

MERITOR INC
 Form 10-K/A
 June 22, 2012

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 2, 2011
 Commission file number 1-15983

MERITOR, INC.

(Exact name of registrant as specified in its charter)

| | |
|--|--------------------------------------|
| Indiana | 38-3354643 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer 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 | 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

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 March 30, 2012 (the last business day of the most recently completed second fiscal quarter) was approximately \$765,333,392.

96,487,135 shares of the registrant's Common Stock, par value \$1 per share, were outstanding on April 1, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Proxy Statement for the Annual Meeting of Shareowners of the registrant held on January 26, 2012 is incorporated by reference into Part III of the Annual Report on Form 10-K for the fiscal year ended October 2, 2011.

EXPLANATORY NOTE - AMENDMENT

Meritor, Inc. (the “company” or “Meritor”) is filing this Form 10-K/A to include in its Annual Report on Form 10-K for the fiscal year ended October 2, 2011 (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 2011 and 2010 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, 2011 and 2010 (“2011” and “2010”) and to file unaudited financial statements for the fiscal year ended December 31, 2009 (“2009”).

Effective January 1, 2009, Brazil adopted International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements of MSA and SSA for 2011, 2010 and 2009 have been prepared in accordance with IFRS as issued by the IASB. As a result of the adoption of IFRS in 2009, MSA and SSA financial statements for 2009 have been audited.

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 23, 2011 (all financial statements listed below are those of the company and its consolidated subsidiaries):

Consolidated Statement of Operations, years ended September 30, 2011, 2010 and 2009.

Consolidated Balance Sheet, September 30, 2011 and 2010.

Consolidated Statement of Cash Flows, years ended September 30, 2011, 2010 and 2009.

Consolidated Statement of Shareowners' Equity (Deficit) and Comprehensive Loss, years ended September 30, 2011, 2010 and 2009.

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, 2011, 2010 and 2009.

Statements of Income, Comprehensive Income, Changes in Shareholders' Equity, and Cash Flows, years ended December 31, 2011, 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, 2011, 2010 and 2009.

Statements of Income, Comprehensive Income, Changes in Shareholders' Equity, and Cash Flows, years ended December 31, 2011, 2010 and 2009.

Independent Auditors' Report.

Master Sistemas Automotivos Ltda.

Financial Statements

For the Years

Ended December 31, 2011, 2010 and 2009 and Independent Auditor's Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Master Sistemas Automotivos Ltda.
Caxias do Sul, RS

We have audited the accompanying balance sheets of Master Sistemas Automotivos Ltda. (the "Company"), a company incorporated in Brazil, as of December 31, 2011, 2010 and 2009 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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, 2011, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

May 30, 2012

/s/ DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU
Auditores Independentes

MASTER SISTEMAS AUTOMOTIVOS LTDA.

BALANCE SHEETS AS OF DECEMBER 31, 2011, 2010 AND 2009

(In thousands of Brazilian reais - R\$)

| ASSETS | Note | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|--|------|----------------|----------------|----------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 4 | 108,055 | 105,273 | 58,080 |
| Trade receivables | 5 | 56,257 | 38,306 | 30,820 |
| Recoverable taxes | 6 | 3,822 | 1,464 | 3,254 |
| Inventories | 7 | 49,919 | 30,368 | 24,130 |
| Dividends and interest on capital receivable | 12 | 5,489 | 14,437 | 2,219 |
| Prepaid expenses | | 342 | 133 | 153 |
| Other receivables | | 2,282 | 1,627 | 559 |
| Total current assets | | 226,166 | 191,608 | 119,215 |
| NON-CURRENT ASSETS | | | | |
| Amounts due from parent company | 12 | 44 | 96 | 354 |
| Recoverable taxes | 6 | 1,590 | 1,634 | 3,056 |
| Retirement benefit plan | 13 | 441 | 371 | 249 |
| Escrow deposits | | 204 | 198 | 198 |
| Investments: | | | | |
| Investment in associate | 8 | 146,126 | 120,002 | 96,851 |
| Other investments | | 26 | 25 | 25 |
| Total investments | | 146,152 | 120,027 | 96,876 |
| Property, plant and equipment | 9 | 89,597 | 84,146 | 83,785 |
| Intangible assets | 10 | 10,177 | 4,418 | 344 |
| Total non-current assets | | 248,205 | 210,890 | 184,862 |
| TOTAL ASSETS | | 474,371 | 402,498 | 304,077 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Trade payables | | 23,942 | 11,213 | 8,780 |
| Borrowings and financing | 11 | 43,040 | 8,600 | 10,793 |
| Taxes and contributions payable | | 4,546 | 2,226 | 2,152 |
| Salaries payable | | 1,669 | 1,113 | 874 |
| Accrued vacation and related charges | | 5,550 | 3,671 | 2,513 |
| Dividends and interest on capital payable | 17 | 11,850 | 22,021 | 4,930 |
| Employee and management profit sharing | | 4,913 | 3,888 | 2,781 |
| Advances from customers | | 46 | 295 | 294 |
| Amounts due to related parties | 12 | 150 | 151 | — |
| Other payables | | 2,336 | 1,009 | 761 |
| Total current liabilities | | 98,042 | 54,187 | 33,878 |
| NON-CURRENT LIABILITIES | | | | |
| Borrowings and financing | 11 | 62,504 | 74,444 | 51,308 |
| Amounts due to related parties | 12 | 1,054 | 1,205 | 1,043 |
| Reserve for contingencies | 14 | 690 | 443 | — |
| Contributions payable | | 3,107 | 3,129 | 2,301 |
| Deferred taxes | 20 | 2,305 | 4,019 | 5,110 |
| Other payables | | 93 | 520 | 594 |
| Total long-term payables | | 69,753 | 83,760 | 60,356 |
| SHAREHOLDERS' EQUITY | | | | |
| Capital | 16 | 160,000 | 105,000 | 105,000 |

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| | | | |
|---|----------------|----------------|----------------|
| Earnings reserve | 129,216 | 139,805 | 83,787 |
| Retained earnings | 17,360 | 19,746 | 21,056 |
| Total shareholders' equity | 306,576 | 264,551 | 209,843 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 474,371 | 402,498 | 304,077 |

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

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MASTER SISTEMAS AUTOMOTIVOS LTDA.
 STATEMENTS OF INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
 (In thousands of Brazilian reais - R\$)

| | Note | 2011 | 2010 | 2009 |
|--|------|------------|------------|------------|
| NET OPERATING REVENUE | 18 | 524,030 | 431,166 | 272,553 |
| COST OF SALES AND SERVICES | 19 | (422,807) | (347,602) | (226,144) |
| GROSS PROFIT | | 101,223 | 83,564 | 46,409 |
| OPERATING INCOME (EXPENSES) | | | | |
| Selling expenses | 19 | (18,706) | (14,520) | (9,206) |
| General and administrative expenses | 19 | (15,213) | (10,623) | (7,677) |
| Equity in associate | 8 | 52,946 | 43,316 | 27,296 |
| Other operating expenses, net | 19 | (7,264) | (5,655) | (4,256) |
| | | 11,763 | 12,518 | 6,157 |
| OPERATING PROFIT BEFORE FINANCE INCOME (COSTS) | | 112,986 | 96,082 | 52,566 |
| FINANCE INCOME (COSTS) | | | | |
| Finance income | 21 | 17,073 | 11,282 | 6,922 |
| Finance costs | 21 | (6,441) | (5,387) | (4,556) |
| Foreign exchange gains | 21 | 596 | 96 | 4,069 |
| | | 11,228 | 5,991 | 6,435 |
| PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION | | 124,214 | 102,073 | 59,001 |
| INCOME TAX AND SOCIAL CONTRIBUTION | | | | |
| Current | 20 | (21,394) | (16,467) | (6,291) |
| Deferred | 20 | 1,713 | 1,107 | (962) |
| NET PROFIT FOR THE YEAR | | 104,533 | 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, 2011, 2010 AND 2009
 (In thousands of Brazilian reais - R\$)

