shareholders' equity | 464,474 | 377,930 | 296,917 |
|--------------------------------------------|---------|---------|---------|

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|                                      | 2010           | 2009           |
|--------------------------------------|----------------|----------------|
| <b>INCOME STATEMENT FOR THE YEAR</b> |                |                |
| Net revenue                          | 1,011,273      | 643,835        |
| Cost of sales                        | (839,460)      | (539,112)      |
| <b>GROSS PROFIT</b>                  | <b>171,813</b> | <b>104,723</b> |
| Operating expenses, net              | (53,646)       | (25,858)       |
| Financial income, net                | 5,924          | 2,787          |
| <b>PROFIT BEFORE TAXES</b>           | <b>124,091</b> | <b>81,652</b>  |
| Income tax and social contribution   | (30,873)       | (17,307)       |
| <b>NET PROFIT FOR THE YEAR</b>       | <b>93,218</b>  | <b>64,345</b>  |

11. PROPERTY, PLANT AND EQUIPMENT

a) Analysis of balances

|                          |  |  | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|--------------------------|--|--|------------|------------|------------|
| Cost                     |  |  | 159,274    | 152,191    | 145,013    |
| Accumulated depreciation |  |  | (75,128)   | (68,406)   | (60,452)   |
|                          |  |  | 84,146     | 83,785     | 84,561     |

  

|                                           | Annual depreciation rate (%) | Cost    | 12/31/2010 Accumulated depreciation | Net    | 12/31/2009 Net | 01/01/2009 Net |
|-------------------------------------------|------------------------------|---------|-------------------------------------|--------|----------------|----------------|
| Land                                      | -                            | 4,400   | -                                   | 4,400  | 4,400          | 4,400          |
| Buildings                                 | 1,69                         | 26,481  | (4,841)                             | 21,640 | 19,959         | 11,862         |
| Machinery and equipment                   | 10,47                        | 100,949 | (52,628)                            | 48,321 | 50,787         | 51,889         |
| Molds and dies                            | 13,16                        | 17,362  | (13,277)                            | 4,085  | 4,762          | 5,495          |
| Furniture and fixtures                    | 9,53                         | 5,295   | (2,260)                             | 3,035  | 1,562          | 1,540          |
| Vehicles                                  | 16,23                        | 1,913   | (1,146)                             | 767    | 937            | 1,032          |
| Computer equipment                        | 19,75                        | 1,334   | (976)                               | 358    | 273            | 268            |
| Advances to suppliers                     | -                            | 21      | -                                   | 21     | 137            | 614            |
| Property, plant and equipment in progress | -                            | 1,519   | -                                   | 1,519  | 968            | 7,461          |
| Total                                     |                              | 159,274 | (75,128)                            | 84,146 | 83,785         | 84,561         |

## b) Movement in cost

|                                           | Balances at<br>01/01/2009 | Additions | Disposals | Transfers | Balances at<br>12/31/2009 |
|-------------------------------------------|---------------------------|-----------|-----------|-----------|---------------------------|
| Land                                      | 4,400                     | -         | -         | -         | 4,400                     |
| Buildings                                 | 16,026                    | 456       | -         | 7,910     | 24,392                    |
| Machinery and equipment                   | 94,121                    | 2,352     | (12)      | 2,340     | 98,801                    |
| Molds and dies                            | 16,000                    | 614       | -         | 67        | 16,681                    |
| Furniture and fixtures                    | 3,084                     | 283       | -         | 13        | 3,380                     |
| Vehicles                                  | 2,190                     | 44        | -         | -         | 2,234                     |
| Computer equipment                        | 1,117                     | 81        | -         | -         | 1,198                     |
| Advances to suppliers                     | 614                       | 73        | -         | (550)     | 137                       |
| Property, plant and equipment in progress | 7,461                     | 3,287     | -         | (9,780)   | 968                       |
| Total                                     | 145,013                   | 7,190     | (12)      | -         | 152,191                   |

|                                           | Balances at<br>01/01/2010 | Additions | Disposals | Transfers | Balances at<br>12/31/2010 |
|-------------------------------------------|---------------------------|-----------|-----------|-----------|---------------------------|
| Land                                      | 4,400                     | -         | -         | -         | 4,400                     |
| Buildings                                 | 24,392                    | 667       | -         | 1,422     | 26,481                    |
| Machinery and equipment                   | 98,801                    | 3,437     | (1,367)   | 78        | 100,949                   |
| Molds and dies                            | 16,681                    | 596       | (3)       | 88        | 17,362                    |
| Furniture and fixtures                    | 3,380                     | 1,735     | (41)      | 221       | 5,295                     |
| Vehicles                                  | 2,234                     | 95        | (185)     | (231)     | 1,913                     |
| Computer equipment                        | 1,198                     | 182       | (46)      | -         | 1,334                     |
| Advances to suppliers                     | 137                       | -         | -         | (116)     | 21                        |
| Property, plant and equipment in progress | 968                       | 2,013     | -         | (1,462)   | 1,519                     |
| Total                                     | 152,191                   | 8,725     | (1,642)   | -         | 159,274                   |

## c) Movement in accumulated depreciation

|                         | Balances at<br>01/01/2009 | Additions | Disposals | Transfers | Balances at<br>12/31/2009 |
|-------------------------|---------------------------|-----------|-----------|-----------|---------------------------|
| Buildings               | (4,164)                   | (269)     | -         | -         | (4,433)                   |
| Machinery and equipment | (42,232)                  | (5,791)   | 9         | -         | (48,014)                  |
| Molds and dies          | (10,505)                  | (1,414)   | -         | -         | (11,919)                  |
| Furniture and fixtures  | (1,544)                   | (274)     | -         | -         | (1,818)                   |
| Vehicles                | (1,158)                   | (139)     | -         | -         | (1,297)                   |
| Computer equipment      | (849)                     | (76)      | -         | -         | (925)                     |
| Total                   | (60,452)                  | (7,963)   | 9         | -         | (68,406)                  |

|                         | Balances at<br>01/01/2010 | Additions | Disposals | Transfers | Balances at<br>12/31/2010 |
|-------------------------|---------------------------|-----------|-----------|-----------|---------------------------|
| Buildings               | (4,433)                   | (408)     | -         | -         | (4,841)                   |
| Machinery and equipment | (48,014)                  | (5,966)   | 1,352     | -         | (52,628)                  |
| Molds and dies          | (11,919)                  | (1,358)   | -         | -         | (13,277)                  |
| Furniture and fixtures  | (1,818)                   | (371)     | 38        | (109)     | (2,260)                   |
| Vehicles                | (1,297)                   | (118)     | 160       | 109       | (1,146)                   |
| Computer equipment      | (925)                     | (96)      | 45        | -         | (976)                     |
| Total                   | (68,406)                  | (8,317)   | 1,595     | -         | (75,128)                  |



## d) Assets pledged as collateral

Machinery and equipment with residual values of R\$ 911 and R\$ 1,048 were pledged as collateral for the financing from the National Bank for Economic and Social Development (BNDES), by the Company and its associate Suspensys Sistemas Automotivos Ltda., respectively.

## 12. INTANGIBLE ASSETS

|                                      | Annual<br>amortization rate | Balance at<br>01/01/2009 | Additions | Balance at<br>12/31/2009 | Additions | Balance at<br>12/31/2010 |
|--------------------------------------|-----------------------------|--------------------------|-----------|--------------------------|-----------|--------------------------|
| <b>Software:</b>                     |                             |                          |           |                          |           |                          |
| Cost                                 | 20%                         | 1,263                    | 30        | 1,293                    | 54        | 1,347                    |
| Accumulated<br>amortization          |                             | (792)                    | (157)     | (949)                    | (135)     | (1,083)                  |
|                                      |                             | 471                      | (127)     | 344                      | (81)      | 264                      |
| <b>Intangible assets in progress</b> |                             |                          |           |                          |           |                          |
|                                      |                             | -                        | -         | -                        | 4,154     | 4,154                    |
|                                      |                             | 471                      | (127)     | 344                      | 4,073     | 4,418                    |

Intangible Assets refer to software licenses and expenses on the implementation of the Company's new integrated management system (ERP), for which the beginning of utilization is expected for 2011.

## 13. BORROWINGS AND FINANCING

The purpose of the financing was the installation of plants, development of quality processes, export and import financing, and financing of imported machines. The financing was obtained from several Financial Institutions by means of funds raised by these institutions with the BNDES.

Borrowings and financing are as follows:

| Type:                            | Annual financial charges                        | 12/31/2010    | 12/31/2009    | 01/01/2009    |
|----------------------------------|-------------------------------------------------|---------------|---------------|---------------|
| <b>Working capital / exports</b> |                                                 |               |               |               |
| Bank Credit Note - Exin          | 4.50%                                           | 60,580        | 32,595        | -             |
| Bank Credit Note - Exin          | TJLP plus 2.70%                                 | -             | -             | 12,543        |
| Financing ACC                    | US dollar plus 5.25% to 5.80%                   | -             | -             | 5,018         |
| <b>Financing</b>                 |                                                 |               |               |               |
| Financing BNDES                  | TJLP plus 2.5% to 5%                            | 12,202        | 18,377        | 24,717        |
| FINEP                            | 4% plus the amount exceeding 6% of TJLP         | 1,919         | 4,413         | 6,899         |
| FINAME                           | UMBNDDES (foreign currencies) plus 4%           | -             | 144           | 427           |
| FINAME                           | 4% to 5.5% plus the amount exceeding 6% of TJLP | 12            | 495           | 1,374         |
| FININP                           | US dollar plus LIBOR + 1% to 4.4%               | 1,928         | 2,881         | 4,583         |
| Financing BNDES                  | US dollar plus 2.5% p.a.                        | 1,011         | 1,508         | 2,629         |
| FUNDOPEM – ICMS                  | IPCA plus 3%                                    | 5,392         | 1,688         | 551           |
| <b>Total</b>                     |                                                 | <b>83,044</b> | <b>62,101</b> | <b>58,741</b> |
| <b>Current</b>                   |                                                 | <b>8,600</b>  | <b>10,793</b> | <b>28,803</b> |
| <b>Non-current</b>               |                                                 | <b>74,444</b> | <b>51,308</b> | <b>29,938</b> |



The maturities of the long-term portions of the financing are as follows:

| Maturity            | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|---------------------|------------|------------|------------|
| 2010                | -          | -          | 11,110     |
| 2011                | -          | 8,479      | 8,913      |
| 2012                | 38,844     | 38,910     | 6,910      |
| 2013                | 30,327     | 2,400      | 2,509      |
| 2014                | 283        | 225        | 73         |
| 2015                | 679        | 226        | 74         |
| 2016 and thereafter | 4,311      | 1,068      | 349        |
| Total               | 74,444     | 51,308     | 29,938     |

Financing from BNDES and Banco Votorantim are collateralized by sureties and letter of guarantee of the shareholder Randon S.A. Implementos e Participações.

#### FUNDOPEM – ICMS

Refers to ICMS tax incentives granted to the Company through financing of 60% of the ICMS due every month. This incentive is calculated monthly and is conditioned to the generation of direct and indirect jobs, the making of investments, and the fulfillment of contractual obligations with Banco do Estado do Rio Grande do Sul and Caixa Estadual S.A. – Agência de Fomento.

The incentive amounts are subject to the levy of charges at effective rates of 3.00% per annum or 0.246627% per month, plus adjustment for inflation calculated based on the monthly variation of the IPCA/IBGE or another index defined by the Managing Council of FUNDOPEM/RS.

The benefit period is for eight years, starting in December 2006 and ending in November 2014, with amount released for use corresponding to 1,479,042.54 FUNDOPEM-RS incentive units (equivalent to R\$ 23,487 at December 31, 2010). The benefit has a grace period of 51 months and settlement scheduled to occur 90 months after the end of the grace period, with the last installment on December 21, 2018.

# 14. RELATED-PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

|                                              | Randon Group (*) |         |         | ArvinMeritor Group (**) |         |         | Total   |         |         |
|----------------------------------------------|------------------|---------|---------|-------------------------|---------|---------|---------|---------|---------|
|                                              | 12/2010          | 12/2009 | 01/2009 | 12/2010                 | 12/2009 | 01/2009 | 12/2010 | 12/2009 | 01/2009 |
| Trade receivables – net                      | 1,521            | 2,080   | 1,583   | 13,423                  | 8,555   | 14,355  | 14,944  | 10,635  | 15,938  |
| Interest on capital receivable               | 4,335            | 2,219   | 2,795   | -                       | -       | -       | 4,335   | 2,219   | 2,795   |
| Dividends receivable                         | 10,102           | -       | 8,994   | -                       | -       | -       | 10,102  | -       | 8,994   |
| Amounts due from parent company              | 96               | 354     | 597     | -                       | -       | -       | 96      | 354     | 597     |
| Other receivables                            | 255              | 243     | 243     | -                       | -       | -       | 255     | 243     | 243     |
| Trade payables                               | 217              | 550     | 1,199   | 216                     | 211     | 1,558   | 433     | 761     | 2,757   |
| Interest on capital payable                  | 4,765            | 2,515   | 3,827   | 4,579                   | 2,415   | 3,677   | 9,344   | 4,930   | 7,504   |
| Dividends payable                            | 6,465            | -       | 3,475   | 6,212                   | -       | 3,337   | 12,677  | -       | 6,812   |
| Amounts due to related parties - current     | 151              | -       | -       | -                       | -       | 1,334   | 151     | -       | 1,334   |
| Amounts due to parent company                | -                | -       | 864     | -                       | -       | -       | -       | -       | 864     |
| Amounts due to related parties – non-current | 1,205            | 1,043   | -       | -                       | -       | 2,845   | 1,205   | 1,043   | 2,845   |

|                                       | 2010   | 2009   | 2010    | 2009   | 2010    | 2009   |
|---------------------------------------|--------|--------|---------|--------|---------|--------|
| Sales of goods – net                  | 92,312 | 55,613 | 118,183 | 38,865 | 210,495 | 94,478 |
| Purchases of goods and services - net | 29,231 | 18,541 | 3,708   | 3,889  | 32,939  | 22,430 |
| Financial income                      | -      | 1      | -       | -      | -       | 1      |
| Financial expenses                    | -      | 55     | -       | -      | -       | 55     |
| Commission expenses                   | 291    | 262    | -       | -      | 291     | 262    |
| Administrative expenses               | 4,234  | 2,599  | -       | -      | 4,234   | 2,599  |

(\*) Includes: Randon S.A. Implementos e Participações (Parent Company), Fras-Le S.A., Fras-Le Argentina S.A., Fras-Le Andina Comercio y Representacion Ltda., Jost Brasil Sistemas Automotivos Ltda., Randon Implementos, Randon Argentina, Suspensys Sistemas Automotivos Ltda., and Castertech Fundição e Tecnologia Ltda.

(\*\*) Includes: ArvinMeritor do Brasil Sistemas Automotivos Ltda., Meritor Automotive Inc., Meritor Heavy Vehicle Systems LLC., Meritor Hvs Ltd, ArvinMeritor Qri,, Arvin Meritor Inc. ArvinMeritor CVS, ArvinMeritor Frankfurt, and Sisamex Sistemas Automotrices.

Loans with directors and managers are presented under “other payables”, in the amount of R\$ 384 (current) and R\$ 256 (non-current) at December 31, 2010 (R\$ 362 - current and R\$ 390 non-current at December 31, 2009, and R\$ 501 - current and R\$ 313 - non-current at January 1, 2009). These balances are inflation-adjusted based on financial market rates (“DI-extra” published by the Brazilian Association of Financial Market Institutions - Andima). Interest expense on these transactions was R\$ 57 in 2010 and R\$ 85 in 2009.

Management compensation and profit sharing was R\$ 1,116 in 2010 (R\$ 834 in 2009).

Amounts due to (from) the parent company Randon S.A. Implementos e Participações are subject to financial market rates (“DI-extra” published by Andima).

Amounts due to related parties refer to accounts payable to Arvin Meritor Inc. for imports of machines by the Company.

## Trading transactions

Trading transactions carried out with related parties follow specific prices and terms established in the joint venture agreement between the parties, which could be different if carried out with unrelated parties.



## 15. RETIREMENT BENEFIT PLAN

The Company is the co-sponsor of the pension fund RANDONPREV, together with other Random companies, whose benefit plan is a defined contribution plan under the financial capitalization regime, with some benefit supplementations for employees, not covered by the defined contributions. This minimum benefit is defined based on a percentage of the nominal salary per annum worked for the Company, credited in a lump sum at the beneficiary's account with RANDONPREV. The latest valuation of the plan assets and of the present value of the minimum benefit was performed at December 31, 2010, using the projected unit credit method and the determined balance of R\$ 371 at December 31, 2010 (R\$ 249 at December 31, 2009), corresponding to the Company's benefit, is recorded in assets.

## 16. RESERVE FOR CONTINGENCIES AND CONTINGENT LIABILITIES

The position of contingent liabilities at December 31, 2010 is as follows:

| Nature of<br>contingent liability | Likelihood of loss |          |
|-----------------------------------|--------------------|----------|
|                                   | Probable           | Possible |
| Tax                               | -                  | 7,803    |
| Social security                   | 333                | 2,032    |
| Labor                             | 110                | 378      |
| Total                             | 443                | 10,213   |

The Company is also a party to administrative proceedings for which, based on the opinion of its legal counsel and in conformity with Brazilian accounting practices, no reserve for contingencies was recorded since they were classified as possible or remote likelihood of loss. The main lawsuits are as follows:

## Tax

- a) IPI presumed credit – Refers to notices issued by the Federal Revenue Office in the total amount of R\$ 1,475, through which the tax authorities denied the Company's request for refund of presumed credit and required the payment of the corresponding tax. The amount includes principal, fine and interest; and
- b) Disallowance of ICMS presumed credit on purchase of steel – Refers to notices issued by the Rio Grande do Sul State Finance Department in the total amount of R\$ 6,328, through which the tax authorities confirmed the award of the tax benefit in an amount higher than permitted by legislation. The amount includes principal, fine and interest.

## Social security

- a) Refers to INSS delinquency notices totaling R\$ 2,032, due to non-payment of payroll charges on the payment of employee profit sharing.

## 17. FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial assets and liabilities were determined based on available market information and appropriate valuation methodologies. However, considerable judgment was required in interpreting market data to produce the most adequate estimate of the fair value. As a consequence, the following estimates do not necessarily indicate the amounts that could be realized in a current exchange market. The use of different market methodologies may have a material effect on the estimated fair values.

These instruments are managed by means of operating strategies aimed at liquidity, profitability and security. The control policy consists in ongoing monitoring of contracted rates against market rates. The Company does not make speculative investments in derivatives or any other risk assets.

# Analysis of balances

In compliance with CVM Instruction 235/95, the carrying amounts and fair values of financial instruments included in the balance sheet are identified below:

| Description                                             | 12/31/2010      |            | 12/31/2009      |            | 01/01/2009      |            |
|---------------------------------------------------------|-----------------|------------|-----------------|------------|-----------------|------------|
|                                                         | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash equivalents                                        | 103,153         | 103,153    | 57,613          | 57,613     | 12,795          | 12,795     |
| Short-term investments (2)                              | -               | -          | -               | -          | 32,222          | 32,222     |
| Trade receivables (2)                                   | 38,306          | 38,306     | 30,820          | 30,820     | 34,362          | 34,362     |
| Borrowings and financing (3)                            |                 |            |                 |            |                 |            |
| In local currency                                       | 80,105          | 80,105     | 57,568          | 57,568     | 46,084          | 46,084     |
| In foreign currency                                     | 2,939           | 2,939      | 4,533           | 4,533      | 12,657          | 12,657     |
| Derivative transactions ( non-deliverable forward ) (1) | -               | -          | -               | -          | 4,385           | 4,385      |

- (1) Designated at fair value through profit or loss
- (2) Loans and receivables measured at amortized cost
- (3) Financial liabilities measured at amortized cost

Financial instruments that are recognized in the financial statements at their carrying amount are substantially similar to the amount that would be obtained if they were traded in the market. However, as they do not have an active market, there can be variations if the Company decides to settle them in advance.

The fair value measurement of the derivate transactions were derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2 in fair value hierarchy).

## Derivate transactions

The Company has as policy the elimination of market risks, avoiding assuming positions exposed to fluctuations in fair values and operating only with instruments that permit to control these risks. Derivative contracts comprise non-deliverable forward (NDF) transactions and are accounted for at their fair value.

## Limitations

The fair values were estimated at the end of the reporting period, based on “relevant market information”. Any changes in assumptions may significantly affect the presented estimates.

## Financial risk management

The Company is exposed to the following risks associated to the utilization of its financial instruments:

- i. credit risk
- ii. foreign exchange rate risk
- iii. interest rate risk
- iv. price risk

The Company, through its Parent Company, has a Currency Hedge Policy, prepared by the Planning and Finance Committee and approved by the Executive Officers. The purpose of the policy is to standardize the procedures of the group Companies, in order to define responsibilities and limits in transactions involving currency hedge, reducing the effects of foreign currency exchange rates on the inflows in foreign currency projected by the cash flow, without speculative purposes.

The basis used is the cash flow in foreign currency projected monthly for the following twelve months, based on the Strategic Plan projections or on the current expectation of each group company. The instruments used are conservative and previously approved by the same committee. In contracted transactions the instruments are Non Deliverable Forward” (NDF), the rate to be pursued should be equal to or higher than the one included in the Annual Business Plan of the companies. All transactions are controlled by the Parent Company’s Financial Officers and informed to the Executive Committee.

a. Credit risk

The Company’s sales policies are contingent on the credit policies defined by Management and are intended to minimize eventual problems arising from the default of its customers. This objective is achieved by Management by means of a strict selection of the customer portfolio, which considers the ability to pay (credit analysis). The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

b. Foreign exchange rate risk

The Company’s results are subject to significant variations, due to the effects of the volatility of the exchange rate on assets and liabilities denominated in foreign currencies, mainly the US dollar, which closed the year with a negative variation of 4.31% (negative variation of 25.49% in 2009).

The Company is exposed to currency risk (foreign exchange risk) on sales, purchases and borrowings that are denominated in a currency different from the Company’s functional currency, the Real.

NDF - Non Deliverable Forward

In these transactions the Company has duties and obligations based on a quotation previously contracted upon their maturity. The changes in the fair value of these transactions are recognized in profit or loss. At December 31, 2010 and 2009, the Company had no outstanding NDF transaction.

The Company’s net exposure to foreign exchange rate risk is as follows:

|                            | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|----------------------------|------------|------------|------------|
| A. Borrowings/financing    | (2,939)    | (4,533)    | (12,657)   |
| B. Trade payables          | (461)      | (1,148)    | (6,788)    |
| C. Trade receivables       | 4,727      | 7,389      | 14,868     |
| D. Non Deliverable Forward | -          | -          | (4,385)    |
| E. Net exposure (A+B+C+D)  | 1,327      | 1,708      | (8,962)    |

An eventual appreciation of the Real by 2% against the US dollar at December 31 would have increased the equity and profit by R\$ 27. This analysis is based on the variation of the foreign currency exchange rate that the Company considered as reasonably possible at the end of the reporting period. The analysis considers that all other variables, especially interest rates, are kept constant.

An eventual depreciation of the Real against the US dollar at December 31 would have the same effect, although with an opposite result, considering that all other variables would remain constant.

c. Interest rate risk

The Company’s result is subject to significant variations due to borrowings and financing contracted at floating interest rates.

The Company does not have derivative financial instruments to manage its exposure to interest rates.

An increase of 1% in annual interest rates would have increased the Company’s borrowings and financing balance by R\$ 830 at December 31, 2010 (R\$ 621 at December 31, 2009 and R\$ 587 at January 1, 2009).



d. Price risk

Arises from the possibility of fluctuations in the market prices of products sold or produced by the Company and of other inputs used in the production process. These price fluctuations may cause substantial changes in the Company's revenues and costs. In order to mitigate these risks, the Company conducts an ongoing monitoring of local and foreign markets, seeking to anticipate price movements.

e. Estimated fair values

The fair values were estimated at the end of the reporting period, based on "relevant market information". Any changes in assumptions and in financial market transactions may significantly affect the presented estimates. The methods and assumptions adopted by the Company to estimate the disclosure of the fair value of its derivatives are described below:

The fair value is generally based on market price quotations for assets or liabilities with similar features. Should these market prices not be available, the fair values are based on market operators' quotations, pricing models, discounted cash flow or similar techniques, for which the fair value determination may require judgment or significant estimates by management. For derivative financial instruments, market price quotations are used to determine the fair value of these instruments. The Company does not intend to settle these contracts before their maturity.

The table below shows the carrying amounts and estimated fair values of the Company's derivatives. The outstanding nominal amounts exposed to the variation of the US currency, as well as their related fair values, are as follows:

| Description | 01/01/2009                                      | 01/01/2009                                     | 01/01/2009                                           | 01/01/2009                                                               |  |  |
|-------------|-------------------------------------------------|------------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------|--|--|
|             | Notional<br>Amount – in<br>thousands<br>of US\$ | Notional<br>Amount – in<br>thousands of<br>R\$ | Carrying<br>Amount –<br>in<br>thousands<br>of<br>R\$ | Fair<br>Value –<br>in<br>thousands<br>of R\$ -<br>(credit)<br>/<br>debit |  |  |
| NDF         | 8,400                                           | 14,455                                         | (4,385)                                              | (4,385)                                                                  |  |  |

  

| Description | 12/31/2009                                      | 12/31/2009                                     | 12/31/2009                                     | 12/31/2009                                                      | 2009                                    |                    |                |
|-------------|-------------------------------------------------|------------------------------------------------|------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------|--------------------|----------------|
|             | Notional<br>Amount – in<br>thousands<br>of US\$ | Notional<br>Amount – in<br>thousands of<br>R\$ | Carrying<br>Amount – in<br>thousands of<br>R\$ | Fair Value –<br>in thousands<br>of R\$ -<br>(credit) /<br>debit | in thousands of R\$<br>(credit) / debit | Amount<br>received | Amount<br>paid |
| NDF         | -                                               | -                                              | -                                              | -                                                               | -                                       | 1,446              | 579            |

The liability amounts presented at January 1, 2009 for NDF transactions are classified as derivative transactions. All these transactions were settled during 2009 and, therefore, there are no outstanding positions in the balance sheets as at December 31, 2010 and 2009.

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The maturities of these transactions are summarized below, with their notional amounts, in thousands of dollars:

| Description | 01/01/2009    |                     |                      | Total |
|-------------|---------------|---------------------|----------------------|-------|
|             | Up to 30 days | From 31 to 180 days | From 181 to 365 days |       |
| NDF         | 700           | 3,500               | 4,200                | 8,400 |

### 18. CAPITAL

Subscribed capital is represented by 105,000 shares with par value of R\$ 1.00 each, and its composition by shareholder is as follows (for all reporting periods):

| Shareholder                                       | R\$     | %   |
|---------------------------------------------------|---------|-----|
| Randon S.A. Implementos e Participações           | 53,550  | 51  |
| Arvinmeritor do Brasil Sistemas Automotivos Ltda. | 51,450  | 49  |
| Total                                             | 105,000 | 100 |

### 19. DIVIDENDS AND INTEREST ON CAPITAL

#### Dividends

Of the profit for the year, the articles of association establish the distribution of 25% of such profit as mandatory dividend. After excluding the amounts already paid as interest on capital during the year, R\$ 12,677 was accrued in 2010 (R\$ 11,800 in 2009).

In addition to the mandatory minimum dividend (calculated considering the amounts already paid as interest on capital during the year), in 2010 the Company's shareholders approved the distribution of R\$ 8,400 as dividends from prior years (R\$ 21,107 in 2009).

#### Interest on capital

For the year ended December 31, 2010, the Company recorded interest on capital of R\$ 10,990 (R\$ 10,358 in 2009), using as a basis the TJLP rate for the period from January to December of each year, applied to shareholders' equity, considering the higher of 50% of the profit for the year before income tax or 50% of the retained earnings.

As provided for in the tax legislation, the amount recorded as interest on capital was fully deducted in the calculation of income tax and social contribution, and the tax benefit from this deduction was R\$ 3,738 (R\$ 3,522 in 2009). For purposes of conformity of the presentation of the financial statements, such interest was treated as distribution of profits and presented as reduction of retained earnings, in shareholders' equity.

Additionally, the Company recognized financial income related to interest on capital receivable from the associate Suspensys Sistemas Automotivos Ltda. totaling R\$ 5,100 (R\$ 4,592 in 2009) which, for purposes of disclosure and conformity with accounting principles, was reclassified from line item "financial income" to "investments", in assets.

## 20. SALES REVENUE

The reconciliation between the revenue recognized for tax purposes and the revenue presented in the income statement for the year is as follows:

|                                                        | 2010      | 2009     |
|--------------------------------------------------------|-----------|----------|
| Gross revenue for tax purposes                         | 559,762   | 356,736  |
| Less:                                                  |           |          |
| Taxes on sales                                         | (123,614) | (80,025) |
| Sales returns                                          | (984)     | (872)    |
| Discount to present value on installment sales         | (3,744)   | (2,342)  |
| Difference of criterion for accounting recognition (a) | (254)     | (944)    |
| Net revenue recognized in the income statement         | 431,166   | 272,553  |

- (a) Refers to the difference of criterion for recognition of sales of goods for tax purposes (based on invoice issuance) and the accounting policy for revenue recognition detailed in note 3.4.

## 21. EXPENSES BY NATURE

As required by corporate law, the Company is required to present the income statement by function. Therefore, the analysis of operating expenses by nature is as follows:

|                                       | 2010    | 2009    |
|---------------------------------------|---------|---------|
| Raw materials and auxiliary materials | 274,454 | 177,796 |
| Depreciation and amortization         | 8,452   | 8,120   |
| Personnel                             | 43,968  | 28,990  |
| Production freight                    | 1,559   | 525     |
| Freight on sales                      | 8,024   | 4,416   |
| Costs of third-party services         | 11,307  | 7,702   |
| Asset upkeep costs                    | 8,419   | 3,848   |
| Other expenses                        | 22,217  | 15,886  |
| Total                                 | 378,400 | 247,283 |

These expenses were classified as follows in the income statement (presented by function):

|                                     | 2010    | 2009    |
|-------------------------------------|---------|---------|
| Cost of sales and services          | 347,602 | 226,144 |
| Selling expenses                    | 14,520  | 9,206   |
| General and administrative expenses | 10,623  | 7,677   |
| Other operating expenses, net       | 5,655   | 4,256   |
| Total                               | 378,400 | 247,283 |

## 22. INCOME TAX AND SOCIAL CONTRIBUTION

## Income tax and social contribution expense

The income tax and social contribution expense for the years ended December 31 is reconciled at statutory rates, as follows:

|                                                         | 2010<br>Income<br>tax | Social<br>contribution | 2009<br>Income<br>tax | Social<br>contribution |
|---------------------------------------------------------|-----------------------|------------------------|-----------------------|------------------------|
| Profit before income tax<br>and social contribution     | 102,073               | 102,073                | 59,001                | 59,001                 |
| Applicable rate                                         | 25%                   | 9%                     | 25%                   | 9%                     |
| Income tax and social contribution<br>at nominal rates  | 25,518                | 9,186                  | 14,750                | 5,310                  |
| Effect of taxes on:                                     |                       |                        |                       |                        |
| Interest on capital expense                             | (2,748)               | (989)                  | (2,589)               | (932)                  |
| Interest on capital income                              | 1,275                 | 459                    | 1,148                 | 413                    |
| Equity in associates                                    | (10,829)              | (3,898)                | (6,824)               | (2,457)                |
| Other                                                   | (1,465)               | (547)                  | (905)                 | (354)                  |
|                                                         | (13,767)              | (4,975)                | (9,170)               | (3,330)                |
| Income tax and social contribution<br>before deductions | 11,751                | 4,211                  | 5,580                 | 1,980                  |
| Income tax deductions and other adjustments             | (602)                 | -                      | (248)                 | (59)                   |
| Income tax and social contribution expense              | 11,149                | 4,211                  | 5,332                 | 1,921                  |
| Current income tax and social contribution              | 11,896                | 4,571                  | 4,540                 | 1,751                  |
| Deferred income tax and social contribution             | (747)                 | (360)                  | 792                   | 170                    |

## Analysis of deferred income tax and social contribution

|                                             | 12/31/2010<br>Temporary<br>difference | Deferred<br>taxes | 12/31/2009<br>Temporary<br>difference | Deferred<br>taxes | 01/01/2009<br>Temporary<br>difference | Deferred<br>taxes |
|---------------------------------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|
| Temporary differences                       |                                       |                   |                                       |                   |                                       |                   |
| Allowance for inventory losses              | -                                     | -                 | -                                     | -                 | 2,389                                 | 812               |
| Accrued profit sharing                      | 3,887                                 | 1,322             | 2,781                                 | 946               | -                                     | -                 |
| Derivative transactions                     | -                                     | -                 | -                                     | -                 | 4,385                                 | 1,491             |
| Provision for warranty claims               | 146                                   | 49                | 146                                   | 49                | 65                                    | 22                |
| Reserve for contingencies                   | 443                                   | 151               | -                                     | -                 | -                                     | -                 |
| Provision for collective<br>bargaining      | 115                                   | 39                | 63                                    | 21                | 48                                    | 16                |
| Provision for employee<br>termination       | 282                                   | 96                | 220                                   | 75                | 220                                   | 75                |
| Deferred asset recorded for tax<br>purposes | 609                                   | 207               | 609                                   | 207               | 941                                   | 320               |
| Other temporary additions                   | 414                                   | 141               | 171                                   | 58                | -                                     | 15                |
| Total Assets                                |                                       | 2,005             |                                       | 1,356             |                                       | 2,751             |
| Incentive depreciation Law<br>11774         | (2,279)                               | (570)             | (1,256)                               | (315)             | -                                     | -                 |