| | 2011 | 2010 | 2009 | |
|--|---------|--------|--------|---|
| NET PROFIT FOR THE YEAR | 104,533 | 86,713 | 51,748 | |
| OTHER COMPREHENSIVE INCOME | | | | |
| Actuarial gains (losses) on retirement benefit plan | (1 |) 46 | 244 | |
| Deferred income tax and social contribution on other comprehensive income | 1 | (16 |) (83 |) |
| Other comprehensive income (loss) of associate accounted for under the equity method of accounting | — | 32 | 149 | |
| | — | 62 | 310 | |
| COMPREHENSIVE INCOME FOR THE YEAR | 104,533 | 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, 2011, 2010 AND 2009
 (In thousands of Brazilian reais - R\$)

| | Note | Capital | Earnings reserve | Retained earnings | Total |
|-----------------------------------|------|---------|---------------------|----------------------|-------------|
| BALANCES AT JANUARY 01, 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 | 17 | — | — | (10,358) |) (10,358) |
| Payments of dividends | 17 | — | (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 | 17 | — | — | (10,990) |) (10,990) |
| Payments of dividends | 17 | — | (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 |
| Net profit for the year | | — | — | 104,533 | 104,533 |
| Comprehensive income for the year | | — | — | 104,533 | 104,533 |
| Capital increase | 16 | 55,000 | (55,000) |) — | — |
| Payment of dividends | 17 | — | — | (27,088) |) (27,088) |
| Interest on capital | 17 | — | — | (13,943) |) (13,943) |
| Supplementary dividends | 17 | — | (21,477) |) — |) (21,477) |
| Earnings reserve | | — | 65,888 | (65,888) |) — |
| BALANCES AT DECEMBER 31, 2011 | | 160,000 | 129,216 | 17,360 | 306,576 |

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, 2011, 2010 AND 2009
 (In thousands of Brazilian reais - R\$)

| | Note | 2011 | 2010 | 2009 |
|--|------|-----------|-----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before income tax and social contribution | | 124,214 | 102,073 | 59,001 |
| Adjustments to reconcile profit before income tax and social contribution to cash generated by operating activities: | | | | |
| Proceeds from sale of property, plant and equipment | | 288 | 45 | 4 |
| Depreciation of property, plant and equipment | 9 | 8,916 | 8,317 | 7,963 |
| Amortization of intangible assets | 10 | 109 | 135 | 157 |
| Exchange differences on borrowings | | 4,025 | 7,002 | (4,896) |
| Share of profits of associate | 8 | (52,946) | (43,316) | (27,296) |
| Changes in assets and liabilities | | | | |
| Decrease (increase) in other receivables | | (17,952) | (7,486) | 3,542 |
| Decrease (increase) in inventories | | (19,551) | (6,238) | 5,585 |
| Decrease (increase) in other receivables | | (2,682) | 1,886 | 5,313 |
| Increase in trade payables | | 12,729 | 2,433 | 1,540 |
| Increase in payables and provisions | | 6,861 | 3,343 | 1,769 |
| Redemption of investments | | — | — | 32,222 |
| Income tax and social contribution paid | | (21,394) | (16,466) | (6,291) |
| Dividends and interest on capital received | | 34,801 | 7,215 | 24,930 |
| Interest paid on borrowings | | (4,691) | (3,552) | (3,775) |
| Net cash generated by operating activities | | 72,727 | 55,391 | 99,768 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | 9 | (14,658) | (8,725) | (7,190) |
| Purchase of intangible assets | 10 | (5,868) | (4,208) | (30) |
| Net cash used in investing activities | | (20,526) | (12,933) | (7,220) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Payment of dividends and interest on capital | | (70,585) | (13,328) | (51,099) |
| Borrowings from related parties | | (94) | 570 | (864) |
| Third-party borrowings | | 29,917 | 27,987 | 37,379 |
| Repayment of borrowings and financing | | (8,657) | (10,494) | (32,870) |
| Net cash provided by (used in) used in financing activities | | (49,419) | 4,735 | (47,454) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | | | |
| Cash and cash equivalents at the beginning of the year | 4 | 105,273 | 58,080 | 12,986 |
| Cash and cash equivalents at the end of the year | 4 | 108,055 | 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, 2011, 2010 AND 2009
(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. GENERAL INFORMATION

Master Sistemas Automotivos Ltda. (“Company”) is a limited liability company established in Brazil with its head office and principal place of business at Rua Atílio Andreazza 3520, in Caxias do Sul, RS, and is a jointly controlled entity of Randon S.A. Implementos e Participações (“Randon”) and Meritor do Brasil Sistemas Automotivos Ltda. (“Meritor”) whereby Randon owns 51% and Meritor owns 49%. The Company was incorporated on April 24, 1986, 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. (“Suspensys”), 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 shareholders’ (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’ shareholders’ meeting are approved by at least 80% of the shareholders.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Company’s Financial Statements for the years ended on December 31, 2011, 2010 and 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

The Company adopted all rules, revision of rules, and interpretations issued by IASB and that are applicable for the year ended on December 31, 2011.

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 executive committee and authorized for issue on May 28, 2012.

3. SIGNIFICANT 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 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 Critical accounting judgments and key estimates and assumptions

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 and useful lives of property, plant and equipment, the allowance for doubtful debts, impairment of inventories, the realization of deferred taxes, and the provision for labor and social security risks. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period. 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.

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, when applicable.

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.

The allowances for slow-moving or obsolete inventories are recognized when considered necessary by Management.

•Investments in associates

An associate is an entity over which the Company has significant influence and that does not qualify as a subsidiary or a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The profit or loss, assets, and liabilities of associates are included in the financial statements by the equity method of accounting. Under the equity method of accounting, investments in associates are initially recognized at cost and subsequently adjusted for purposes of recognition of the Company's share in profit or loss and other comprehensive income of an associate. When the Company's share of losses of an associate exceeds its interest in the associate (including any long-term investment which, in substance, is included in the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Further losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company's subsidiary conducts a transaction with an associate, the resulting profits or losses are recognized only proportionately to the interests held in the associate not related to the Company.

•Property, plant and equipment

Carried at cost of acquisition, formation or construction, less accumulated depreciation and accumulated impairment losses. 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 a property and equipment item 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. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss when the asset is derecognized.

3.7 Impairment of tangible and intangible assets

At the end of each reporting period (or earlier when the need is identified), 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.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, as long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years/periods. A reversal of 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 statement of income, 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.