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|                                                     |          |         |          |         |          |         |
|-----------------------------------------------------|----------|---------|----------|---------|----------|---------|
| Cost attributed to property,<br>plant and equipment | (15,681) | (5,331) | (17,857) | (6,071) | (20,048) | (6,816) |
| Retirement benefit plan                             | (361)    | (123)   | (238)    | (80)    | -        | -       |
| Total Liabilities                                   |          | (6,024) |          | (6,466) |          | (6,816) |

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Movement in deferred income tax and social contribution

|                                                     | Balances at<br>01/01/2009 | Recognized<br>in<br>income for<br>the year | Recognized<br>in<br>other<br>comprehensive<br>income | Balances<br>at<br>12/31/2009 |
|-----------------------------------------------------|---------------------------|--------------------------------------------|------------------------------------------------------|------------------------------|
| Temporary differences                               |                           |                                            |                                                      |                              |
| Allowance for inventory losses                      | 812                       | (812)                                      | -                                                    | -                            |
| Accrued profit sharing                              | -                         | 946                                        | -                                                    | 946                          |
| Derivative transactions                             | 1,491                     | (1,491)                                    | -                                                    | -                            |
| Provision for warranty claims                       | 22                        | 27                                         | -                                                    | 49                           |
| Provision for collective bargaining                 | 15                        | 6                                          | -                                                    | 21                           |
| Provision for employee termination                  | 75                        | -                                          | -                                                    | 75                           |
| Deferred asset recorded for tax purposes            | 320                       | (113)                                      | -                                                    | 207                          |
| Other temporary additions                           | 16                        | 42                                         | -                                                    | 58                           |
|                                                     | 2,751                     |                                            |                                                      | 1,356                        |
| Incentive depreciation Law 11774                    | -                         | (315)                                      | -                                                    | (315)                        |
| Cost attributed to property, plant and<br>equipment | (6,816)                   | 745                                        | -                                                    | (6,071)                      |
| Retirement benefit plan                             | -                         | 3                                          | (83)                                                 | (80)                         |
| Total recognized in the year                        | (6,816)                   | (962)                                      | (83)                                                 | (6,466)                      |

|                                                     | Balances at<br>01/01/2010 | Recognized<br>in<br>income for<br>the year | Recognized<br>in<br>other<br>comprehensive<br>income | Balances<br>at<br>12/31/2010 |
|-----------------------------------------------------|---------------------------|--------------------------------------------|------------------------------------------------------|------------------------------|
| Temporary differences                               |                           |                                            |                                                      |                              |
| Accrued profit sharing                              | 946                       | 376                                        | -                                                    | 1,322                        |
| Provision for warranty claims                       | 49                        | -                                          | -                                                    | 49                           |
| Reserve for contingencies                           | -                         | 151                                        | -                                                    | 151                          |
| Provision for collective bargaining                 | 21                        | 18                                         | -                                                    | 39                           |
| Provision for employee termination                  | 75                        | 21                                         | -                                                    | 96                           |
| Deferred asset recorded for tax purposes            | 207                       | -                                          | -                                                    | 207                          |
| Other temporary additions                           | 58                        | 83                                         | -                                                    | 141                          |
|                                                     | 1,356                     |                                            |                                                      | 2,005                        |
| Incentive depreciation Law 11774                    | (315)                     | (255)                                      | -                                                    | (570)                        |
| Cost attributed to property, plant and<br>equipment | (6,071)                   | 740                                        | -                                                    | (5,331)                      |
| Retirement benefit plan                             | (80)                      | (27)                                       | (16)                                                 | (123)                        |
| Total recognized in the year                        | (6,466)                   | 1,107                                      | (16)                                                 | (6,024)                      |

## 23. FINANCIAL INCOME (EXPENSES)

Financial income (expenses), net for the years ended December 31 are as follows:

|                                                   | 2010    | 2009    |
|---------------------------------------------------|---------|---------|
| Financial income                                  |         |         |
| Yield on short-term investments                   | 7,211   | 4,374   |
| Interest received and discounts obtained          | 409     | 168     |
| Discount to present value of trade receivables    | 3,662   | 2,380   |
|                                                   | 11,282  | 6,922   |
| Financial expenses                                |         |         |
| Interest on borrowings and financing              | (3,572) | (3,320) |
| Bank expenses                                     | (949)   | (760)   |
| Discount to present value of trade payables       | (866)   | (476)   |
|                                                   | (5,387) | (4,556) |
| Exchange rate change                              |         |         |
| Exchange gains on items classified in liabilities | 3,728   | 8,653   |
| Exchange losses on items classified in assets     | (3,632) | (4,584) |
|                                                   | 96      | 4,069   |
| Financial income (expenses), net                  | 5,991   | 6,435   |

# Suspensys Sistemas Automotivos Ltda.

Financial Statements as of December 31, 2010  
And 2009 And January 1, 2009 and for the Years  
Ended December 31, 2010 and 2009 and  
Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheets of Suspensys Sistemas Automotivos Ltda. (the "Company"), a company incorporated in Brazil, as of December 31, 2010 and 2009 and January 1, 2009 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009 and January 1, 2009 and the results of its operations and its cash flows for the years ended December 31, 2010 and 2009 in conformity with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

May 6, 2011

/s/ DELOITTE TOUCHE TOHMATSU Auditores Independentes  
DELOITTE TOUCHE TOHMATSU Auditores Independentes  
Porto Alegre, Brazil

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SUSPENSYS SISTEMAS AUTOMOTIVOS LTDA.

BALANCE SHEETS AS OF DECEMBER 31, 2010, 2009 AND JANUARY 1, 2009  
(In thousands of Brazilian reais - R\$)

| ASSETS                                      | Note | 12/31/2010     | 12/31/2009     | 1/1/2009       |
|---------------------------------------------|------|----------------|----------------|----------------|
| <b>CURRENT ASSETS</b>                       |      |                |                |                |
| Cash and cash equivalents                   | 5    | 177,575        | 112,087        | 33,361         |
| Trade receivables                           | 6    | 90,027         | 71,776         | 66,973         |
| Recoverable taxes                           | 7    | 4,310          | 11,252         | 12,820         |
| Inventories                                 | 8    | 53,292         | 53,217         | 52,241         |
| Amounts due from parent company             | 12   | 369            | 368            | -              |
| Other receivables                           |      | 1,399          | 768            | 1,701          |
| Total current assets                        |      | 326,972        | 249,468        | 167,096        |
| <b>NON-CURRENT ASSETS</b>                   |      |                |                |                |
| Amounts due from parent company             | 12   | 114            | 485            | 880            |
| Recoverable taxes                           | 7    | 1,046          | 2,302          | 5,814          |
| Deferred taxes                              | 21   | 4,523          | 3,008          | 3,650          |
| Retirement benefit plan                     | 13   | 657            | 435            | -              |
| Other receivables                           |      | 56             | 58             | 185            |
| Property, plant and equipment               | 9    | 124,714        | 121,405        | 118,292        |
| Intangible assets                           | 10   | 6,392          | 769            | 1,000          |
| Total noncurrent assets                     |      | 137,502        | 128,462        | 129,821        |
| <b>TOTAL ASSETS</b>                         |      | <b>464,474</b> | <b>377,930</b> | <b>296,917</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |      |                |                |                |
| <b>CURRENT LIABILITIES</b>                  |      |                |                |                |
| Trade payables                              |      | 35,654         | 48,915         | 19,000         |
| Borrowings and financing                    | 11   | 15,702         | 11,138         | 22,555         |
| Advances from customers                     |      | 1,404          | 361            | 338            |
| Taxes and contributions payable             |      | 6,622          | 3,183          | 2,650          |
| Salaries payable                            |      | 1,240          | 1,678          | 820            |
| Accrued vacation and related charges        |      | 5,788          | 4,772          | 3,623          |
| Dividends and interest on capital payable   | 18   | 37,022         | 4,174          | 22,170         |
| Employee and management profit sharing      |      | 7,673          | 4,939          | 6,503          |
| Other payables                              |      | 3,315          | 3,422          | 5,287          |
| Total current liabilities                   |      | 114,420        | 82,582         | 82,946         |
| <b>NON-CURRENT LIABILITIES</b>              |      |                |                |                |
| Borrowings and financing                    | 11   | 105,985        | 89,360         | 34,846         |
| Amounts due to parent company               | 12   | -              | -              | 2,388          |
| Reserve for contingencies                   | 14   | 150            | 141            | 136            |
| Contributions payable                       |      | 2,887          | 1,999          | 1,045          |
| Deferred taxes                              | 21   | 11,639         | 11,613         | 11,015         |
| Other payables                              |      | 3,728          | 3,242          | 153            |
| <b>SHAREHOLDERS' EQUITY</b>                 |      |                |                |                |

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|                                            |    |         |         |         |
|--------------------------------------------|----|---------|---------|---------|
| Capital                                    | 16 | 71,291  | 71,291  | 71,291  |
| Capital reserve                            |    | 36,354  | 24,591  | 11,578  |
| Earnings reserve                           |    | 100,709 | 75,046  | 62,737  |
| Retained earnings                          |    | 17,311  | 18,065  | 18,782  |
| Total shareholders' equity                 |    | 225,665 | 188,993 | 164,388 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY |    | 464,474 | 377,930 | 296,917 |

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

## SUSPENSYS SISTEMAS AUTOMOTIVOS LTDA.

## INCOME STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In thousands of Brazilian reais - R\$)

|                                                           | Note | 2010      | 2009      |
|-----------------------------------------------------------|------|-----------|-----------|
| NET REVENUE                                               | 19   | 1,011,273 | 643,835   |
| COST OF SALES AND SERVICES                                | 20   | (839,460) | (539,112) |
| GROSS PROFIT                                              |      | 171,813   | 104,723   |
| OPERATING INCOME (EXPENSES)                               |      |           |           |
| Selling expenses                                          | 20   | (34,721)  | (20,944)  |
| General and administrative expenses                       | 20   | (19,498)  | (13,241)  |
| Tax incentive - Fundopem                                  | 17   | 11,763    | 13,013    |
| Other operating (expenses), net                           | 20   | (11,190)  | (4,686)   |
|                                                           |      | (53,646)  | (25,858)  |
| PROFIT FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES) |      | 118,167   | 78,865    |
| FINANCIAL INCOME (EXPENSES)                               |      |           |           |
| Financial income                                          | 22   | 19,144    | 10,880    |
| Financial expenses                                        | 22   | (12,835)  | (7,805)   |
| Exchange losses, net                                      | 22   | (385)     | (288)     |
|                                                           |      | 5,924     | 2,787     |
| PROFIT BEFORE INCOME TAX AND<br>SOCIAL CONTRIBUTION       |      | 124,091   | 81,652    |
| INCOME TAX AND SOCIAL CONTRIBUTION                        |      |           |           |
| Current                                                   | 21   | (32,393)  | (16,212)  |
| Deferred                                                  | 21   | 1,520     | (1,095)   |
| NET PROFIT FOR THE YEAR                                   |      | 93,218    | 64,345    |

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

SUSPENSYS SISTEMAS AUTOMOTIVOS LTDA.

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009  
(In thousands of Brazilian reais - R\$)

|                                                                              | 2010   | 2009   |
|------------------------------------------------------------------------------|--------|--------|
| NET PROFIT FOR THE YEAR                                                      | 93,218 | 64,345 |
| OTHER COMPREHENSIVE INCOME                                                   |        |        |
| Actuarial gains (losses) on retirement benefit plan                          | 92     | 426    |
| Deferred income tax and social contribution<br>on other comprehensive income | (31)   | (145)  |
|                                                                              | 61     | 281    |
| COMPREHENSIVE INCOME FOR THE YEAR                                            | 93,279 | 64,626 |

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

## SUSPENSYS SISTEMAS AUTOMOTIVOS LTDA.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009  
 (In thousands of Brazilian reais - R\$)

|                                        | Note | Capital | Capital<br>reserve<br>Tax incentive<br>reserve | Earnings<br>reserve | Retained<br>earnings | Total    |
|----------------------------------------|------|---------|------------------------------------------------|---------------------|----------------------|----------|
| BALANCES AT JANUARY 1, 2009            |      | 71,291  | 11,578                                         | 62,737              | 18,782               | 164,388  |
| Net profit for the year                |      | -       | -                                              | -                   | 64,345               | 64,345   |
| Other comprehensive income             |      | -       | -                                              | -                   | 281                  | 281      |
| Total comprehensive income             |      | -       | -                                              | -                   | 64,626               | 64,626   |
| Reversal of dividends proposed in 2008 |      | -       | -                                              | 2,289               | -                    | 2,289    |
| Tax incentive - Fundopem               | 17   | -       | 13,013                                         | -                   | (13,013)             | -        |
| Interest on capital                    | 18   | -       | -                                              | -                   | (8,635)              | (8,635)  |
| Dividends on earnings reserve          | 18   | -       | -                                              | (10,300)            | -                    | (10,300) |
| Disproportionate dividends for Randon  | 17   | -       | -                                              | (2,183)             | (7,657)              | (9,840)  |
| Dividends paid on profit for the year  | 18   | -       | -                                              | -                   | (13,535)             | (13,535) |
| Earnings reserve                       |      | -       | -                                              | 22,503              | (22,503)             | -        |
| BALANCES AT DECEMBER 31, 2009          |      | 71,291  | 24,591                                         | 75,046              | 18,065               | 188,993  |
| Net profit for the year                |      | -       | -                                              | -                   | 93,218               | 93,218   |
| Other comprehensive income             |      | -       | -                                              | -                   | 61                   | 61       |
| Total comprehensive income             |      | -       | -                                              | -                   | 93,279               | 93,279   |
| Tax incentive - Fundopem               | 17   | -       | 11,763                                         | -                   | (11,763)             | -        |
| Interest on capital                    | 18   | -       | -                                              | -                   | (9,591)              | (9,591)  |
| Dividends on earnings reserve          | 18   | -       | -                                              | (9,396)             | -                    | (9,396)  |
| Disproportionate dividends for Randon  | 17   | -       | -                                              | (8,750)             | (9,874)              | (18,624) |
| Dividends paid on profit for the year  | 18   | -       | -                                              | -                   | (18,996)             | (18,996) |
| Earnings reserve                       |      | -       | -                                              | 43,809              | (43,809)             | -        |
| BALANCES AT DECEMBER 31, 2010          |      | 71,291  | 36,354                                         | 100,709             | 17,311               | 225,665  |

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

## SUSPENSYS SISTEMAS AUTOMOTIVOS LTDA.

STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009  
 (In thousands of Brazilian reais - R\$)

|                                                                                                                     | Note     | 2010           | 2009           |
|---------------------------------------------------------------------------------------------------------------------|----------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                         |          |                |                |
| Profit before income tax and social contribution                                                                    |          | 124,091        | 81,652         |
| Adjustments to reconcile profit before income tax and social contribution to cash provided by operating activities: |          |                |                |
| Depreciation of property, plant and equipment                                                                       | 9        | 15,055         | 13,381         |
| Amortization of intangible assets                                                                                   | 10       | 294            | 284            |
| Profit on sale of property, plant and equipment                                                                     |          | 27             | 8              |
| Provisions                                                                                                          |          | 927            | (358)          |
| Exchange differences on borrowings and financing                                                                    |          | (139)          | (1,755)        |
| Interest and charges on borrowings and financing                                                                    | 22       | 7,239          | 4,653          |
| Increase (decrease) in assets and liabilities                                                                       |          |                |                |
| (Increase) in trade receivables                                                                                     |          | (18,251)       | (4,803)        |
| (Increase) in inventories                                                                                           |          | (75)           | (976)          |
| Decrease in other receivables                                                                                       |          | 7,438          | 5,602          |
| (Decrease) increase in trade payables                                                                               |          | (13,261)       | 27,527         |
| Increase in other payables                                                                                          |          | 4,243          | 2,573          |
| Income tax and social contribution paid                                                                             |          | (29,935)       | (11,408)       |
| Interest paid on financing                                                                                          |          | (6,830)        | (4,752)        |
| Net cash provided by operating activities                                                                           |          | 90,823         | 111,628        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                                         |          |                |                |
| Purchase of property, plant and equipment                                                                           | 9        | (18,391)       | (16,502)       |
| Purchase of intangible assets                                                                                       | 10       | (5,917)        | (53)           |
| Net cash used in investing activities                                                                               |          | (24,308)       | (16,555)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                                         |          |                |                |
| Payment of dividends                                                                                                |          | (18,144)       | (52,877)       |
| Payment of interest on capital                                                                                      |          | (4,173)        | (8,421)        |
| Repayment of financing                                                                                              |          | (10,214)       | (24,443)       |
| Borrowings from third parties                                                                                       |          | 31,133         | 69,000         |
| Borrowings from related parties                                                                                     |          | 371            | 394            |
| Net cash used in financing activities                                                                               |          | (1,027)        | (16,347)       |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                                                    |          | <b>65,488</b>  | <b>78,726</b>  |
| Cash and cash equivalents at the beginning of the year                                                              | 5        | 112,087        | 33,361         |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                                             | <b>5</b> | <b>177,575</b> | <b>112,087</b> |

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



SUSPENSYS SISTEMAS AUTOMOTIVOS LTDA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009  
(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. OPERATIONS

Suspensys Sistemas Automotivos Ltda. (the “Company”) is a limited liability company established in Brazil with its head office and principal place of business in Caxias do Sul – RS. The Company started its operations on October 1, 2002 and is primarily engaged in the manufacture and sale of air and mechanical suspension systems for trucks, buses and trailers, axles for trailers, third axles, hubs and drums for trucks, buses and trailers, and the provision of technical assistance services for its products.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Company’s Financial Statements for the years ended on December 31, 2010 and 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB). These Financial Statements are the first presented in accordance with IFRS.