Income on investments earned on the short-term investment of funds of specific borrowings not yet spent on the qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

3.10 Retirement benefit plan

The Company is the sponsor of a defined contribution plan with minimum guaranteed benefits and 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 (in line item 'Carrying value adjustments') according to the available option in paragraph 93A IAS 19 - Employee Benefits.

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.

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 and cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment.

Financial liabilities measured at amortized cost

Borrowings are initially recognized, 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

A provision is 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 relevant 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.

Subsidized loans, directly or indirectly provided by the Government, obtained at interest rates lower than market, are treated as government grants, measured at the difference between the amounts raised and the fair value of the borrowing calculated using market interest rates.

3.14 Income tax and social contribution

Current taxes

The provision for income and social contribution is based on the taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The provision for income tax and social contribution 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 taxes

Deferred taxes are recognized on temporary differences at the end of each annual reporting period 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 Standards, interpretations and amendments to existing standards effective at December 31, 2011 which did not have a material impact on the Company's financial statements.

| Standard | Main requirements | Effective date |
|------------------------------|---|---|
| Improvements to IFRSs – 2010 | Amendments to several standards. | Effective for annual periods beginning on or after January 1, 2011 |
| Amendments to IFRS 1 | Limited Exemption from Comparative IFRS Disclosures for First-time Adopters | Effective for annual periods beginning on or after July 1, 2010 |
| Amendments to IAS 24 | Related-party disclosures | Effective for annual periods beginning on or after January 1, 2011 |
| Amendments to IFRIC 14 | Prepayments of a minimum funding requirement | Effective for annual periods beginning on or after January 1, 2011 |
| Amendments to IAS 32 | Classification of rights issues | Effective for annual periods beginning on or after February 1, 2010 |
| IFRIC 19 | Extinguishing financial liabilities with equity instruments | Effective for annual periods beginning on or after July 1, 2010 |

3.16 Standards, interpretations and amendments to existing standards not yet effective and which were not early adopted by the Company

The following standards and amendments to existing standards have been issued by the IASB, and are mandatory for annual periods beginning on or after July 1, 2011. The Company is currently evaluating the impact, if any, of the new requirements on its consolidated financial statements resulting from these standards:

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| Standard | Main requirements | Effective date |
|---|---|--|
| IFRS 9 (as amended in 2010) | Financial instruments | Effective for annual periods beginning on or after January 1, 2015 |
| Amendments to IFRS 1 | Removal of fixed dates for first-time adopters | Effective for annual periods beginning on or after July 1, 2011 |
| Amendments to IFRS 7 | Disclosures - transfers of financial assets | Effective for annual periods beginning on or after July 1, 2011 |
| Amendments to IAS 12 | Deferred taxes - recovery of the underlying assets when an asset is measured using the fair value model in IAS 40 | Effective for annual periods beginning on or after January 1, 2012 |
| IAS 28 (revised in 2011) Investments in Associates and Joint Ventures | Revision of IAS 28 to include the amendments introduced by IFRSs 10, 11 and 12. | Effective for annual periods beginning on or after January 1, 2013 |
| IAS 27 (revised in 2011) Separate Financial Statements | IAS 27 requirements related to consolidated financial statements are replaced by IFRS 10. The requirements for separate financial statements are maintained. | Effective for annual periods beginning on or after January 1, 2013 |
| IFRS 10 Consolidated Financial Statements | Replaces the IAS 27 requirements applicable to consolidated financial statements and SIC 12. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. Eliminates the proportionate consolidation model for jointly controlled entities and maintains equity method model only. It also eliminates the concept of 'jointly controlled assets' and maintains only 'jointly controlled operations' and 'jointly controlled entities'. | Effective for annual periods beginning on or after January 1, 2013 |
| IFRS 11 Joint Arrangements | Expands the current disclosure requirements in respect of entities, whether or not consolidated, where the entities have influence. | Effective for annual periods beginning on or after January 1, 2013 |
| IFRS 12 Disclosure of Interests in Other Entities | Replaces and consolidates in a single standard all the guidance and requirements in respect of fair value measurement contained in other IFRSs. IFRS 13 defines fair value and provides guidance on how to measure fair value and requirements for disclosure relating to fair value measurement. However, it does not introduce any new requirement or amendment with respect to items to be measured at fair value, which remain as originally issued. | Effective for annual periods beginning on or after January 1, 2013 |
| IFRS 13 Fair Value Measurement | Eliminates the corridor approach and requires recognition of actuarial gains and losses as other comprehensive income for pension plans and other long-term benefits in profit or loss, when earned or incurred, among other changes. | Effective for annual periods beginning on or after January 1, 2013 |
| Amendments to IAS 19 Employee Benefits | | |
| Amendments to IFRS 7 | | |

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| | | |
|--|---|--|
| Amendments to IAS 32 | Introduces the requirement that information regarding offset financial assets be disclosed. Clarifies aspects and requirements regarding the offset of financial assets. | Effective for annual periods beginning on or after January 1, 2013 Effective for annual periods beginning on or after January 1, 2014 |
| Amendments to IAS 1 Presentation of Financial Statements | Introduces the requirement that all items recognized in other comprehensive income be separated into and totaled as items that are and items that are not subsequently reclassified to profit or loss. | Effective for annual periods beginning on or after July 1, 2012 |
| IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine | Clarifies the requirements to account for costs associated to the removal of surface mining waste, including when such stripping costs shall be recognized as an asset, how the asset is initially recognized, and subsequent measurements. | Effective for annual periods beginning on or after January 1, 2013 |

4. CASH AND CASH EQUIVALENTS

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

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|---------------------------------|------------|------------|------------|
| Cash and banks | 1,971 | 412 | 467 |
| Cash in transit | 2,751 | 1,708 | — |
| Short-term investments: | | | |
| CDB - 75.00% to 97.49% of CDI | 2,006 | — | — |
| CDB - 97.50% to 99.99% of CDI | 64 | 87 | 33 |
| CDB - 100.00% to 100.99% of CDI | 3,465 | 25,309 | 10,079 |
| CDB - 101.00% to 101.99% of CDI | — | — | 1,547 |
| CDB - 102.00% to 102.99% of CDI | 36,643 | — | 521 |
| CDB - 103.00% to 103.99% of CDI | 5,531 | 6,413 | 9,475 |
| CDB - 104.00% to 104.99% of CDI | 2,565 | 35,927 | 30,540 |
| CDB - 105.00% to 105.99% of CDI | 46,016 | 35,417 | 5,418 |
| CDB - 106.00% to 106.99% of CDI | 7,043 | — | — |
| | 103,333 | 103,153 | 57,613 |
| Total | 108,055 | 105,273 | 58,080 |

5. TRADE RECEIVABLES

Trade receivables are as follows:

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|---|------------|------------|------------|
| Trade receivables from third parties – domestic | 32,555 | 23,313 | 19,437 |
| Trade receivables from third parties – foreign | 1,814 | 49 | 748 |
| Trade receivables from related parties – domestic | 14,829 | 11,066 | 3,994 |
| Trade receivables from related parties – foreign | 7,059 | 3,878 | 6,641 |
| Total | 56,257 | 38,306 | 30,820 |

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 no allowance for doubtful debts was recognized is as follows:

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|------------------|------------|------------|------------|
| 1 to 30 days | 16,815 | 4,231 | 6,157 |
| 31 to 60 days | 1,302 | 1,400 | 455 |
| 61 to 90 days | 739 | 281 | 617 |
| 91 to 180 days | 512 | 477 | 345 |
| Over 180 days | 67 | 128 | 324 |
| Past-due amounts | 19,435 | 6,517 | 7,898 |
| Current amounts | 36,822 | 31,789 | 22,922 |
| Total | 56,257 | 38,306 | 30,820 |

To determine whether or not trade receivables are recoverable, the Company takes into consideration any change in the customer's creditworthiness from the date the credit was originally granted to the end of the reporting period. The credit risk concentration is limited because the customer base is comprehensive and there is no relationship between customers. The Company does not hold any collateral or other credit enhancement over these receivables.

6. RECOVERABLE TAXES

Recoverable taxes are as follows:

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|--|------------|------------|------------|
| Federal VAT (IPI) | 286 | 59 | 66 |
| State VAT (ICMS) | 2,782 | 781 | 1,442 |
| ICMS on purchases of property, plant and equipment | 280 | 1,153 | 2,747 |
| Tax on revenue (PIS) | 282 | — | 21 |
| PIS on purchases of property, plant and equipment | 83 | 197 | 343 |
| Tax on revenue (COFINS) | 1,317 | — | 112 |
| COFINS on purchases of property, plant and equipment | 382 | 908 | 1,579 |
| Total | 5,412 | 3,098 | 6,310 |
| Current | 3,822 | 1,464 | 3,254 |
| Non-current | 1,590 | 1,634 | 3,056 |

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 relevant legislation, occurs in 48 monthly installments. Of the ICMS balance, R\$ 699 at December 31, 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. There are no balances at December 31, 2010 and 2011.

7. INVENTORIES

Inventories comprise:

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|------------------------|------------|------------|------------|
| Finished products | 7,636 | 3,812 | 1,413 |
| Work in process | 11,449 | 9,585 | 6,372 |
| Raw materials | 27,478 | 13,673 | 13,677 |
| Inventories in transit | 875 | 1,266 | 1,176 |
| Advances to suppliers | 558 | 121 | 245 |
| Imports in transit | 1,923 | 1,911 | 1,247 |
| Total | 49,919 | 30,368 | 24,130 |

The cost of inventories recognized as expenses during the year related to continuing operations was R\$ 422,807 (R\$ 347,602 for the year ended December 31, 2010 and R\$ 226,144 for the year ended December 31, 2009).

Management expects that these inventories will be recovered in a period shorter than twelve (12) months.

8. INVESTMENTS – INVESTMENT IN ASSOCIATE

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

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|--------------------------------|------------|------------|------------|
| Opening balance | 120,002 | 96,851 | 85,456 |
| Interest on capital receivable | (6,457 |) (5,100 |) (4,592 |
| Reversal of dividends | — | — | 1,216 |
| Dividends receivable | — | (10,102 |) — |
| Dividends received | (20,363 |) (4,995 |) (12,674 |
| Equity in associate (a) | 52,946 | 43,316 | 27,296 |
| Other comprehensive income | (2 |) 32 | 149 |
| Closing balance | 146,126 | 120,002 | 96,851 |

(a)As established in the associate 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:

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|--|------------|------------|------------|
| Suspensys' net income | 99,566 | 93,218 | 64,345 |
| (Less) Disproportional dividend to Randon related to tax incentive | — | (11,763 |) (13,013 |
| Basis for equity method | 99,566 | 81,455 | 51,332 |
| Master ownership on Suspensys | 53.177 | % 53.177 | % 53.177 |
| Equity in associate for the year | 52,946 | 43,316 | 27,296 |

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

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|-------------------------------|------------|------------|------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 132,773 | 177,575 | 112,087 |
| Trade receivables | 141,114 | 90,027 | 71,776 |
| Inventories | 72,272 | 53,292 | 53,217 |
| Other current assets | 10,170 | 6,078 | 12,388 |
| Total current assets | 356,329 | 326,972 | 249,468 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 134,610 | 124,714 | 121,405 |
| Other non-current assets | 17,062 | 8,265 | 4,049 |
| Total non-current assets | 151,672 | 132,979 | 125,454 |
| Total assets | 508,001 | 459,951 | 374,922 |

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|--|------------|------------|------------|
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade payables | 52,139 | 35,654 | 48,915 |
| Borrowings and financing | 49,528 | 15,702 | 11,138 |
| Dividends and interest on capital | 10,321 | 37,022 | 4,174 |
| Other current liabilities | 32,888 | 26,042 | 18,355 |
| Total current liabilities | 144,876 | 114,420 | 82,582 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings and financing | 78,104 | 105,985 | 89,360 |
| Deferred taxes | 5,650 | 7,116 | 8,605 |
| Other non-current liabilities | 4,580 | 6,765 | 5,382 |
| Total non-current liabilities | 88,334 | 119,866 | 103,347 |
| SHAREHOLDERS' EQUITY | | | |
| Total liabilities and shareholders' equity | 508,001 | 459,951 | 374,922 |
| | 2011 | 2010 | 2009 |
| INCOME STATEMENT | | | |
| Net operating revenue | 1,168,437 | 1,011,273 | 643,835 |
| Cost of sales | (957,958 |) (839,460 |) (539,112 |
| | | |) |
| GROSS PROFIT | 210,479 | 171,813 | 104,723 |
| Operating expenses, net | (86,085 |) (53,646 |) (25,858 |
| | | |) |
| Finance income, net | 15,953 | 5,924 | 2,787 |
| PROFIT BEFORE TAXES | 140,347 | 124,091 | 81,652 |
| Income tax and social contribution | (40,781 |) (30,873 |) (17,307 |
| | | |) |
| NET PROFIT FOR THE YEAR | 99,566 | 93,218 | 64,345 |

9. PROPERTY, PLANT AND EQUIPMENT

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|--------------------------|------------|------------|------------|
| Cost | 168,301 | 159,274 | 152,191 |
| Accumulated depreciation | (78,704 |) (75,128 |) (68,406 |
| | | |) |
| | 89,597 | 84,146 | 83,785 |

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| | Annual depreciation rate (%) | 12/31/2011 Cost | Accumulated depreciation | Net | 12/31/2010 Net | 12/31/2009 Net |
|---|------------------------------------|--------------------|-----------------------------|----------|-------------------|-------------------|
| Land | — | % 4,400 | — | 4,400 | 4,400 | 4,400 |
| Buildings | 1.69 | % 28,015 | (5,289 |) 22,726 | 21,640 | 19,959 |
| Machinery, equip. and molds | 7.28 | % 124,125 | (69,076 |) 55,049 | 52,406 | 55,549 |
| Furniture and fixtures | 9.53 | % 6,162 | (2,439 |) 3,723 | 3,035 | 1,562 |
| Vehicles | 8.46 | % 1,835 | (1,219 |) 616 | 767 | 937 |
| Computer equipment | 19.75 | % 1,442 | (681 |) 761 | 358 | 273 |
| Advances to suppliers | — | % — | — | — | 21 | 137 |
| Property, plant and equipment in progress | — | % 2,322 | — | 2,322 | 1,519 | 968 |
| Total | | 168,301 | (78,704 |) 89,597 | 84,146 | 83,785 |

a) Movement in cost

| | Balances at 1/1/2009 | Additions | Disposals | Transfers | Balances at 12/31/2009 |
|---|-------------------------|-----------|-----------|-----------|---------------------------|
| Land | 4,400 | — | — | — | 4,400 |
| Buildings | 16,026 | 456 | — | 7,910 | 24,392 |
| Machinery, equip. and molds | 110,121 | 2,966 | (12 |) 2,407 | 115,482 |
| 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 |