The Financial Statements of the Company have been prepared in accordance with Brazilian accounting practices (BRGAAP) and provisions of the Brazilian corporate law until December 31, 2009 and these practices differ in some aspects from IFRS. When preparing the Financial Statements for 2010, the Company adjusted certain accounting, valuation and consolidation criteria used under BRGAAP in order to conform with IFRS. The 2009 comparative data were restated to reflect such adjustments, as explained in note 4.

The reconciliation and description of the effects of transition from accounting practices adopted in Brazil to IFRS, relating to shareholders' equity, net income and cash flow, are presented in Note 4.

The Company adopted all rules, revision of rules, and interpretations issued by IASB and that are applicable for the year ended on December 31, 2010.

The summary of the principal accounting policies adopted by the Company is detailed in note 3.

The financial statements were approved by the Company’s Board of Directors and authorized for issue on May 6, 2011.

3. PRINCIPAL ACCOUNTING POLICIES

3.1. Basis of preparation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.2 Functional currency and presentation currency

The financial statements are presented in thousands of reais, which is the Company’s functional currency. All financial information presented in thousands of reais was rounded to the closest number.

3.3 Accounting estimates

In the application of accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, allowance for doubtful debts, impairment of inventories, realization of deferred taxes, and reserve for contingencies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Actual results may differ from these estimates due to uncertainties inherent in such

estimates.

### 3.4 Revenue recognition

Revenue is recognized on an accrual basis.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Revenues from sales and services are subject to taxes and contributions at the following basic rates:

|                         | Rates            |
|-------------------------|------------------|
| State VAT (ICMS)        | 7% to 17%        |
| Federal VAT (IPI)       | 0% to 18%        |
| Tax on Revenue (PIS)    | 1.65% and 2.30%  |
| Tax on Revenue (COFINS) | 7.60% and 10.80% |
| Service Tax (ISSQN)     | 4%               |

### 3.5 Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

### 3.6 Current and non-current assets

- Cash and cash equivalents

Include cash on hand and in banks and short-term investments redeemable in up to 90 days from the investment date. Short-term investments are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These investments are carried at cost plus yield accrued through the end of the reporting period, which approximates their fair values.

- Trade receivables

Trade receivables are recognized at the billed amount, including the related taxes and reduced to their present value at the end of the reporting period.

Allowances for doubtful debts are recognized based on estimated irrecoverable amounts determined by reference to the Company's past default experience and an analysis of the debtor's current financial position.



- Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined under the weighted average cost method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

- Property, plant and equipment

Stated at cost of acquisition or construction. The Company elected to measure the main items included in the classes of land, buildings, machinery and equipment at deemed cost at the date of adoption of IFRS, that is, January 1, 2009. The effects of the deemed cost increased the property, plant and equipment balance, with a corresponding entry in shareholders' equity, in retained earnings, net of tax effects (as mentioned in note 4.6.a).

Properties in the course of construction are carried at cost. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy (note 3.9). Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. For the other classes of property, plant and equipment, depreciation is calculated using the straight-line method at the rates mentioned in note 9, which take into consideration the estimated useful lives of assets. The estimated useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

- Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

### 3.7. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amount of its tangible and intangible assets to determine where there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

### 3.8 Discount to present value

Monetary assets and liabilities are discounted to present value when the effect is considered material in relation to the financial statements taken as a whole. The discount to present value is calculated based on an interest rate that reflects the timing and risk of each transaction.

Trade receivables are discounted to present value with a corresponding entry in sales revenue in the income statement, and the difference between the present value of a transaction and the face value of the billing is considered as financial income and will be recognized based on the amortized cost and the effective long-term rate of the transaction.

The discount to present value of purchases is recorded in “trade payables” and “inventories”, and its realization has a corresponding entry in line item “financial expenses” over the term of their suppliers.

### 3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### 3.10 Retirement benefit plan

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are immediately recognized in equity according to the available option in paragraph 93A of IAS 19 – Employee Benefits.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

### 3.11 Financial instruments

#### Classification and measurement

The classification depends on the purpose for which the financial assets and liabilities were acquired or contracted. The Company's management classifies its financial assets and liabilities at the time of initial contracting.

#### Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

#### Loans and receivables measured at amortized cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, cash and cash equivalents and short-term investments) are measured at amortized cost using the effective interest method, less any impairment.

#### Financial liabilities measured at amortized cost

Borrowings are initially recognized at fair value, upon receipt of funds, net of transaction costs. They are subsequently measured at amortized cost. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument.

### 3.12. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the respective products, at Management's best estimate of the expenditure required to settle the Company's obligation.



### 3.13 Tax incentive (FUNDOPEM)

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate (related to generation of jobs) and are recorded in a specific line item of the income statement.

### 3.14 Income Tax and Social Contribution

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated based on rates prevailing at the end of the reporting period (15% plus a 10% surtax on taxable profit exceeding R\$20 per month for Income Tax and 9% on taxable profit for Social Contribution on Net Profit).

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### Current and deferred taxes for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

### 3.15 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- f) IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.



The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

This standard will be adopted in the Company's financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Company financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- g) The amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments (effective for annual periods beginning on or after July 1, 2011) also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Company does not anticipate that these amendments to IFRS 7 will have a significant effect on the financial statements.

- h) IAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The Company does not anticipate that these amendments to IAS 24 (effective for annual periods beginning on or after January 1, 2011) will have a significant effect on the financial statements.

- i) The amendments to IAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.

The Company does not anticipate that these amendments to IAS 32 (effective for annual periods beginning on or after February 1, 2010) will have a significant effect on the financial statements.

- j) IFRIC 19 (effective for annual periods beginning on or after July 1, 2010) provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Company has not entered into transactions of this nature. However, if the Company

does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognized in profit or loss.

#### 4. EFFECTS OF THE ADOPTION OF THE IFRS ON THE FINANCIAL STATEMENTS

In preparing its financial statements, the Company adopted for the first-time all International Financial Reporting Standards and related interpretations and guidance issued by the International Accounting Standards Board (IASB). The Company applied the accounting policies defined above in all reporting periods, which include the opening balance sheet as at January 1, 2009.

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

- a) Exemption for presenting the fair value of fixed assets as acquisition cost: The Company remeasured its fixed assets on the transition date at the fair value, as described in note 4.6. a.
- b) Exemption for measuring employee benefits: The Company recognized all actuarial gains and losses arising from employee benefit plan on the transition date against retained earnings. From that date onward, the Company also recognizes all the actuarial gains and losses in equity according to the paragraph 93A of IAS 19.

- c) Exemption related to the classification of financial instruments: The Company decided to classify and evaluate its financial instruments according to IAS 32 and IAS 39 on the transition date. Retroactive analyses to the original contracting date of the current financial instruments were not made on the transition date. All financial instruments contracted after the transition date were analyzed and classified on the contract date of the operations.

#### 4.1 Effects of the adoption of the IFRS on the balance sheet

|                                         | January 1, 2009   |                                     |         | December 31, 2009 |                                  |         |
|-----------------------------------------|-------------------|-------------------------------------|---------|-------------------|----------------------------------|---------|
|                                         | Brazilian<br>GAAP | Effect of<br>Adoption<br>of<br>IFRS | IFRS    | Brazilian<br>GAAP | Effect of<br>adoption of<br>IFRS | IFRS    |
| <b>CURRENT ASSETS</b>                   |                   |                                     |         |                   |                                  |         |
| Cash and cash equivalents               | 33,361            | -                                   | 33,361  | 112,087           | -                                | 112,087 |
| Trade receivables                       | 66,973            | -                                   | 66,973  | 71,776            | -                                | 71,776  |
| Recoverable taxes                       | 12,820            | -                                   | 12,820  | 11,252            | -                                | 11,252  |
| Inventories                             | 52,241            | -                                   | 52,241  | 53,217            | -                                | 53,217  |
| Amounts due from parent<br>company      | -                 | -                                   | -       | 368               | -                                | 368     |
| Deferred taxes (f)                      | 2,804             | (2,804)                             | -       | 2,534             | (2,534)                          | -       |
| Other receivables                       | 1,701             | -                                   | 1,701   | 768               | -                                | 768     |
| Total current assets                    | 169,900           | (2,804)                             | 167,096 | 252,002           | (2,534)                          | 249,468 |
| <b>NON-CURRENT ASSETS</b>               |                   |                                     |         |                   |                                  |         |
| Amounts due from parent<br>company      | 880               | -                                   | 880     | 485               | -                                | 485     |
| Recoverable taxes                       | 5,814             | -                                   | 5,814   | 2,302             | -                                | 2,302   |
| Deferred taxes (b)(d)(f)                | -                 | 3,650                               | 3,650   | -                 | 3,008                            | 3,008   |
| Retirement benefit plan (e)             | -                 | -                                   | -       | -                 | 435                              | 435     |
| Other receivables                       | 185               | -                                   | 185     | 58                | -                                | 58      |
| Property, plant and<br>equipment (a)(c) | 85,894            | 32,398                              | 118,292 | 91,906            | 29,499                           | 121,405 |
| Intangible assets                       | 1,000             | -                                   | 1,000   | 769               | -                                | 769     |
| Deferred charges (b)                    | 3,294             | (3,294)                             | -       | 2,201             | (2,201)                          | -       |
| Total non-current assets                | 97,067            | 32,754                              | 129,821 | 97,721            | 30,741                           | 128,462 |
| Total assets                            | 266,967           | 29,950                              | 296,917 | 349,723           | 28,207                           | 377,930 |
| <b>CURRENT LIABILITIES</b>              |                   |                                     |         |                   |                                  |         |
| Trade payables                          | 19,000            | -                                   | 19,000  | 48,915            | -                                | 48,915  |
| Borrowings and financing                | 22,555            | -                                   | 22,555  | 11,138            | -                                | 11,138  |
| Advances from customers                 | 338               | -                                   | 338     | 361               | -                                | 361     |
| Taxes and contributions<br>payable      | 2,650             | -                                   | 2,650   | 3,183             | -                                | 3,183   |
| Salaries payable                        | 820               | -                                   | 820     | 1,678             | -                                | 1,678   |
| Accrued vacation and related<br>charges | 3,623             | -                                   | 3,623   | 4,772             | -                                | 4,772   |
| Dividends and interest on               |                   |                                     |         |                   |                                  |         |

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|                                           |        |   |        |        |         |        |
|-------------------------------------------|--------|---|--------|--------|---------|--------|
| capital payable                           | 22,170 | - | 22,170 | 4,174  | -       | 4,174  |
| Employee and management<br>profit sharing | 6,503  | - | 6,503  | 4,939  | -       | 4,939  |
| Deferred taxes (f)                        | -      | - | -      | 1,624  | (1,624) | -      |
| Other payables                            | 5,287  | - | 5,287  | 3,422  | -       | 3,422  |
| Total current liabilities                 | 82,946 | - | 82,946 | 84,206 | (1,624) | 82,582 |

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| NON-CURRENT LIABILITIES                    |         |        |         |         |        |         |
|--------------------------------------------|---------|--------|---------|---------|--------|---------|
| Borrowings and financing                   | 34,846  | -      | 34,846  | 89,360  | -      | 89,360  |
| Amounts due to parent company              | 2,388   | -      | 2,388   | -       | -      | -       |
| Reserve for contingencies                  | 136     | -      | 136     | 141     | -      | 141     |
| Sundry bank accounts                       | -       | -      | -       | 3,089   | -      | 3,089   |
| Contributions payable                      | 1,045   | -      | 1,045   | 1,999   | -      | 1,999   |
| Deferred taxes (a)(c)(e)(f)                | -       | 11,015 | 11,015  | -       | 11,613 | 11,613  |
| Other payables (d)                         | -       | 153    | 153     | -       | 153    | 153     |
| Total long-term liabilities                | 38,415  | 11,168 | 49,583  | 94,589  | 11,766 | 106,355 |
| SHAREHOLDERS' EQUITY                       |         |        |         |         |        |         |
| Capital                                    | 71,291  | -      | 71,291  | 71,291  | -      | 71,291  |
| Capital reserve                            | 11,578  | -      | 11,578  | 24,591  | -      | 24,591  |
| Earnings reserve                           | 62,737  | -      | 62,737  | 75,046  | -      | 75,046  |
| Retained earnings (a)(b)(c)(d)(e)          | -       | 18,782 | 18,782  | -       | 18,065 | 18,065  |
| Total shareholders' equity                 | 145,606 | 18,782 | 164,388 | 170,928 | 18,065 | 188,993 |
| Total liabilities and shareholders' equity | 266,967 | 29,950 | 296,917 | 349,723 | 28,207 | 377,930 |

#### 4.2 Reconciliation of shareholders' equity

|                                               | January 1,<br>2009 | December 31, 2009 |
|-----------------------------------------------|--------------------|-------------------|
| Total shareholders' equity in accordance with |                    |                   |
| Brazilian GAAP                                | 145,606            | 170,928           |
| Adoption of deemed cost (a)                   | 21,383             | 19,116            |
| Derecognition of deferred charges (b)         | (2,500)            | (1,778)           |
| Capitalization of interest (c)                | -                  | 535               |
| Employee termination plan (d)                 | (101)              | (101)             |
| Retirement benefit plan (e)                   | -                  | 293               |
| Total shareholders' equity in accordance with |                    |                   |
| IFRS                                          | 164,388            | 188,993           |

#### 4.3 Effects of the adoption of the IFRS on the income statement

|                                                              |              | Year ended December 31, 2009 |                                 |           |
|--------------------------------------------------------------|--------------|------------------------------|---------------------------------|-----------|
|                                                              |              | Brazilian<br>GAAP            | Effect of transition of<br>IFRS | IFRS      |
| NET REVENUE                                                  |              | 643,835                      | -                               | 643,835   |
| COST OF SALES AND SERVICES                                   | (a)(b)(e)    | (536,780)                    | (2,332 )                        | (539,112) |
| GROSS PROFIT                                                 |              | 107,055                      | (2,332 )                        | 104,723   |
| OPERATING INCOME (EXPENSES)                                  |              |                              |                                 |           |
| Selling expenses                                             |              | (20,944)                     | -                               | (20,944)  |
| General and administrative expenses                          |              | (13,241)                     | -                               | (13,241)  |
| Tax incentive – Fundopem                                     |              | 13,013                       | -                               | 13,013    |
| Other operating (expenses) income, net                       |              | (4,686)                      | -                               | (4,686)   |
| PROFIT FROM OPERATIONS BEFORE<br>FINANCIAL INCOME (EXPENSES) |              | 81,197                       | (2,332 )                        | 78,865    |
| FINANCIAL INCOME (EXPENSES)                                  |              |                              |                                 |           |
| Financial income                                             |              | 10,880                       | -                               | 10,880    |
| Financial expenses                                           | (c)          | (8,340)                      | 535                             | (7,805)   |
| Exchange gains (losses), net                                 |              | (288)                        | -                               | (288)     |
| PROFIT BEFORE INCOME TAX AND SOCIAL<br>CONTRIBUTION          |              | 83,449                       | (1,797 )                        | 81,652    |
| INCOME TAX AND SOCIAL CONTRIBUTION                           |              |                              |                                 |           |
| Current                                                      |              | (16,213)                     | -                               | (16,213)  |
| Deferred                                                     | (a)(b)(c)(e) | (1,893)                      | 799                             | (1,094)   |
| NET PROFIT FOR THE YEAR                                      |              | 65,343                       | (998 )                          | 64,345    |

#### 4.4 Reconciliation of net profit

|                                                              |     | Year ended<br>December 31, 2009 |
|--------------------------------------------------------------|-----|---------------------------------|
| Net profit for the year in accordance with<br>Brazilian GAAP |     | 65,343                          |
| Adoption of deemed cost                                      | (a) | (2,267)                         |
| Derecognition of deferred charges                            | (b) | 722                             |
| Capitalization of interest                                   | (c) | 535                             |
| Retirement benefit plan                                      | (e) | 12                              |
| Net profit for the year in accordance with IFRS              |     | 64,345                          |

#### 4.5 Effects of the adoption of the IFRS on the statement of cash flows

|                                      |     | Year ended December 31, 2009 |                                 |          |
|--------------------------------------|-----|------------------------------|---------------------------------|----------|
|                                      |     | Brazilian<br>GAAP            | Effect of transition<br>of IFRS | IFRS     |
| Cash flows from operating activities | (c) | 111,093                      | 535                             | 111,628  |
| Cash flows from investing activities | (c) | (16,020)                     | (535)                           | (16,555) |
| Cash flows from financing activities |     | (16,347)                     | -                               | (16,347) |

#### 4.6 Notes to the reconciliation of the effects of the IFRS

##### a) Deemed Cost

The Company elected to adopt the deemed cost, adjusting the opening balances at the transition date on January 1, 2009. The fair values used in the adoption of the deemed cost were estimated by outside professionals (engineers) and, for this work, these professionals considered information about the use of the valued assets, technological changes occurred and in progress and the economic environment in which they operate, considering the planning and other business particularities of the Company. As part of the adoption of the deemed cost, the Company's management conducted a valuation of the items included in the classes of land, buildings and machinery and equipment considered relevant, for purposes of adoption of the deemed cost at January 1, 2009. Additionally, the Company conducted a review of the estimated useful lives of these assets, with no changes in relation to the useful lives already used by the Company since 2009.