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| | Balance at 01/01/2010 | Additions | Disposals | Transfers | Balance at 12/31/2010 |
|---|--------------------------|-----------|-----------|-----------|--------------------------|
| Land | 4,400 | — | — | — | 4,400 |
| Buildings | 24,392 | 667 | — | 1,422 | 26,481 |
| Machinery, equip. and molds | 115,482 | 4,033 | (1,370) | 166 | 118,311 |
| 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 |

| | Balance at 01/01/2011 | Additions | Disposals | Transfers | Balance at 12/31/2011 |
|---|--------------------------|-----------|-----------|-----------|--------------------------|
| Land | 4,400 | — | — | — | 4,400 |
| Buildings | 26,481 | 1,015 | — | 519 | 28,015 |
| Machinery, equip. and molds | 118,311 | 9,461 | (4,759) | 1,112 | 124,125 |
| Furniture and fixtures | 5,295 | 1,206 | (303) | (36) | 6,162 |
| Vehicles | 1,913 | 32 | (110) | — | 1,835 |
| Computer equipment | 1,334 | 567 | (459) | — | 1,442 |
| Advances to suppliers | 21 | — | — | (21) | — |
| Property, plant and equipment in progress (*) | 1,519 | 2,377 | — | (1,574) | 2,322 |
| Total | 159,274 | 14,658 | (5,631) | — | 168,301 |

* The amount of R\$ 2,322 recognized in property, plant and equipment in progress refers to a machine that after being installed will be lent to Endosul Pintura Automotiva Ltda. under a free-lease agreement.

b) Movement in accumulated depreciation

| | Balances at 1/1/2009 | Additions | Disposals | Transfers | Balances at 12/31/2009 |
|-----------------------------|-------------------------|-----------|-----------|-----------|---------------------------|
| Buildings | (4,164) | (269) | — | — | (4,433) |
| Machinery, equip. and molds | (52,737) | (7,205) | 9 | — | (59,933) |
| 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) |

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| | Balance at 01/01/2010 | Additions | Disposals | Transfers | Balance at 12/31/2010 |
|-----------------------------|--------------------------|-----------|-----------|-----------|--------------------------|
| Buildings | (4,433) | (408) | — | — | (4,841) |
| Machinery, equip. and molds | (59,933) | (7,324) | 1,352 | — | (65,905) |
| 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) |

| | Balance at 01/01/2011 | Additions | Disposals | Transfers | Balance at 12/31/2011 |
|-----------------------------|--------------------------|-----------|-----------|-----------|--------------------------|
| Buildings | (4,841) | (451) | — | 3 | (5,289) |
| Machinery, equip. and molds | (65,905) | (7,737) | 4,595 | (29) | (69,076) |
| Furniture and fixtures | (2,260) | (481) | 276 | 26 | (2,439) |
| Vehicles | (1,146) | (96) | 23 | — | (1,219) |
| Computer equipment | (976) | (151) | 446 | — | (681) |
| Total | (75,128) | (8,916) | 5,340 | — | (78,704) |

c) Assets pledged as collateral

Machinery and equipment in the residual values of R\$ 930 and R\$ 1,360 (R\$ 911 and R\$ 1,048 in 2010) 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.

10. INTANGIBLE ASSETS

| | Annual amortization rate | Balance at 01/01/2009 | Additions | Balance at 12/31/2009 | Additions | Balance at 12/31/2010 | Additions | Balance at 12/31/2011 |
|----------------------------------|--------------------------------|--------------------------|-----------|--------------------------|-----------|--------------------------|-----------|--------------------------|
| Software: | | | | | | | | |
| Cost | 20 % | 1,263 | 30 | 1,293 | 54 | 1,347 | 5 | 1,352 |
| Accumulated amortization | | (792) | (157) | (949) | (135) | (1,083) | (109) | (1,192) |
| | | 471 | (127) | 344 | (81) | 264 | (104) | 160 |
| Intangible assets in progress | | — | — | — | 4,154 | 4,154 | 5,863 | 10,017 |
| | | 471 | (127) | 344 | 4,073 | 4,418 | 5,759 | 10,177 |

Intangible assets refer to software licenses and other expenses on the implementation of the Company's new integrated management system (ERP), which was rolled-out in January 2012.

11. BORROWINGS AND FINANCING

The purpose of the financing was the installation of plants, development of quality processes, 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).

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Borrowings and financing are as follows:

| Type: | Annual financial charges | Payment frequency | Final maturity | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|---------------------------------|---|-------------------|----------------|------------|------------|------------|
| Working capital / exports | | | | | | |
| Advance of forex contract (ACC) | US dollar plus 2.90% | Monthly | 09/2012 | 3,752 | — | — |
| Bank Credit Note – Exin | 4.50% to 9% | Monthly | 11/2013 | 78,519 | 60,580 | 32,595 |
| Financing | | | | | | |
| BNDES financing | TJLP plus 2.5% to 5% | Monthly | 04/2013 | 6,973 | 12,202 | 18,377 |
| FINEP | 4% plus the amount exceeding 6% of TJLP | Monthly | 12/2011 | — | 1,919 | 4,413 |
| FINAME | 4% to 5.5% plus the amount exceeding 6% of TJLP | Monthly | 01/2011 | — | 12 | 495 |
| FINAME | UMBNES (foreign currencies) plus 4% | Monthly | 10/2010 | — | — | 144 |
| FININP | US dollar plus LIBOR + 1% to 4.4% | Quarterly | 12/2013 | 1,239 | 1,928 | 2,881 |
| BNDES financing | US dollar plus 2.5% p.a. | Monthly | 04/2013 | 653 | 1,011 | 1,508 |
| FUNDOPEM – ICMS (a) | IPCA plus 3% | Monthly | 02/2021 | 14,408 | 5,392 | 1,688 |
| Total | | | | 105,544 | 83,044 | 62,101 |
| Current | | | | 43,040 | 8,600 | 10,793 |
| Non-current | | | | 62,504 | 74,444 | 51,308 |

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

| Maturity | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|---------------------|------------|------------|------------|
| 2011 | — | — | 8,479 |
| 2012 | — | 38,844 | 38,910 |
| 2013 | 48,226 | 30,327 | 2,400 |
| 2014 | 310 | 283 | 225 |
| 2015 | 1,033 | 679 | 226 |
| 2016 | 1,907 | — | 1,068 |
| 2017 | 1,921 | — | — |
| 2018 and thereafter | 9,107 | 4,311 | — |
| Total | 62,504 | 74,444 | 51,308 |

(a) 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 on a monthly basis and is contingent to the generation of direct and indirect jobs, investments made, and the fulfillment of contractual obligations with Banco do Estado do Rio Grande do Sul and Caixa Estadual S.A. – Agência de Fomento (State Development Bank).

The incentive amounts are subject to charges at the effective rates of 3.00% per year or 0.246627% per month, plus adjustment for inflation calculated based on the monthly fluctuation of the IPCA/IBGE (consumer price index) or another index defined by the Steering Committee of FUNDOPEM/RS.

The benefit period started in December 2006 and ends in May 2014, and disbursements for Company use totaled 1,479,042.54 FUNDOPEM-RS incentive units (equivalent to R\$ 25,129 at December 31, 2011 and R\$ 23,487 at December 31, 2010). Up to December 31, 2011, the Company utilized R\$ 14,408. The benefit has a grace period of 51 months and settlement is scheduled in 90 months after the end of the grace period, ending February 2021.

12. RELATED-PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

| | Randon Group (*) | | | Meritor Group (**) | | | Total | | |
|--|------------------|------------|------------|--------------------|------------|------------|------------|------------|------------|
| | 12/31/2011 | 12/31/2010 | 12/31/2009 | 12/31/2011 | 12/31/2010 | 12/31/2009 | 12/31/2011 | 12/31/2010 | 12/31/2009 |
| Balance sheet | | | | | | | | | |
| Trade receivables | 5,098 | 1,521 | 2,080 | 16,790 | 13,423 | 8,555 | 21,888 | 14,944 | 10,635 |
| Dividends and interest on capital receivable | 5,489 | 14,437 | 2,219 | — | — | — | 5,489 | 14,437 | 2,219 |
| Amounts due from parent company | 44 | 96 | 354 | — | — | — | 44 | 96 | 354 |
| Other receivables | 52 | 255 | 243 | — | — | — | 52 | 255 | 243 |
| Trade payables | 1,557 | 217 | 550 | 1,048 | 216 | 211 | 2,605 | 433 | 761 |
| Dividends and interest on capital payable | 6,043 | 11,230 | 2,515 | 5,807 | 10,791 | 2,415 | 11,850 | 22,021 | 4,930 |
| Amounts due to related parties - current | 150 | 151 | — | — | — | — | 150 | 151 | — |
| Amounts due to related parties - non-current | 1,054 | 1,205 | 1,043 | — | — | — | 1,054 | 1,205 | 1,043 |
| Statement of income for the year | | | | | | | | | |
| Sales of goods | 111,393 | 92,312 | 55,613 | 153,669 | 118,183 | 38,865 | 265,062 | 210,495 | 94,478 |
| Rental income | 276 | 256 | 56 | — | — | — | 276 | 256 | 56 |
| Purchases of products and services | 48,205 | 29,231 | 18,541 | 4,227 | 3,708 | 3,889 | 52,432 | 32,939 | 22,430 |
| Commission expenses | 601 | 291 | 262 | — | — | — | 601 | 291 | 262 |
| Administrative expenses | 6,059 | 4,234 | 2,599 | — | — | — | 6,059 | 4,234 | 2,599 |

(*) Randon S.A. Implementos e Participações (parent), Fras-Le S.A., Fras-Le Argentina S.A., Fras-Le Andina
Includes: Comercio y Representacion Ltda., Jost Brasil Sistemas Automotivos Ltda., Randon Implementos para

Transporte Ltda., Randon Argentina, Suspensys Sistemas Automotivos Ltda., Castertech Fundição e Tecnologia Ltda. and Banco Randon.

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

Master is the co-guarantor of vendor financing contracts, limited to R\$ 10,000 for transactions conducted between Company customers and Banco Randon. As at December 31, 2011, there is no balance regarding these transactions.

Trading transactions

Trading transactions carried out with related parties follow specific prices and terms established in the associate agreement between the parties.

Administrative expenses

Refer to administrative advisory services (corporate activities) provided by Randon to the Company.

Management compensation

Management compensation and profit sharing totaled R\$ 1,102 in 2011 (R\$ 1,116 in 2010 and R\$ 834 in 2009).

Borrowings from officers and managers are recorded in ‘Other payables’, current, and total R\$ 910 at December 31, 2011 (R\$ 384 - current and R\$ 256 - non-current at December 31, 2010 and R\$ 362 – current and R\$ 390 non-current at December 31, 2009). These balances are adjusted using financial market rates (“DI-extra” as released by the Brazilian Association of Financial and Capital Markets Entities, or Anbima). Related borrowing costs totaled R\$ 119 in 2011, R\$ 57 in 2010 and R\$ 85 in 2009.

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 supplementations of benefits for employees, not covered by the defined benefits. 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 benefit was performed at December 31, 2011, using the projected unit credit method and the determined balance of R\$ 441 at December 31, 2011 (R\$ 371 at December 31, 2010, R\$ 249 at December 31, 2009), corresponding to the Company’s benefit, is recorded in assets.

14. PROVISION FOR TAX, SOCIAL SECURITY AND LABOR RISKS

The position of the provision for contingent liabilities at December 31, 2011 is as follows:

| Nature of contingent liability | Likelihood of loss | |
|--------------------------------|--------------------|----------|
| | Probable | Possible |
| Tax | — | 15,293 |
| Social security | 425 | 1,536 |
| Labor | 265 | 140 |
| Total | 690 | 16,969 |

Changes in provision:

| Nature of provision | Opening balance 12/31/2010 | Increase in provision | Closing balance 12/31/2011 |
|---------------------|-------------------------------|--------------------------|-------------------------------|
| Labor | 110 | 155 | 265 |
| Social security | 333 | 92 | 425 |
| Total | 443 | 247 | 690 |

The Company is also a party to administrative proceedings for which, based on the opinion of its legal counsel and in conformity with accounting practices adopted in Brazil, no provision for tax and social security risks was recognized since they were classified as possible or remote likelihood of loss. The main lawsuits are as follows:

Tax

IPI presumed credit - Refers to notices issued by the Federal Revenue Office in the total amount of R\$ 1,476, a) 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.

Income tax, social contribution and withholding income tax - assessment notices issued by the Brazilian Federal Revenue Service totaling R\$ 5,331 (as adjusted), collecting these taxes on regular payments made to Company agents abroad as agency commission of sales and services. The related proceedings are being handled at the administrative level. b)

PIS and COFINS – voluntary appeal requesting the judgment of the Noncompliance Claim regarding the offset of
c) PIS and COFINS credits since the merits of such Noncompliance Claim has not been judged by the courts. Adjusted
amount: R\$ 763.

- d) Administrative proceeding challenging an assessment notice collecting PIS-imports, COFINS-imports, Federal VAT (IPI), and import duties (II), plus fine for alleged noncompliance of Drawback Award Acts, totaling R\$ 1,396.

Disallowance of ICMS presumed credit on purchase of steel –refers to assessment notices issued by the Rio Grande do Sul State Department of Finance totaling R\$ 6,328, through which this tax authority confirmed the award of the tax benefit in an amount higher than permitted by the law. The amount includes principal, fine and interest.

Social security

- a) Refers to INSS assessment notices totaling R\$ 1,536 for the nonpayment of payroll taxes on the profit sharing bonuses paid to employee.

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 techniques. 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.

Balance breakdown

The carrying amounts and fair values of financial instruments (carried at amortized cost) included in the balance sheet are identified below:

| Description | 12/31/2011 Carrying amount | 12/31/2010 Carrying amount | 12/31/2009 Carrying amount |
|--------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Cash and cash equivalents | 108,055 | 105,273 | 58,080 |
| Trade receivables | 56,257 | 38,306 | 30,820 |
| Trade payables | 23,942 | 11,213 | 8,780 |
| Borrowings and financing | | | |
| In local currency | 99,900 | 80,105 | 57,568 |
| In foreign currency | 5,644 | 2,939 | 4,533 |
| Amounts due to related parties | 1,204 | 1,356 | 1,043 |

Financial instruments that are recognized in the financial statements at their amortized cost are substantially similar to the amounts 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 cost of financial instruments approximates fair value, so the disclosure of levels 1, 2 and 3 are not applicable.