The effects of the adoption of the deemed cost at January 1, 2009 were:

| Class                   | Balance at<br>12/31/2008 | Adjustment due to attribution<br>of new cost | Balance at<br>01/01/2009 |
|-------------------------|--------------------------|----------------------------------------------|--------------------------|
| Land                    | 1,648                    | 6,423                                        | 8,071                    |
| Buildings               | 13,916                   | 5,577                                        | 19,493                   |
| Machinery and equipment | 46,140                   | 20,398                                       | 66,538                   |
| Total                   | 61,704                   | 32,398                                       | 94,102                   |

With effects at January 1, 2009, property, plant and equipment increased by R\$ 32,398, deferred income tax and social contribution in non-current liabilities increased by R\$ 11,015, and retained earnings in shareholders' equity increased by R\$ 21,383 as a result of the adoption of the deemed cost. The decrease in net profit for 2009 was R\$ 2,267.

The increases in depreciation expense in the income statements for the years ended December 31, 2010 and 2009 were R\$ 3,252 and R\$ 3,434, respectively, which caused a decrease in income tax and social contribution expense in those income statements by R\$ 1,105 and R\$ 1,168, respectively.

The Company estimated the effects of the adoption of the deemed cost on the depreciation expense for the current and future years as follows:

| Year                              | Increase in depreciation expense |
|-----------------------------------|----------------------------------|
| 2009                              | 3,434                            |
| 2010                              | 3,252                            |
| 2011                              | 2,686                            |
| 2012                              | 2,396                            |
| 2013                              | 2,172                            |
| 2014                              | 2,067                            |
| 2015                              | 1,552                            |
| 2016 and thereafter               | 8,416                            |
| Total depreciable items           | 25,975                           |
| Land (non-depreciable)            | 6,423                            |
| Total increase due to deemed cost | 32,398                           |

b) Deferred charges

In accordance with previous accounting practices, the Company recorded in line item “deferred charges” preoperating expenses and restructuring costs that will contribute to the increase in the result for more than one fiscal year, which are being derecognized at the date of adoption of the new accounting practices. The effect of this change is a decrease in shareholders' equity at December 31, 2009 by R\$ 1,778 (R\$2,500 at January 1, 2009) and an increase in profit for 2009 by R\$722.

c) Capitalization of interest

In accordance with previous accounting practices, borrowing costs related to the construction of qualifying assets were recorded as financial expense in the income statement. With the adoption of IAS 23 – Borrowing Costs, borrowing costs related to the construction of qualifying assets are capitalized to the cost of the asset, during the construction period. The effect of this change is an increase in shareholders' equity at December 31, 2009 and in profit for 2009 by R\$ 535.

d) Employee termination plan

The Company has an employee termination plan, which consists in granting a bonus to the employee at the date of his/her retirement, calculated based on the payment of 1.5 times the nominal salary for the employee at that date. With the adoption of IAS 19 – Employee Benefits, the Company currently accrues the best estimate of the present value of the expected disbursements for this benefit. The effect of this change at January 1 and December 31, 2009 is an increase in deferred tax assets by R\$ 52, an increase in non-current liabilities by R\$ 153, and a decrease in shareholders' equity by R\$ 101.

e) Retirement benefit plan

The Company is the co-sponsor of the pension fund RANDONPREV, whose benefit plan is a defined contribution plan under the financial capitalization regime, with some benefit supplementations for employees, not covered by the defined contributions. With the adoption of IAS 19 – Employee Benefits, the Company currently recognizes this obligation as a defined benefit plan. Also, at the date of adoption of IFRS, the Company recognized all cumulative gains and losses in its opening balance sheet. The effect of this change is an increase in non-current assets by R\$ 435, an increase in deferred tax liabilities by R\$ 142, and an increase in shareholders' equity at December 31, 2009 by R\$ 293. In profit for 2009, the effect of this change was an increase by R\$ 12 and an increase in other comprehensive income by R\$ 281 (resulting in a total increase in comprehensive income by R\$ 293).

f) Deferred taxes

In accordance with previous accounting practices, deferred taxes on temporary differences were recognized in the balance sheet over their expected period of realization. In accordance with the new accounting practices, these taxes are currently recognized as non-current assets or liabilities.

g) Presentation of the statement of comprehensive income

In accordance with previous accounting practices, there was no requirement to present a statement of comprehensive income, which is required to be prepared since 2009.

## 5. CASH AND CASH EQUIVALENTS

Short-term investments refer to bank certificates of deposit (CDBs), linked to the variation of the interbank certificates of deposit (CDI). The yield on these short-term investments is as follows:

|                         | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|-------------------------|------------|------------|------------|
| Cash and banks          | 1,814      | 14,205     | 1,578      |
| Short-term investments: |            |            |            |
| CDB – 99.50% CDI        | 5,739      | 8,528      | -          |
| CDB – 100.00% CDI       | 126,971    | 51,151     | 12,957     |
| CDB – 100.50% CDI       | 15,122     | 10,448     | -          |
| CDB – 100.55% CDI       | 12,992     | 27,755     | -          |
| CDB – 101.00% CDI       | 3,146      | -          | 12,109     |
| CDB – 102.50% CDI       | 6,270      | -          | 6,717      |
| CDB – 104.00% CDI       | 5,521      | -          | -          |
|                         | 175,761    | 97,882     | 31,783     |
| Total                   | 177,575    | 112,087    | 33,361     |

## 6. TRADE RECEIVABLES

Trade receivables are as follows:

|                                                   | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|---------------------------------------------------|------------|------------|------------|
| Trade receivables from third parties – domestic   | 75,224     | 64,465     | 60,470     |
| Trade receivables from third parties – foreign    | 274        | 651        | 2,772      |
| Trade receivables from related parties – domestic | 11,335     | 3,226      | 915        |
| Trade receivables from related parties – foreign  | 3,194      | 3,434      | 2,816      |
| Total                                             | 90,027     | 71,776     | 66,973     |

Trade receivables include amounts that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable, through negotiation with customers. The aging of past-due trade receivables for which an allowance for doubtful debts was not recorded is as follows:

|                     | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|---------------------|------------|------------|------------|
| 1 to 30 days        | 12,130     | 7,288      | 6,098      |
| 31 to 60 days       | 2,016      | 636        | 903        |
| 61 to 90 days       | 844        | 1,892      | 43         |
| 91 to 180 days      | 1,837      | 54         | 60         |
| Over 180 days       | 33         | 2          | 110        |
| Past-due amounts    | 16,860     | 9,872      | 7,214      |
| Falling due amounts | 73,167     | 61,904     | 59,759     |
| Total               | 90,027     | 71,776     | 66,973     |

## 7. RECOVERABLE TAXES

Recoverable taxes are as follows:

|                                                                          | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|--------------------------------------------------------------------------|------------|------------|------------|
| Federal VAT (IPI)                                                        | 1,217      | 1,526      | 2,126      |
| State VAT (ICMS)                                                         | 2,266      | 7,003      | 10,255     |
| Corporate income tax (IRPJ) and social contribution on net profit (CSLL) | -          | 188        | 767        |
| ICMS on purchases of property, plant and equipment                       | 1,319      | 2,905      | 3,252      |
| PIS on purchases of property, plant and equipment                        | 99         | 340        | 398        |
| COFINS on purchases of property, plant and equipment                     | 455        | 1,592      | 1,836      |
| Total                                                                    | 5,356      | 13,554     | 18,634     |
| Current                                                                  | 4,310      | 11,252     | 12,820     |
| Non-current                                                              | 1,046      | 2,302      | 5,814      |

Recoverable taxes in non-current assets comprise ICMS, PIS and COFINS on purchases of property, plant and equipment for which the realization, pursuant to current applicable legislation, occurs in 48 monthly installments. Of the ICMS balance, R\$ 950 (R\$5,423 at December 31, 2009 and R\$ 8,456 at January 1, 2009) refers to the purchase of ICMS credit balance from Randon S.A. Implementos e Participações and will be offset pursuant to the schedule prepared by the Rio Grande do Sul State Finance Department.

## 8. INVENTORIES

Inventories comprise:

|                       | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|-----------------------|------------|------------|------------|
| Finished products     | 2,608      | 4,216      | 1,998      |
| Work in process       | 21,364     | 18,612     | 15,944     |
| Raw materials         | 25,110     | 30,356     | 28,913     |
| Advances to suppliers | 70         | 31         | 655        |
| Imports in transit    | 4,140      | 2          | 4,731      |
| Total                 | 53,292     | 53,217     | 52,241     |

## 9. PROPERTY, PLANT AND EQUIPMENT

## a) Analysis of balances

|                          | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|--------------------------|------------|------------|------------|
| Cost                     | 226,117    | 207,805    | 191,742    |
| Accumulated depreciation | (101,403)  | (86,400)   | (73,450)   |
|                          | 124,714    | 121,405    | 118,292    |

|                                           | Annual depreciation rate | 12/31/2010 Cost | 12/31/2010 Accumulated depreciation | 12/31/2010 Net | 12/31/2009 Net | 01/01/2009 Net |
|-------------------------------------------|--------------------------|-----------------|-------------------------------------|----------------|----------------|----------------|
| Land                                      |                          | 8,071           | -                                   | 8,071          | 8,071          | 8,071          |
| Buildings                                 | 1.44%                    | 39,260          | (5,307)                             | 33,953         | 32,836         | 19,493         |
| Machinery and equipment                   | 9.90%                    | 162,587         | (88,100)                            | 74,487         | 71,385         | 66,538         |
| Molds and dies                            | 14.13%                   | 11,591          | (5,657)                             | 5,934          | 6,077          | 5,133          |
| Furniture and fixtures                    | 9.03%                    | 1,414           | (649)                               | 765            | 794            | 776            |
| Vehicles                                  | 9.29%                    | 641             | (431)                               | 210            | 183            | 231            |
| Computer equipment                        | 24.80%                   | 1,764           | (1,259)                             | 505            | 401            | 542            |
| Advances to suppliers                     |                          | -               | -                                   | -              | 97             | -              |
| Property, plant and equipment in progress |                          | 789             | -                                   | 789            | 1,561          | 17,508         |
| Total                                     |                          | 226,117         | (101,403)                           | 124,714        | 121,405        | 118,292        |

## b) Movement in cost

|                                           | Balances at 01/01/2009 | Additions | Disposals | Transfers | Balances at 12/31/2009 |
|-------------------------------------------|------------------------|-----------|-----------|-----------|------------------------|
| Land                                      | 8,071                  | -         | -         | -         | 8,071                  |
| Buildings                                 | 23,323                 | 1,415     | -         | 12,490    | 37,228                 |
| Machinery and equipment                   | 131,802                | 6,719     | (439)     | 9,199     | 147,281                |
| Molds and dies                            | 7,934                  | 2,304     | -         | -         | 10,238                 |
| Furniture and fixtures                    | 1,218                  | 121       | -         | -         | 1,339                  |
| Vehicles                                  | 550                    | 20        | -         | -         | 570                    |
| Computer equipment                        | 1,336                  | 84        | -         | -         | 1,420                  |
| Advances to suppliers                     | 1,909                  | 5         | -         | (1,817)   | 97                     |
| Property, plant and equipment in progress | 15,599                 | 5,834     | -         | (19,872)  | 1,561                  |
| Total                                     | 191,742                | 16,502    | (439)     | -         | 207,805                |

|                         | Balances at 01/01/2010 | Additions | Disposals | Transfers | Balances at 12/31/2010 |
|-------------------------|------------------------|-----------|-----------|-----------|------------------------|
| Land                    | 8,071                  | -         | -         | -         | 8,071                  |
| Buildings               | 37,228                 | 807       | -         | 1,225     | 39,260                 |
| Machinery and equipment | 147,281                | 11,340    | -         | 3,966     | 162,587                |
| Molds and dies          | 10,238                 | 1,240     | (37)      | 150       | 11,591                 |
| Furniture and fixtures  | 1,339                  | 61        | -         | 14        | 1,414                  |
| Vehicles                | 570                    | 107       | (36)      | -         | 641                    |
| Computer equipment      | 1,420                  | 301       | (6)       | 49        | 1,764                  |

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|                                           |         |        |      |         |         |
|-------------------------------------------|---------|--------|------|---------|---------|
| Advances to suppliers                     | 97      | 384    | -    | (32)    | 449     |
| Property, plant and equipment in progress | 1,561   | 4,151  | -    | (5,372) | 340     |
| Total                                     | 207,805 | 18,391 | (79) | -       | 226,117 |

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## c) Movement in accumulated depreciation

|                         | Balances at<br>01/01/2009 | Additions | Disposals | Balances at<br>12/31/2009 |
|-------------------------|---------------------------|-----------|-----------|---------------------------|
| Buildings               | (3,831)                   | (561)     | -         | (4,392)                   |
| Machinery and equipment | (65,263)                  | (11,064)  | 431       | (75,896)                  |
| Molds and dies          | (2,801)                   | (1,360)   | -         | (4,161)                   |
| Furniture and fixtures  | (442)                     | (103)     | -         | (545)                     |
| Vehicles                | (319)                     | (68)      | -         | (387)                     |
| Computer equipment      | (794)                     | (225)     | -         | (1,019)                   |
| Total                   | (73,450)                  | (13,381)  | 431       | (86,400)                  |

|                         | Balances at<br>01/01/2010 | Additions | Disposals | Balances at<br>12/31/2010 |
|-------------------------|---------------------------|-----------|-----------|---------------------------|
| Buildings               | (4,392)                   | (915)     | -         | (5,307)                   |
| Machinery and equipment | (75,896)                  | (12,204)  | -         | (88,100)                  |
| Molds and dies          | (4,161)                   | (1,497)   | 1         | (5,657)                   |
| Furniture and fixtures  | (545)                     | (104)     | -         | (649)                     |
| Vehicles                | (387)                     | (78)      | 34        | (431)                     |
| Computer equipment      | (1,019)                   | (257)     | 17        | (1,259)                   |
| Total                   | (86,400)                  | (15,055)  | 52        | (101,403)                 |

## 10. INTANGIBLE ASSETS

|                               | Annual<br>amortization<br>rate | Balance at<br>01/01/2009 | Additions | Balance at<br>12/31/2009 | Additions | Balance at<br>12/31/2010 |
|-------------------------------|--------------------------------|--------------------------|-----------|--------------------------|-----------|--------------------------|
| Software:                     |                                |                          |           |                          |           |                          |
| Cost                          | 15.40%                         | 2,392                    | 53        | 2,445                    | 102       | 2,547                    |
| Accumulated amortization      |                                | (1,392)                  | (284)     | (1,676)                  | (294)     | (1,970)                  |
|                               |                                | 1,000                    | (231)     | 769                      | (192)     | 577                      |
| Intangible assets in progress |                                |                          |           |                          |           |                          |
|                               |                                | -                        | -         | -                        | 5,815     | 5,815                    |
|                               |                                | 1,000                    | (231)     | 769                      | 5,623     | 6,392                    |

Intangible Assets refer to software licenses and expenses on the implementation of the Company's new integrated management system (ERP), for which the beginning of utilization is expected for 2011.

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## 11. BORROWINGS AND FINANCING

The purpose of the financing was the installation of plants, development of quality processes, export and import financing, and financing of imported machines. The financing was obtained from several Financial Institutions by means of funds raised by these institutions with the National Bank for Economic and Social Development (BNDES).

| Type:                          | Financial charges                | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|--------------------------------|----------------------------------|------------|------------|------------|
| Import/Export                  |                                  |            |            |            |
| ACC – Advances on Exchange     |                                  |            |            |            |
| Contracts                      | U.S. dollar (forex) + 5.2% p.a.  | -          | -          | 2,416      |
| Financing                      |                                  |            |            |            |
| Unibanco - FINAME              |                                  | -          | -          | 173        |
| BNDES – subcredit A/C          | U.S. dollar (forex) + 2.5% p.a.  | 616        | 920        | 1,605      |
| BNDES – subcredit B            | URTJLP + 4.5% p.a.               | -          | 3,129      | 6,876      |
| BNDES – subcredit B            | URTJLP + 3% p.a.                 | 7,005      | 10,007     | 12,986     |
| BNDES – subcredit C            | UMBND + 4.5% p.a.                | -          | 509        | 1,507      |
| BNDES – subcredit D            | URTJLP + 2.5% p.a.               | 425        | 607        | 787        |
| BNDES – subcredit A            | URTJLP + 4.5% p.a.               |            | 4,595      | -          |
| BNDES – subcredit USD          | U.S. dollar (forex) + 1.95%p.a.  | 4,396      | -          | -          |
| BNDES – subcredit BCDEF        | URTJLP + 4.5% p.a.               | 43,501     | 30,801     | -          |
| BRADESCO – FINEP               | TJLP + 0.50 p.a.                 | 9,453      | 12,018     | 11,893     |
| BRADESCO – FINEP               | 5% p.a.                          | 3,859      | -          | -          |
| BRADESCO - EXIM                | TJLP + 5% p.a.                   | 33,260     | 33,208     | 12,410     |
| BANCO DO BRASIL - EXIM         | Spread 3% + 4.5% p.a.            | 9,384      | -          | -          |
| FUNDOPEM – ICMS                | IPCA +3% p.a.                    | 9,237      | 3,367      | 3,120      |
| Financing of imported machines |                                  |            |            |            |
| FININP - Banco Bradesco        | U.S. dollar (forex) + 7.38% p.a. | 551        | 1,155      | 2,460      |
| FININP – ABN                   | YEN (forex) + 2.9% p.a.          | -          | 182        | 682        |
| FININP – ABN                   | YEN (forex) + 2.5% p.a.          | -          | -          | 486        |
| Total                          |                                  | 121,687    | 100,498    | 57,401     |
| Current                        |                                  | 15,702     | 11,138     | 22,555     |
| Non-current                    |                                  | 105,985    | 89,360     | 34,846     |

The maturities of the long-term portions of the financing are as follows:

| Maturity            | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|---------------------|------------|------------|------------|
| 2010                | -          | -          | 13,578     |
| 2011                | -          | 11,895     | 6,150      |
| 2012                | 47,540     | 45,462     | 6,066      |
| 2013                | 23,523     | 11,265     | 4,716      |
| 2014                | 11,745     | 8,543      | 1,964      |
| 2015                | 10,321     | 6,843      | 1,964      |
| 2016 and thereafter | 12,856     | 5,352      | 408        |
| Total               | 105,985    | 89,360     | 34,846     |

Financing from BNDES and Banco Votorantim are collateralized by sureties and letter of guarantee of the shareholder Randon S.A. Implementos e Participações.

FUNDOPEM – ICMS

Refers to ICMS tax incentives granted to the Company through financing of 60% of the ICMS due every month. This incentive is calculated monthly and is conditioned to the generation of direct and indirect jobs, the making of investments, and the fulfillment of contractual obligations with Banco do Estado do Rio Grande do Sul and Caixa Estadual S.A. – Agência de Fomento.

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The incentive amounts are subject to the levy of charges at effective rates of 3.00% per annum or 0.246627% per month, plus adjustment for inflation calculated based on the monthly variation of the IPCA/IBGE or another index defined by the Managing Council of FUNDOPEM/RS.

The benefit period is for eight years, starting in December 2006 and ending in November 2014, with amount released for use corresponding to 1,946,307.15 FUNDOPEM-RS incentive units (equivalent to R\$ 30,907 at December 31, 2010). The benefit has a grace period of 54 months and settlement scheduled to occur 96 months after the end of the grace period, with the last installment on May 21, 2019.

### 12. RELATED-PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

|                                           | Randon Companies (*) |         |         | ArvinMeritor (**) |         |         | Total   |         |         |
|-------------------------------------------|----------------------|---------|---------|-------------------|---------|---------|---------|---------|---------|
| Balance sheets                            | 12/2010              | 12/2009 | 01/2009 | 12/2010           | 12/2009 | 01/2009 | 12/2010 | 12/2009 | 01/2009 |
| Trade receivables                         | 3,385                | 2,522   | 1,254   | 11,144            | 4,138   | 2,477   | 14,529  | 6,660   | 3,731   |
| Amounts due from parent company –         |                      |         |         |                   |         |         |         |         |         |
| current                                   | 369                  | 368     | -       | -                 | -       | -       | 369     | 368     | -       |
| Amounts due from parent company – non-    |                      |         |         |                   |         |         |         |         |         |
| current                                   | 114                  | 485     | 880     | -                 | -       | -       | 114     | 485     | 880     |
| Amounts due to parent company             | -                    | -       | 2,388   | -                 | -       | -       | -       | -       | 2,388   |
| Commissions payable (other payables)      | -                    | -       | -       | -                 | 511     | 701     | -       | 511     | 701     |
| Trade payables                            | 2,033                | 6,579   | 7,513   | -                 | 5       |         | 2,033   | 6,584   | 7,513   |
| Dividends and interest on capital payable | 28,158               | 3,175   | 17,409  | 8,864             | 999     | 4,761   | 37,022  | 4,174   | 22,170  |
| Income statements for the year            | 2010                 | 2009    |         | 2010              | 2009    |         | 2010    | 2009    |         |
| Sales of goods and services               | 203,214              | 138,637 |         | 83,854            | 13,999  |         | 287,068 | 152,636 |         |
| Purchases of goods and services           | 99,820               | 51,400  |         | -                 | -       |         | 99,820  | 51,400  |         |
| Purchases of ICMS credits                 | 5,304                | 3,035   |         | -                 | -       |         | 5,304   | 3,035   |         |
| Financial expenses                        | -                    | 7       |         | -                 | -       |         | -       | 7       |         |
| Financial Income                          | -                    | -       |         | -                 | -       |         | -       | -       |         |
| Commission expenses                       | 344                  | 301     |         | -                 | -       |         | 344     | 301     |         |
| General and administrative expenses       | 10,103               | 5,078   |         | -                 | -       |         | 10,103  | 5,078   |         |

(\*) Includes: Randon S.A. Implementos e Participações (Parent Company), Fras-Le S.A., Fras-Le Argentina S.A., Fras-Le Andina Comercio y Representacion Ltda., Jost Brasil Sistemas Automotivos Ltda., Randon Implementos, Randon Argentina, Suspensys Sistemas Automotivos Ltda., and Castertech Fundação e Tecnologia Ltda.

(\*\*) Includes: ArvinMeritor do Brasil Sistemas Automotivos Ltda., Meritor Automotive Inc., Meritor Heavy Vehicle Systems LLC., Meritor Hvs Ltd, ArvinMeritor Qri., Arvin Meritor Inc. ArvinMeritor CVS, ArvinMeritor Frankfurt, and Sisamex Sistemas Automotrices.

Management compensation for the year ended December 31 is distributed as follows: nominal salary of R\$ 1,068 in 2010 (R\$ 910 in 2009) and profit sharing of R\$ 959 in 2010 (R\$ 1,164 in 2009).

Loans with directors and managers are presented under “other payables”, in the amount of R\$ 3,707 at December 31, 2010 (R\$ 3,379 at December 31, 2009 and R\$ 2,585 at January 1, 2009). These balances are inflation-adjusted based on financial market rates (“DI-extra” published by the Brazilian Association of Financial Market Institutions - Andima). Interest expense on these transactions was R\$ 344 in 2010 and R\$ 301 in 2009.

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Amounts due to (from) the parent company Randon S.A. Implementos e Participações are subject to financial market rates (“DI-extra” published by Andima).

General and administrative expenses refer to the apportionment of corporate costs and administrative assistance services incurred by the parent company Randon S.A. Implementos e Participações.

#### Trading transactions

Trading transactions carried out with related parties follow specific prices and terms established in the joint venture agreement between the parties. The trading agreement takes into consideration the term, volume and specificity of the products acquired by the related parties, which are not comparable to those sold to unrelated parties.

### 13. RETIREMENT BENEFIT PLAN

The Company is the co-sponsor of the pension fund RANDONPREV, together with other Random companies, whose benefit plan is a defined contribution plan under the financial capitalization regime, with some benefit supplementations for employees, not covered by the defined contributions. This minimum benefit is defined based on a percentage of the nominal salary per annum worked for the Company, credited in a lump sum at the beneficiary's account with RANDONPREV. The latest valuation of the plan assets and of the present value of the minimum benefit was performed at December 31, 2010, using the projected unit credit method and the determined balance of R\$ 657 at December 31, 2010 (R\$ 435 at December 31, 2009), corresponding to the Company's benefit, is recorded in non-current assets.

### 14. RESERVE FOR CONTINGENCIES AND CONTINGENT LIABILITIES

The Company, by means of its attorneys, has contested labor and civil lawsuits at the administrative and judicial levels. Based on the opinion of its attorneys, the Company recorded a reserve for contingencies of R\$ 150 to cover any probable losses that might result from the outcome of these lawsuits.

The position of contingent liabilities at December 31, 2010 is as follows:

| Nature of contingent liability | Likelihood of loss |          |
|--------------------------------|--------------------|----------|
|                                | Probable           | Possible |
| Tax                            | -                  | 8,850    |
| Labor                          | 150                | 342      |
| Social security                | -                  | 4,421    |
| Total                          | 150                | 13,613   |

The Company is also a party to administrative proceedings for which, based on the opinion of its legal counsel and in conformity with IFRS, no reserve for contingencies was recorded since they were classified as possible likelihood of loss, as follows:

#### Tax

- a) State VAT (ICMS) – the Company received a tax deficiency notice from the Rio Grande do Sul State Finance Department in the original amount of R\$ 7,801 for alleged irregularity in the calculation of the ICMS reduction benefit under the “FUNDOPEM/Nosso Emprego” program. The amount includes principal, fine and interest. On January 24, 2007, as a result of the motion to deny filed by the Company, the debt calculations were reperformed by the tax authorities. The value of the matter in controversy was reduced in 2008, due to the judgment of the annulment action filed by the Company, and a new value of R\$ 2,277 was attributed, including fine and interest. On December 10, 2010, the authority converted the voluntary penalty, initially typified as basic, applied to the percentage of 60%, into qualified penalty at the percentage of 120%, thus generating a supplementary tax deficiency notice of R\$ 415. The Company timely filed a motion to deny.
- b) The Company received a deficiency notice in the inflation-adjusted amount of R\$ 5,773, under the allegation of II and IPI debt, related to concession acts provided for in the Drawback special regime. Awaiting expert evidence.

## Labor

Several labor claims mostly related to claims for indemnification.

## Social security

The Company received delinquency notices, related to possible unpaid social security charges on profit sharing, which are in the judgment phase at the Federal Revenue Office, assessed as likelihood of possible loss, for which the inflation-adjusted amount is R\$ 4,421.

## 15. FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial assets and liabilities were determined based on available market information and appropriate valuation methodologies. However, considerable judgment was required in interpreting market data to produce the most adequate estimate of the fair value. As a consequence, the following estimates do not necessarily indicate the amounts that could be realized in a current exchange market. The use of different market methodologies may have a material effect on the estimated fair values.

These instruments are managed by means of operating strategies aimed at liquidity, profitability and security. The control policy consists in ongoing monitoring of contracted rates against market rates. The Company does not make speculative investments in derivatives or any other risk assets.

## Analysis of balances

The carrying amounts and fair values of financial instruments included in the balance sheet are identified below:

| Description                   | 12/31/2010      |            | 12/31/2009      |            | 01/01/2009      |            |
|-------------------------------|-----------------|------------|-----------------|------------|-----------------|------------|
|                               | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash equivalents (1)          | 175,761         | 175,761    | 97,882          | 97,882     | 31,783          | 31,783     |
| Trade receivables (2)         | 90,027          | 90,027     | 71,776          | 71,776     | 66,973          | 66,973     |
| Borrowings and financing: (3) |                 |            |                 |            |                 |            |
| In local currency             | 116,124         | 116,124    | 93,137          | 93,137     | 48,245          | 48,245     |
| In foreign currency           | 5,563           | 5,563      | 7,361           | 7,361      | 9,156           | 9,156      |

- (1) Designated at fair value through profit or loss
- (2) Loans and receivables measured at amortized cost
- (3) Financial liabilities measured at amortized cost

Financial instruments that are recognized in the financial statements at their carrying amount are substantially similar to the amount that would be obtained if they were traded in the market. However, as they do not have an active market, there can be variations if the Company decides to settle them in advance.

The fair value measurement of the derivate transactions were derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

### ● Financial risk management

The Company is exposed to the following risks associated to its operating and financing activities, including the utilization of its financial instruments:

- i. credit risk

- ii. foreign exchange rate risk
- iii. interest rate risk
- iv. price risk

The Company, through its Parent Company, has a Currency Hedge Policy, prepared by the Planning and Finance Committee and approved by the Executive Officers. The purpose of the policy is to standardize the procedures of the group Companies, in order to define responsibilities and limits in transactions involving currency hedge, reducing the effects of foreign currency exchange rates on the inflows in foreign currency projected by the cash flow, without speculative purposes.

The basis used is the cash flow in foreign currency projected monthly for the following twelve months, based on the Strategic Plan projections or on the current expectation of each group Company. The instruments used are conservative and previously approved by the same committee. For the years ended December 31, 2010 and 2009, the Company did not enter into any transactions involving derivative financial instruments.

a) Credit risk

The Company's sales policies are contingent on the credit policies defined by Management and are intended to minimize eventual problems arising from the default of its customers. This objective is achieved by Management by means of a strict selection of the customer portfolio, which considers the ability to pay (credit analysis). The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

b) Foreign exchange rate risk

The Company's results are subject to significant variations, due to the effects of the volatility of the exchange rate on assets and liabilities denominated in foreign currencies, mainly the US dollar, which closed the year with a negative variation of 4.31% (negative variation of 25.49% in 2009).

The Company is exposed to currency risk (foreign exchange risk) on sales, purchases and borrowings that are denominated in a currency different from the Company's functional currency, the Real.

The Company's net exposure to foreign exchange rate risk at the end of the reporting period is as follows:

|                                | 12/31/2010 | 12/31/2009 | 01/01/2009 |
|--------------------------------|------------|------------|------------|
| A. Financing                   | (5,563)    | (7,361)    | (10,055)   |
| B. Trade and other receivables | 7,993      | 4,527      | 12,234     |
| C. Net exposure (A+B)          | 2,430      | (2,834 )   | 2,179      |

An eventual appreciation of the Real by 2% against the US dollar at December 31, 2011 would increase the profit by R\$ 49. This analysis is based on the variation of the foreign currency exchange rate that the Company considered in its strategic planning. The analysis considers that all other variables, especially interest rates, are kept constant.

An eventual depreciation of the Real against the US dollar at December 31, 2011 would have the same effect, although with an opposite result, considering that all other variables would remain constant.

c) Interest rate risk

The Company's result is subject to significant variations due to borrowings and financing contracted at floating interest rates.

The Company does not have derivative financial instruments to manage its exposure to interest rates.

Pursuant to its financial policies, the Company has not entered into any transactions involving financial instruments for speculative purposes.

An increase of 1% in annual interest rates would have increased the Company's borrowings and financing balance by R\$ 1,225 at December 31, 2010 (R\$ 626 at December 31, 2009 and R\$ 408 at January 1, 2009).



## d) Price risk

Arises from the possibility of fluctuations in the market prices of products sold or produced by the Company and of other inputs used in the production process. These price fluctuations may cause substantial changes in the Company's revenues and costs. In order to mitigate these risks, the Company conducts an ongoing monitoring of local and foreign markets, seeking to anticipate price movements.