•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
- v. liquidity 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. If considered necessary, the instruments used are conservative and previously approved by the same committee. For the years ended December 31, 2011, 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 possible 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). A customer's creditworthiness is assessed based on an internal credit rating system. Outstanding trade receivables are frequently monitored. The need for an allowance for impairment losses is analyzed at the end of each reporting period on an individual basis, for the major customers. Additionally, receivables lower than the allowance are collectively tested.

Sales concentration:

In the year ended December 31, 2011, four customers individually accounted for more than 10% of sales, with shares of 27.9% (26.2% in 2010 and 29.0% in 2009), 12.6% (11.8% in 2010 and 9.9% in 2009), 12.0% (13.2% in 2010 and 13.2% in 2009) and 14.3% (15.3% in 2010 and 14.7% in 2009) of net revenue each, equivalent to R\$ 146 million (R\$ 113 million in 2010 and R\$ 79 million in 2009) R\$66 million (R\$ 51 million in 2010 and R\$ 27 million in 2009), R\$ 63 million (R\$ 57 million in 2010 and R\$ 36 million in 2009) and R\$ 75 million (R\$ 66 million in 2010 and R\$ 40 million in 2009). This last amount refers to a related party. Other Company sales in the domestic and foreign markets are diluted and there is no sales concentration in a percentage above 10% for any other customer.

b. Foreign exchange rate risk

The Company's results are exposed to significant fluctuations due to the effects of the exchange rate volatility on assets and liabilities denominated in foreign currencies, mainly the US dollar, which closed the year with a positive fluctuation of 12.58% (negative fluctuation of 4.31% in 2010 and 25.49% in 2009).

The Company is exposed to the currency risk (foreign exchange risk) on sales, purchases and borrowings that are denominated in a currency other than the Company's functional currency, the Brazilian real.

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

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| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|-------------------------|------------|------------|------------|
| A. Borrowings/financing | (5,644 |) (2,939 |) (4,533 |
| B. Trade payables | (1,344 |) (461 |) (1,148 |
| C. Trade receivables | 8,873 | 4,727 | 7,389 |
| D. Net exposure (A+B+C) | 1,885 | 1,327 | 1,708 |

A 2% appreciation of the real against the US dollar at December 31, 2011 would have increased equity and profit by R\$ 38 (R\$ 27 in 2010 and R\$ 34 in 2009). This analysis is based on the foreign currency exchange rate fluctuation that the Company considered as reasonably possible at the end of the reporting period. The analysis assumes that all other variables, especially interest rates, remain constant.

Any depreciation of the real against the US dollar at December 31, 2011 would have the opposite effect, assuming that all other variables would remain constant.

c. Interest rate risk

The Company's result is exposed to significant fluctuations 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.

A 1% increase in annual interest rates would have increased the Company's borrowings and financing balance by R\$ 1,055 at December 31, 2011 (R\$ 830 at December 31, 2010 and R\$ 621 at December 31, 2009).

This analysis assumes that all other variables that could impact this carrying amount remain constant. Any decrease in the interest rates by the same percentage would have the opposite effect, assuming that all other variables would remain constant.

The interest rates on the Company's borrowings and financing are disclosed in note 11 – Borrowings and Financing.

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. The Company has not contracted any financial instruments to hedge against fluctuations in its raw materials' prices.

e. Liquidity risk

The table below details the remaining contractual maturity of the Company's liabilities and the contractual amortization periods. The table was prepared using the undiscounted cash flows of the financial liabilities based on the nearest date on which the Company can be required to make the related payment. The table includes interest and principal cash flows. As the interest flows refer to floating rates, the undiscounted value was obtained based on the interest curves at the end of the reporting period. Contractual maturity is based on the first date the Company can be required to pay the related obligations.

| Description | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | Total |
|--------------------------|---------------|--------------------|-------------------------|-------------------|--------------|---------|
| Trade payables | 21,484 | 2,397 | 61 | — | — | 23,942 |
| Borrowings and financing | 525 | 1,429 | 41,088 | 53,396 | 9,106 | 105,544 |

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| | | | | | | |
|---|--------|--------|--------|--------|-------|---------|
| Interest to be incurred on borrowings and financing | 50 | 1,073 | 3,077 | 3,313 | 729 | 8,242 |
| Dividends and interest on capital | — | 11,850 | — | — | — | 11,850 |
| Total | 22,059 | 16,749 | 44,226 | 56,709 | 9,835 | 149,578 |

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16. CAPITAL

Subscribed capital is represented by 160,000 quotas in the total amount of R\$ 160,000 (R\$ 105,000 in 2010 and 2009).

On August 1, 2011, Master's shareholders and officers approved a capital increase with the capitalization of the earnings reserve amounting to R\$ 55,000, with the issuance of 55,000,000 shares of R\$ 1.00 each, the capital is distributed as follows among the shareholders:

| Shareholder | R\$ | % |
|---|---------|-----|
| Randon S.A. Implementos e Participações | 81,600 | 51 |
| Arvinmeritor do Brasil Sistemas Automotivos Ltda. | 78,400 | 49 |
| Total | 160,000 | 100 |

17. 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).

The Annual and Extraordinary shareholders' Meeting held on April 15, 2011 approved the dividend distribution proposal and interest on capital and dividends totaling R\$ 45,144 were paid on May 30, 2011, as follows:

| | |
|---|-----------|
| Interest on capital accrued at 12/31/2010 (gross of IRRF): | R\$10,990 |
| Minimum dividends prescribed by Company bylaws accrued at 12/31/2010: | R\$12,677 |
| Supplementary dividends: | R\$21,477 |
| Total paid on May 30, 2011 | R\$45,144 |

The shareholders' meeting held on August 19, 2011 approved the early distribution of dividends, based on retained earnings through June 30, 2011, totaling R\$ 27,088, paid on September 15, 2011.

Interest on Capital

The Company recorded for the year ended December 31, 2011 interest on capital of R\$ 13,943 (R\$ 10,990 for the year ended December 31, 2010 and R\$ 10,358 in 2009), using as a basis the TJLP for the period January-December of each year, applied to equity, considering the higher of 50% of the profit for the year before income tax or 50% of the retained earnings.

As provided for by the tax law, the amount recognized 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\$ 4,741 (R\$ 3,738 for the year ended December 31, 2010 and R\$ 3,522 in 2009). For purposes of conformity of the presentation of the financial statements, such interest was treated as dividends and disclosed as a reduction of retained earnings in equity, and the tax benefit as a reduction of expenses on current income tax and social contribution.

The interest on capital amounts credited to shareholders are subject to 15% withholding income tax (IRRF) and the net amount payable to shareholders is disclosed in line item 'Interest on capital payable' and possible income tax not withheld is recognized in line item 'Taxes payable'.