## 16. CAPITAL

Subscribed capital is represented by 100,000 shares in the total amount of R\$ 71,291, distributed among the shareholders as shown in the table below for 2010 and 2009.

| Shareholder                             | Shares  | R\$    | %      |
|-----------------------------------------|---------|--------|--------|
| Master Sistemas Automotivos Ltda.       | 53,177  | 37,910 | 53.177 |
| Meritor Heavy Vehicle Systems, LLC.     | 23,942  | 17,069 | 23.942 |
| Randon S.A. Implementos e Participações | 22,881  | 16,312 | 22.881 |
| Total                                   | 100,000 | 71,291 | 100.00 |

## 17. TAX INCENTIVE RESERVE

Represents tax incentives received in 2010 (up to October) and 2009, respectively, in the amounts of R\$ 11,763 and R\$ 13,013, under the FUNDOPEM/NOSSO EMPREGO program. This ICMS reduction benefit granted to the Company is calculated monthly and is conditioned to the generation of direct and indirect jobs in the Rio Grande do Sul State. The tax incentives received were recognized in profit for the year as they were received. In October 2010 the benefit period ended and, therefore, in 2011 the Company will no longer have this tax reduction.

## 18. DIVIDENDS AND INTEREST ON CAPITAL

## Dividends

As established in the joint venture agreement and ratified by the shareholders in the minutes of meeting for approval of the profit allocation, Randon S.A. is entitled to receive, through disproportionate dividend, the amount corresponding to the Fundopem tax benefit.

Of the remaining profit for the year, the articles of association establish the distribution of 33.3% of such profit as mandatory dividend. After excluding the amounts already paid as interest on capital during the year, R\$ 18,996 was accrued in 2010 (R\$13,535 in 2009).

In addition to the mandatory minimum dividend (calculated considering the amounts already paid as interest on capital during the year), in 2010 the Company's shareholders approved the distribution of R\$ 18,146 as dividends from prior years (R\$ 10,300 in 2009).

## Interest on capital

For the year ended December 31, 2010, the Company recorded interest on capital of R\$ 9,591 (R\$ 8,635 for the year ended December 31, 2009), using as a basis the TJLP rate for the period from January to December of each year, applied to shareholders' equity, considering the higher of 50% of the profit for the year before income tax or 50% of the retained earnings.

As provided for in the tax legislation, the amount recorded as interest on capital was fully deducted in the calculation of income tax and social contribution, and the tax benefit from this deduction was R\$ 3,261 (R\$ 2,936 for the year ended December 31, 2009). For purposes of conformity of the presentation of the financial statements, such interest was treated as distribution of profits and presented as reduction of retained earnings, in shareholders' equity.

## 19. SALES REVENUE

The reconciliation between the revenue recognized for tax purposes and the revenue presented in the income statement for the year is as follows:

|                                                        | 2010      | 2009      |
|--------------------------------------------------------|-----------|-----------|
| Gross revenue for tax purposes                         | 1,329,645 | 864,899   |
| Less:                                                  |           |           |
| Taxes on sales                                         | (303,666) | (200,475) |
| Sales returns                                          | (8,770)   | (13,263)  |
| Discount to present value on installment sales         | (7,919)   | (5,634)   |
| Difference of criterion for accounting recognition (a) | 1,983     | (1,692)   |
| Net revenue recognized in the income statement         | 1,011,273 | 643,835   |

- (b) Refers to the difference of criterion for recognition of sales of goods for tax purposes (based on invoice issuance) and the accounting policy for revenue recognition detailed in note 3.4.

## 20. EXPENSES BY NATURE

As required by corporate law, the Company is required to present the income statement by function. Therefore, the analysis of operating expenses by nature is as follows:

|                                       | 2010    | 2009    |
|---------------------------------------|---------|---------|
| Raw materials and auxiliary materials | 714,656 | 447,922 |
| Depreciation and amortization         | 15,349  | 13,665  |
| Personnel                             | 69,763  | 50,449  |
| Production freight                    | 4,383   | 2,855   |
| Freight on sales                      | 23,347  | 12,904  |
| Costs of third-party services         | 23,030  | 15,550  |
| Other expenses                        | 54,341  | 34,638  |
| Total                                 | 904,869 | 577,983 |

These expenses were classified as follows in the income statement (presented by function):

|                                     | 2010    | 2009    |
|-------------------------------------|---------|---------|
| Cost of sales and services          | 839,460 | 539,112 |
| Selling expenses                    | 34,721  | 20,944  |
| General and administrative expenses | 19,498  | 13,241  |
| Other operating expenses, net       | 11,190  | 4,686   |
| Total                               | 904,869 | 577,983 |

## 21. INCOME TAX AND SOCIAL CONTRIBUTION

### Income tax and social contribution expense

The income tax and social contribution expense for the years ended December 31 is reconciled at statutory rates, as follows:

|                                                         | 2010<br>Income<br>tax | Social<br>contribution | 2009<br>Income<br>tax | Social<br>contribution |
|---------------------------------------------------------|-----------------------|------------------------|-----------------------|------------------------|
| Profit before income tax<br>and social contribution     | 124,091               | 124,091                | 81,652                | 81,652                 |
| Applicable rate                                         | 25%                   | 9%                     | 25%                   | 9%                     |
| Income tax and social contribution<br>at nominal rates  | 31,023                | 11,168                 | 20,413                | 7,349                  |
| Effect of taxes on:                                     |                       |                        |                       |                        |
| Interest on capital expense                             | (2,398)               | (863)                  | (2,159)               | (777)                  |
| Industrial development program                          | (2,400)               | (864)                  | (1,859)               | (670)                  |
| Tax incentive – Fundopem                                | (2,941)               | (1,059)                | (3,253)               | (1,171)                |
| Other                                                   | 301                   | 9                      | (212)                 | 76                     |
|                                                         | (7,438)               | (2,777)                | (7,483)               | (2,542)                |
| Income tax and social contribution<br>before deductions | 23,585                | 8,391                  | 12,930                | 4,807                  |
| Income tax deductions and other<br>adjustments          | (1,103)               | -                      | (430)                 | -                      |
| Income tax and social contribution<br>expense           | 22,482                | 8,391                  | 12,500                | 4,807                  |
| Current income tax and social<br>contribution           | 23,270                | 9,123                  | 11,408                | 4,804                  |
| Deferred income tax and social<br>contribution          | (788)                 | (732)                  | 1,092                 | 3                      |

### Analysis of deferred income tax and social contribution

|                                          | 12/31/2010<br>Temporary<br>difference | Deferred<br>taxes | 12/31/2009<br>Temporary<br>difference | Deferred<br>taxes | 01/01/2009<br>Temporary<br>difference | Deferred<br>taxes |
|------------------------------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|
| Temporary differences                    |                                       |                   |                                       |                   |                                       |                   |
| Accrued profit sharing:                  |                                       |                   |                                       |                   |                                       |                   |
| - Employees                              | 2,988                                 | 1,016             | 2,384                                 | 811               | 3,353                                 | 1,140             |
| - Directors                              | 1,680                                 | 151               | 939                                   | 85                | 850                                   | 77                |
| - Officers                               | 3,005                                 | 1,022             | 1,784                                 | 606               | 2,450                                 | 833               |
| Reserve for contingencies                | 150                                   | 51                | 136                                   | 46                | 136                                   | 46                |
| Provision for warranty claims            | 2,135                                 | 726               | 1,689                                 | 574               | 1,274                                 | 433               |
| Provision for employee termination       | 203                                   | 69                | 152                                   | 52                | 152                                   | 52                |
| Deferred asset recorded for tax purposes | 1,222                                 | 422               | 2,201                                 | 422               | 3,294                                 | 794               |
| Other temporary additions                | 3,133                                 | 1,066             | 1,211                                 | 412               | 810                                   | 275               |
| Total Assets                             |                                       | 4,523             |                                       | 3,008             |                                       | 3,650             |

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|                                                  |          |          |          |          |          |          |
|--------------------------------------------------|----------|----------|----------|----------|----------|----------|
| Incentive depreciation Law 11774                 | (10,720) | (2,680)  | (6,491)  | (1,623)  | -        | -        |
| Cost attributed to property, plant and equipment | (25,712) | (8,742)  | (28,964) | (9,848)  | (32,398) | (11,015) |
| Retirement benefit plan                          | (639)    | (217)    | (417)    | (142)    | -        | -        |
| Total Liabilities                                |          | (11,639) |          | (11,613) |          | (11,015) |

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Movement in deferred income tax and social contribution

|                                                     | Balances at<br>01/01/2009 | Recognized<br>in profit<br>for the year | Recognized<br>in other<br>comprehensive<br>income | Balances at<br>12/31/2009 |
|-----------------------------------------------------|---------------------------|-----------------------------------------|---------------------------------------------------|---------------------------|
| Temporary differences                               |                           |                                         |                                                   |                           |
| Accrued profit sharing:                             |                           |                                         |                                                   |                           |
| - Employees                                         | 1,140                     | (329)                                   | -                                                 | 811                       |
| - Directors                                         | 77                        | 8                                       | -                                                 | 85                        |
| - Officers                                          | 833                       | (227)                                   | -                                                 | 606                       |
| Reserve for contingencies                           | 46                        | -                                       | -                                                 | 46                        |
| Provision for warranty claims                       | 433                       | 141                                     | -                                                 | 574                       |
| Provision for employee termination                  | 52                        | -                                       | -                                                 | 52                        |
| Deferred asset recorded for tax purposes            | 794                       | (372)                                   | -                                                 | 422                       |
| Other temporary additions                           | 275                       | 137                                     | -                                                 | 412                       |
|                                                     | 3,650                     |                                         |                                                   | 3,008                     |
| Incentive depreciation Law 11774                    | -                         | (1,623)                                 |                                                   | (1,623)                   |
| Cost attributed to property, plant and<br>equipment | (11,015)                  | 1,167                                   | -                                                 | (9,848)                   |
| Retirement benefit plan                             | -                         | 3                                       | (145)                                             | (142)                     |
|                                                     | (11,015)                  |                                         |                                                   | (11,613)                  |
| Total recognized in the year                        |                           | (1,095)                                 | (145)                                             |                           |
| Temporary differences                               |                           |                                         |                                                   |                           |
| Accrued profit sharing:                             |                           |                                         |                                                   |                           |
| - Employees                                         | 811                       | 205                                     | -                                                 | 1,016                     |
| - Directors                                         | 85                        | 66                                      | -                                                 | 151                       |
| - Officers                                          | 606                       | 416                                     | -                                                 | 1,022                     |
| Reserve for contingencies                           | 46                        | 5                                       | -                                                 | 51                        |
| Provision for warranty claims                       | 574                       | 152                                     | -                                                 | 726                       |
| Provision for employee termination                  | 52                        | 17                                      | -                                                 | 69                        |
| Deferred asset recorded for tax purposes            | 422                       | -                                       | -                                                 | 422                       |
| Other temporary additions                           | 412                       | 654                                     | -                                                 | 1,066                     |
|                                                     | 3,008                     |                                         |                                                   | 4,523                     |
| Incentive depreciation Law 11774                    | (1,623)                   | (1,057)                                 | -                                                 | (2,680)                   |
| Cost attributed to property, plant and<br>equipment | (9,848)                   | 1,106                                   | -                                                 | (8,742)                   |
| Retirement benefit plan                             | (142)                     | (44)                                    | (31)                                              | (217)                     |
|                                                     | (11,613)                  |                                         |                                                   | (11,639)                  |
| Total recognized in the year                        |                           | (1,520)                                 | (31)                                              |                           |



## 22. FINANCIAL INCOME (EXPENSES)

Financial income (expenses), net for the years ended December 31 are as follows:

|                                                        | 2010         | 2009         |
|--------------------------------------------------------|--------------|--------------|
| <b>Financial income</b>                                |              |              |
| Yield on short-term investments                        | 10,982       | 5,010        |
| Interest received and discounts obtained               | 243          | 157          |
| Discount to present value of trade receivables         | 7,919        | 5,713        |
|                                                        | 19,144       | 10,880       |
| <b>Financial expenses</b>                              |              |              |
| Interest on borrowings and financing                   | (8,340)      | (5,491)      |
| Bank expenses                                          | (171)        | (124)        |
| Other                                                  | (253)        | (218)        |
| Discount to present value of trade payables            | (4,071)      | (2,507)      |
|                                                        | (12,835)     | (8,340)      |
| Less: Borrowing costs capitalized to qualifying assets | -            | 535          |
| Expense recognized in the income statement             | (12,835)     | (7,805)      |
| <b>Exchange rate change</b>                            |              |              |
| Exchange gains                                         | 2,652        | 2,828        |
| Exchange losses                                        | (3,037)      | (3,116)      |
|                                                        | (385)        | (288)        |
| <b>Financial income (expenses), net</b>                | <b>5,924</b> | <b>2,787</b> |

The weighted average interest rate on borrowings and financing obtained was approximately 5.5% for the year ended December 31, 2009.

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- (2) Financial Statement Schedule for the years ended September 30, 2010, 2009 and 2008. The following schedule was filed as part of the Annual Report filed with the SEC on November 24, 2010:

### Schedule II - Valuation and Qualifying Accounts

Schedules not filed with this Annual Report on Form 10-K/A are omitted because of the absence of conditions under which they are required or because the information called for is shown in the financial statements or related notes.

### (3) Exhibits

- 3-a Restated Articles of Incorporation of ArvinMeritor, filed as Exhibit 4.01 to ArvinMeritor's Registration Statement on Form S-4, as amended (Registration Statement No. 333-36448) ("Form S-4"), is incorporated by reference.
- 3-b By-laws of ArvinMeritor, filed as Exhibit 3 to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2003 (File No. 1-15983), is incorporated by reference.
- 4-a Indenture, dated as of April 1, 1998, between ArvinMeritor and The Bank of New York Mellon Trust Company (as successor to BNY Midwest Trust Company as successor to The Chase Manhattan Bank), as trustee, filed as Exhibit 4 to Meritor's Registration Statement on Form S-3 (Registration No. 333-49777), is incorporated by reference.
- 4-b First Supplemental Indenture, dated as of July 7, 2000, to the Indenture, dated as of April 1, 1998, between ArvinMeritor and The Bank of New York Mellon Trust Company (as successor to BNY Midwest Trust Company as successor to The Chase Manhattan Bank), as trustee, filed as Exhibit 4-b-1 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 1-15983) ("2000 Form 10-K"), is incorporated herein by reference.
- 4-b-1 Third Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of April 1, 1998, between ArvinMeritor and The Bank of New York Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Company as successor to The Chase Manhattan Bank), as trustee (including Subsidiary Guaranty dated as of June 23, 2006), filed as Exhibit 4.2 to ArvinMeritor's Current Report on Form 8-K, dated June 23, 2006 and filed on June 27, 2006 (File No. 1-15983) ("June 23, 2006 Form 8-K"), is incorporated herein by reference.
- 4-b-2 Fourth Supplemental Indenture, dated as of March 3, 2010, to the Indenture, dated as of April 1, 1998, between ArvinMeritor and The Bank of New York Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Company as successor to The Chase Manhattan Bank), as trustee (including form of the Company's 10.625% Notes due 2018 and form of subsidiary guaranty), filed as Exhibit 4 to ArvinMeritor's Form 8-K filed on March 3, 2010 is incorporated herein by reference.
- 4-c Indenture dated as of July 3, 1990, as supplemented by a First Supplemental Indenture dated as of March 31, 1994, between ArvinMeritor and The Bank of New York Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Company as successor to Harris Trust and Savings Bank), as trustee, filed as Exhibit 4-4 to Arvin's Registration Statement on Form S-3 (Registration No. 33-53087), is incorporated herein by reference.
- 4-c-1 Second Supplemental Indenture, dated as of July 7, 2000, to the Indenture dated as of July 3, 1990, between ArvinMeritor and The Bank of New York Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Company as successor to Harris Trust and Savings Bank), as trustee, filed as Exhibit 4-c-1 to the 2000 Form 10-K, is incorporated herein by reference.
- 4-c-2 Fourth Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of July 3, 1990, between ArvinMeritor and The Bank of New York Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Company as successor to Harris Trust and Savings Bank), as trustee (including Subsidiary Guaranty dated as of June 23, 2006), filed as Exhibit 4.3 to the June 23, 2006 Form 8-K, is incorporated herein by reference.
- 4-d Indenture, dated as of March 7, 2006, between ArvinMeritor and The Bank of New York Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Company), as trustee, filed as Exhibit 4.1 to ArvinMeritor's Current Report on Form 8-K, dated March 7, 2006 and filed on March 9, 2006 (File No. 1-15983), is incorporated herein by reference.
- 4-d-1 First Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of March 7, 2006, between ArvinMeritor and The Bank of New York Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Company), as trustee (including Subsidiary

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Guaranty dated as of June 23, 2006), filed as Exhibit 4.1 to the June 23, 2006 Form 8-K, is incorporated herein by reference.

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- 4-e Indenture, dated as of February 8, 2007, between ArvinMeritor and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Trust Company, N.A.), as trustee (including form of Subsidiary Guaranty dated as of February 8, 2007), filed as Exhibit 4-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2007 (File No. 1-15983), is incorporated herein by reference.
- 10-a Credit Agreement, dated as of June 23, 2006, by and among ArvinMeritor, ArvinMeritor Finance Ireland, the institutions from time to time parties thereto as lenders, JP Morgan Chase Bank, National Association, as Administrative Agent, Citicorp North America, Inc. and UBS Securities LLC, as Syndication Agents, ABN AMRO Bank N.V., BNP Paribas and Lehman Commercial Paper Inc., as Documentation Agents, and J.P. Morgan Securities Inc. and Citigroup Global Markets, as Joint Lead Arrangers and Joint Book Runners, filed as Exhibit 10.1 to the June 23, 2006 Form 8-K, is incorporated herein by reference.
- 10-a-1 Subsidiary Guaranty, dated as of June 23, 2006, by and among the subsidiary guarantors and JPMorgan Chase Bank, National Association, as Administrative Agent, for the benefit of itself, the lenders and other holders of guaranteed obligations, filed as Exhibit 10.2 to the June 23, 2006 Form 8-K, is incorporated herein by reference.
- 10-a-2 Pledge and Security Agreement, dated as of June 23, 2006, by and among ArvinMeritor, the subsidiaries named therein and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10.3 to the June 23, 2006 Form 8-K, is incorporated by reference.
- 10-a-3 Amendment No. 1 to Credit Agreement, dated as of February 23, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated and filed on February 23, 2007 (File No. 1-15983), is incorporated herein by reference.
- 10-a-4 Amendment No. 2 to Credit Agreement, dated as of October 2, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated October 2, 2007 and filed on October 3, 2007 (File No. 1-15983), is incorporated by reference.
- 10-a-5 Amendment No. 3 to Credit Agreement, dated as of October 26, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated October 26, 2007 and filed on October 30, 2007 (File No. 1-15983), is incorporated herein by reference.
- 10-a-6 Amendment No. 4 to Credit Agreement, dated as of December 10, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K filed on December 11, 2007 is incorporated herein by reference.
- 10-a-7 Amendment No. 5 to Credit Agreement, dated as of February 5, 2010, among ArvinMeritor, AFI, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10a to ArvinMeritor's Form 8-K filed on February 10, 2010 is incorporated herein by reference.
- \*10-b-1 1997 Long-Term Incentives Plan, as amended and restated, filed as Exhibit 10 to ArvinMeritor's Current Report on Form 8-K dated and filed on April 20, 2005 (File No. 1-15983), is incorporated by reference.
- \*10-b-2 Form of Restricted Stock Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-a-2 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-13093), is incorporated herein by reference.
- \*10-b-3 Form of Option Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10(a) to Meritor's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 (File No. 1-13093), is incorporated herein by reference.

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- \*10-b-4 Form of Performance Share Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-b to ArvinMeritor's Current Report on Form 8-K, dated December 7, 2004 and filed on December 9, 2004 (File No. 1- 15983), is incorporated herein by reference.
- \*10-b-5 Description of Performance Goals Established in connection with 2009-2011 Cash Performance Plan under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-a to ArvinMeritor's Current Report on Form 8-K, dated December 9, 2008 (File No. 1-15983), is incorporated herein by reference.
- \*10-b-6 Description of Performance Goals for fiscal year 2011 Established in connection with Cash Performance Plans under Long Term Incentive Plans.
- \*10-b-7 Description of Annual Incentive Goals Established for Fiscal year 2011 under the Incentive Compensation Plan.
- \*10-b-7a Description of Performance Goals established in connection with 2010-2012 Cash Performance Plan, filed as Exhibit 10-b to Current Report on Form 8-K filed on November 12, 2009 is incorporated herein by reference.
- \*10-c 2007 Long-Term Incentive Plan, as amended, filed as Exhibit 10-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2007 (File No. 1-15983), is incorporated herein by reference.
- \*10-c-1 Form of Restricted Stock Agreement under the 2007 Long-Term Incentive Plan, filed as Exhibit 10-c-1 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 is incorporated herein by reference.
- \*10-d Description of Compensation of Non-Employee Directors, filed as Exhibit 10-d to ArvinMeritor's 2010 Form 10-K for the fiscal year ended October 3, 2010, is incorporated herein by reference.
- \*10-e 2004 Directors Stock Plan, filed as Exhibit 10-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2004 (File No. 1-15983), is incorporated herein by reference.
- \*10-e-1 Form of Restricted Share Unit Agreement under the 2004 Directors Stock Plan, filed as Exhibit 10-c-3 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 3, 2004 (File No. 1-15983), is incorporated herein by reference.
- \*10-e-2 Form of Restricted Stock Agreement under the 2004 Directors Stock Plan, filed as Exhibit 10-c-4 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 2, 2005 (Filed No. 1-15983), is incorporated herein by reference.
- \*10-e-3 Option Agreement under the 2007 Long-Term Incentive Plan between ArvinMeritor and Charles G. McClure filed as Exhibit 10-c to ArvinMeritor's Quarterly report on Form 10-Q for the quarterly period ended June 30, 2008 is incorporated herein by reference.
- \*10-e-4 Restricted Stock Agreement under the 2007 Long-term Incentive Plan between ArvinMeritor and Charles G. McClure filed as Exhibit 10-d to ArvinMeritor's Quarterly Report on form 10-Q for the quarterly period ended June 30, 2008 is incorporated herein by reference.
- \*10-e-5 Letter Agreement, dated January 15, 2010, with former executive officer filed as Exhibit 10.1 to ArvinMeritor's Report on Form 10-Q for the fiscal quarter ended January 3, 2009 is incorporated herein by reference.
- \*10-e-6 Form of Restricted Stock Unit Agreement for Employees under 2010 Long-Term Incentive Plan filed as Exhibit 10.2 to ArvinMeritor's Report on Form 10-Q for the fiscal quarter ended January 3, 2009 is incorporated herein by reference.
- \*10-e-7 Form of Restricted Stock Unit Agreement for Employees under 2010 Long-Term Incentive Plan filed as Exhibit 10.3 to ArvinMeritor's Report on Form 10-Q for the fiscal quarter ended January 3, 2009 is incorporated herein by reference.
- \*10-e-8 Form of Restricted Stock Unit Agreement for Employees under 2010 Long-Term Incentive Plan filed as Exhibit 10.4 to ArvinMeritor's Report on Form 10-Q for the fiscal quarter ended January 3, 2009 is incorporated herein by reference.



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- \*10-e-9      2010 Long-Term Incentive Plan filed as Exhibit 10.5 to ArvinMeritor's Report on Form 10-Q for the fiscal quarter ended January 3, 2009 is incorporated herein by reference.
  
- \*10-f        Incentive Compensation Plan, as amended and restated, filed as Exhibit 10.6 to ArvinMeritor's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2010, is incorporated herein by reference.
  
- \*10-f-1      Form of Deferred Share Agreement, filed as Exhibit 10-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended January 2, 2005 (File No. 1-15983), is incorporated herein by reference.
  
- \*10-g        Copy of resolution of the Board of Directors of ArvinMeritor, adopted on July 6, 2000, providing for its Deferred Compensation Policy for Non-Employee Directors, filed as Exhibit 10-f to the 2000 Form 10-K, is incorporated herein by reference.
  
- \*10-h        Deferred Compensation Plan, filed as Exhibit 10-e-1 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 1-13093), is incorporated by reference.
  
- \*10-i        1998 Stock Benefit Plan, as amended, filed as Exhibit (d)(2) to ArvinMeritor's Schedule TO, Amendment No. 3 (File No. 5-61023), is incorporated herein by reference.
  
- \*10-j        Employee Stock Benefit Plan, as amended, filed as Exhibit (d)(3) to ArvinMeritor's Schedule TO, Amendment No. 3 (File No. 5-61023), is incorporated herein by reference.
  
- \*10-k        1988 Stock Benefit Plan, as amended, filed as Exhibit 10 to Arvin's Quarterly Report on Form 10-Q for the quarterly period ended July 3, 1988, and as Exhibit 10(E) to Arvin's Quarterly Report on Form 10-Q for the quarterly period ended July 4, 1993 (File No. 1-302), is incorporated herein by reference.
  
- 10-l        Loan and Security Agreement dated as of September 8, 2009 among ArvinMeritor Receivables Corporation, ArvinMeritor, Inc., GMAC Commercial Finance LLC, and the Lenders from time to time party thereto (the "Loan Agreement"), dated September 8, 2009 and filed as exhibit 10a to ArvinMeritor's Current Report on Form 8-K filed on September 10, 2009, is incorporated herein by reference.
  
- 10-l-1      First Amendment dated as of October 14, 2010 to the Loan Agreement dated as of September 8, 2009 by and among ArvinMeritor Receivables Corporation, ArvinMeritor, Inc., GMAC Commercial Finance LLC, and the Lenders from time to time party thereto filed as exhibit 10a to the Current Report on Form 8-K filed on October 18, 2010 is incorporated herein by reference.
  
- 10-m        Third Amended and Restated Purchase and Sale Agreement dated as of September 8, 2009 (the "Purchase Agreement") among ArvinMeritor Receivables Corporation and Meritor Heavy Vehicle Braking Systems (U.S.A.), Inc. and Meritor Heavy Vehicle Systems LLC, filed as exhibit 10b to ArvinMeritor's Current Report on Form 8-K, dated September 8, 2009 and filed on September 10, 2009, is incorporated herein by reference.
  
- 10-m-1      Second Amendment dated as of October 29, 2010 to Loan Agreement dated as of September 8, 2009, as amended, by and among ArvinMeritor, Inc., ArvinMeritor Receivables Corporation, the Lenders from time to time party thereto and, GMAC Commercial Finance LLC, AS Administrative Agent filed as exhibit 10a to the Current Report on Form 8-K, dated October 29, 2010 and filed on November 2, 2010 is incorporated herein by reference.
  
- 10-m-2      First Amendment to Third Amended and Restated Purchase and Sale Agreement dated as of October 29, 2010 (the "Purchase Agreement") among ArvinMeritor Receivables Corporation and Meritor Heavy Vehicle Braking Systems (U.S.A.), Inc. and Meritor Heavy Vehicles Systems LLC filed as exhibit 10b to the Current Report on Form 8-K, dated October 29, 2010 and filed on November 2, 2010 is incorporated herein by reference.
  
- \*10-n        Employment agreement between the company and Charles G. McClure, Jr., dated as of September 14, 2009, filed as Exhibit 10n to ArvinMeritor's Form 10-K for the fiscal year ended September 27, 2009 is incorporated herein by reference.
  
- \*10-o        Employment agreement between the company and James D. Donlon, III, filed as Exhibit 10b to ArvinMeritor's Current Report on Form 8-K, dated September 14, 2009 and filed on September 18, 2009 (File No. 1-15983), is incorporated by reference.



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- \*10-q      Employment agreement, dated August 23, 2006, between ArvinMeritor and Carsten J. Reinhardt, dated as of September 14, 2009 filed as Exhibit 10-q to ArvinMeritor's Form 10-K for the fiscal year ended September 27, 2009 is incorporated herein by reference.
- \*10-r      Employment agreement, dated as of September 14, 2009, between ArvinMeritor and Jeffrey A. Craig, filed as Exhibit 10-r to ArvinMeritor's Form 10-K for the fiscal year ended September 27, 2009 is incorporated herein by reference.
- \*10-s      Employment agreement, dated as of September 14, 2009, between ArvinMeritor and Vernon Baker filed as Exhibit 10-s to ArvinMeritor's Form 10-K for the fiscal year ended September 27, 2009 is incorporated herein by reference.
- \*10-t      Employment agreement, dated as of September 14, 2009, between ArvinMeritor and Mary Lehmann filed as Exhibit 10-t to ArvinMeritor's Form 10-K for the fiscal year ended September 27, 2009, is incorporated herein by reference.
- \*10-u      Employment agreement, dated as of September 14, 2009, between ArvinMeritor and Lin Cummins filed as Exhibit 10-u to ArvinMeritor's Form 10-K for the fiscal year ended September 27, 2009 is incorporated herein by reference.
- \*10-v      Employment agreement, dated as of September 14, 2009, between ArvinMeritor and Barbara Novak filed as Exhibit 10-v to ArvinMeritor's Form 10-K for the fiscal year ended September 27, 2009 is incorporated herein by reference.
- \*10-w      Form of employment letter between ArvinMeritor and its executives, filed as Exhibit 10-a to ArvinMeritor's Current Report on Form 8-K, dated September 14, 2009 and filed on September 18, 2009 (File No. 1-15983), is incorporated by reference.
- \*10-w-1    Letter Agreement dated as of July 1, 2010 between ArvinMeritor and Larry Ott filed as Exhibit 10 to ArvinMeritor's Quarterly Report on Form 10-Q for the fiscal quarter ended July 4, 2010 is incorporated herein by reference.
- \*10-w-2    Employment Agreement between ArvinMeritor and Larry Ott dated as of August 3, 2010 filed as Exhibit 10-1 to ArvinMeritor's Quarterly Report on Form 10-Q for the fiscal quarter ended July 4, 2010 is incorporated herein by reference.
- \*10-w-3    Employment Agreement between ArvinMeritor and Timothy Bowes dated as of April 28, 2010 filed as Exhibit 10-1 to ArvinMeritor's Quarterly Report on Form 10-Q for the fiscal quarter ended April 4, 2010 is incorporated herein by reference.
- \*10-w-4    Employment Agreement between ArvinMeritor, Inc. and Joseph Mejaly dated as of April 28, 2010 filed as Exhibit 10-2 to ArvinMeritor's Quarterly Report on Form 10-Q for the fiscal quarter ended April 4, 2010 is incorporated herein by reference.
- 10-x      Receivables Purchase Agreement dated November 19, 2007 between ArvinMeritor CVS Axles France and Viking Asset Purchaser and CitiCorp Trustee Company Limited, filed as Exhibit 10-t to ArvinMeritor's Report on Form 10-K for the fiscal year ended September 30, 2008 is incorporated herein by reference.
- 10-y      Receivables Purchase Agreement dated March 13, 2006 between Meritor HVS AB and Nordic Finance Limited and CitiCorp Trustee Company Limited filed as Exhibit 10-u to ArvinMeritor's Report on Form 10-K for the fiscal year ended September 30, 2008 is incorporated herein by reference.
- 10-z      Amendment, dated July 25, 2007, to Receivables Purchase Agreement dated March 13, 2006 between Meritor HVS AB and Nordic Finance Limited and CitiCorp Trustee Company Limited filed as Exhibit 10-v to ArvinMeritor's Report on Form 10-K for the fiscal year ended September 30, 2008 is incorporated herein by reference.
- 10-zz      Purchase and Sale Agreement dated August 4, 2009 among ArvinMeritor, Iochpe-Maxion, S.A. and the other parties listed therein, filed as Exhibit 10 to ArvinMeritor's Report on Form 10-Q for the Quarter ended June 28, 2009 is incorporated by reference.

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- 12 Computation of ratio of earnings to fixed charges, filed as Exhibit 12 to ArvinMeritor's 2010 Form 10-K for the fiscal year ended October 3, 2010, is incorporated herein by reference.
- 21 List of subsidiaries of ArvinMeritor, Inc., filed as Exhibit 21 to ArvinMeritor's 2010 Form 10-K for the fiscal year ended October 3, 2010, is incorporated herein by reference.
- 23-a Consent of Vernon G. Baker, II, Esq., Senior Vice President and General Counsel, filed as Exhibit 23-a to ArvinMeritor's 2010 Form 10-K for the fiscal year ended October 3, 2010, is incorporated herein by reference.
- 23-b Consent of Deloitte & Touche LLP, independent registered public accounting firm, filed as Exhibit 23-b to ArvinMeritor's 2010 Form 10-K for the fiscal year ended October 3, 2010, is incorporated herein by reference.
- 23-c Consent of Bates White LLC, filed as Exhibit 23-c to ArvinMeritor's 2010 Form 10-K for the fiscal year ended October 3, 2010, is incorporated herein by reference.
- 23-d Consent of Deloitte Touche Tohmatsu Auditores Independientes relating to the financial statements of Master Sistemas Automotivos Ltda. #
- 23-e Consent of Deloitte Touche Tohmatsu Auditores Independientes relating to the financial statements of Suspensys Sistemas Automotivos Ltda. #
- 24 Power of Attorney authorizing certain persons to sign this Annual Report on Form 10-K on behalf of certain directors and officers of ArvinMeritor, filed as Exhibit 24 to ArvinMeritor's 2010 Form 10-K for the fiscal year ended October 3, 2010, is incorporated herein by reference.
- 31-a Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act. #
- 31-b Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act. #
- 32-a Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350. #
- 32-b Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350. #

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\* Management contract or compensatory plan or arrangement.

# Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MERITOR, INC.

By:           /s/           Jeffrey A. Craig  
                                  Jeffrey A. Craig  
                                  Senior Vice President and Chief Financial Officer

Date: June 28, 2011