Additionally, the Company recognized finance income related to interest on capital receivable from subsidiary Suspensys Sistemas Automotivos Ltda., totaling R\$ 6,457 (R\$ 5,100 for the year ended December 31, 2010 and R\$ 4,592 in 2009), which for purposes of disclosure and compliance with accounting principles, was reclassified from line item 'Finance income' to "Investments", in non-current assets.

18. NET OPERATING REVENUE

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

| | 2011 | 2010 | 2009 |
|---|-----------|-----------|----------|
| Gross revenue for tax purposes | 681,985 | 559,508 | 355,792 |
| Taxes on sales | (150,560) | (123,614) | (80,025) |
| Sales returns | (2,136) | (984) | (872) |
| Discount to present value on installment sales | (5,259) | (3,744) | (2,342) |
| Net revenue recognized in the statement of income | 524,030 | 431,166 | 272,553 |

19. EXPENSES BY NATURE

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

| | 2011 | 2010 | 2009 |
|---------------------------------------|---------|---------|---------|
| Raw materials and auxiliary materials | 328,256 | 274,454 | 177,796 |
| Depreciation and amortization | 9,025 | 8,452 | 8,120 |
| Personnel | 69,693 | 43,968 | 28,990 |
| Freight | 12,364 | 9,583 | 4,941 |
| Costs of outside services | 16,912 | 11,307 | 7,702 |
| Asset upkeep costs | 10,775 | 8,419 | 3,848 |
| Other expenses | 16,965 | 22,217 | 15,886 |
| Total | 463,990 | 378,400 | 247,283 |

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

| | 2011 | 2010 | 2009 |
|-------------------------------------|---------|---------|---------|
| Cost of sales and services | 422,807 | 347,602 | 226,144 |
| Selling expenses | 18,706 | 14,520 | 9,206 |
| General and administrative expenses | 15,213 | 10,623 | 7,677 |
| Other operating expenses, net | 7,264 | 5,655 | 4,256 |
| Total | 463,990 | 378,400 | 247,283 |

20. INCOME TAX AND SOCIAL CONTRIBUTION

Income tax and social contribution expense

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

| | 2011 IRPJ/CSLL | 2010 IRPJ/CSLL | 2009 IRPJ/CSLL | |
|---|-------------------|-------------------|-------------------|---|
| Profit before income tax and social contribution | 124,214 | 102,073 | 59,001 | |
| Applicable rate | 34 | % 34 | % 34 | % |
| Income tax and social contribution at nominal rates | 42,233 | 34,704 | 20,060 | |
| Effect of taxes on: | | | | |
| Interest on capital expense (*) | (4,741) | (3,737) | (3,521) |) |
| Interest on capital income (*) | 2,195 | 1,734 | 1,561 |) |
| Equity in associate | (18,002) | (14,727) | (9,281) |) |
| Other | (1,219) | (2,012) | (1,259) |) |
| | (21,767) | (18,742) | (12,500) |) |
| Income tax and social contribution before deductions | 20,466 | 15,962 | 7,560 | |
| Income tax deductions and other adjustments | (785) | (602) | (307) |) |
| Income tax and social contribution expense | 19,681 | 15,360 | 7,253 | |
| Current income tax and social contribution | 21,394 | 16,467 | 6,291 | |
| Deferred income tax and social contribution | (1,713) | (1,107) | 962 |) |

* See note 17, Interest on Capital.

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Analysis of deferred income tax and social contribution

| Temporary differences | 12/31/2011 | | 12/31/2010 | | 12/31/2009 | | |
|--|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|---|
| | Temporary differences | Deferred taxes | Temporary differences | Deferred taxes | Temporary differences | Deferred taxes | |
| Accrued profit sharing | 4,913 | 1,670 | 3,887 | 1,322 | 2,781 | 946 | |
| Provision for warranty claims | 866 | 294 | 146 | 49 | 146 | 49 | |
| Provision for tax and social security risks | 690 | 235 | 443 | 151 | — | — | |
| Provision for collective bargaining | 152 | 52 | 115 | 39 | 63 | 21 | |
| Provision for employee termination | 126 | 43 | 282 | 96 | 220 | 75 | |
| Deferred asset recorded for tax purposes | 285 | 97 | 609 | 207 | 609 | 207 | |
| Other temporary additions | 1,736 | 590 | 414 | 141 | 171 | 58 | |
| Total assets | | 2,981 | | 2,005 | | 1,356 | |
| Incentive depreciation, Law 11774 | (2,106 |) (526 |) (2,279 |) (570 |) (1,256 |) (315 |) |
| Deemed cost of property, plant and equipment | (13,558 |) (4,610 |) (15,681 |) (5,331 |) (17,857 |) (6,071 |) |
| Retirement benefit plan | (441 |) (150 |) (361 |) (123 |) (238 |) (80 |) |
| Total liabilities | | (5,286 |) | (6,024 |) | (6,466 |) |
| Deferred income tax and contribution – net | | 2,305 | | 4,019 | | 5,110 | |

The Company offsets deferred tax assets and deferred tax liabilities because it related to income taxes levied by the same tax authority on the Company. The Company understands such presentation reflects better financial position as a standalone legal entity.

Movement in deferred income tax and social contribution:

| Temporary differences | Balances at 1/1/2009 | Recognized in income for the year | Recognized in other comprehensive income | Balances at 12/31/2009 |
|--|----------------------|-----------------------------------|--|------------------------|
| 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 | (1,395 |) — | 1,356 |
| Incentive depreciation Law 11774 | — | (315 |) — | (315 |
| Cost attributed to property, plant and equipment | (6,816 |) 745 | — | (6,071 |
| Retirement benefit plan | — | 3 | (83 |) (80 |

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| | | | | | |
|------------------------------|--------|-------|-------|----------|---|
| Total recognized in the year | (6,816 |) 433 | (83 |) (6,466 |) |
| | | (962 |) (83 |) | |

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| Temporary differences | Balance at 01/01/2010 | Recognized in profit for the year | Recognized in other comprehensive income | Balance at 12/31/2010 |
|--|--------------------------|---|---|--------------------------|
| Accrued profit sharing | 946 | 376 | — | 1,322 |
| Provision for warranty claims | 49 | — | — | 49 |
| Provision for tax and social security risks | — | 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 | 649 | — | 2,005 |
| Incentive depreciation, Law 11774 | (315 |) (255 |) — | (570 |
| Deemed cost of property, plant and equipment | (6,071 |) 740 | — | (5,331 |
| Retirement benefit plan | (80 |) (27 |) (16 |) (123 |
| | (6,466 |) 458 | (16 |) (6,024 |
| Total recognized in the year | | 1,107 | (16 |) |
| Temporary differences | Balance at 01/01/2011 | Recognized in profit for the year | Recognized in other comprehensive income | Balance at 12/31/2011 |
| Accrued profit sharing | 1,322 | 348 | — | 1,670 |
| Provision for warranty claims | 49 | 245 | — | 294 |
| Provision for tax and social security risks | 151 | 84 | — | 235 |
| Provision for collective bargaining | 39 | 13 | — | 52 |
| Provision for employee termination | 96 | (53 |) — | 43 |
| Deferred asset recorded for tax purposes | 207 | (110 |) — | 97 |
| Other temporary additions | 141 | 449 | — | 590 |
| | 2,005 | 976 | — | 2,981 |
| Incentive depreciation, Law 11774 | (570 |) 44 | — | (526 |
| Deemed cost of property, plant and equipment | (5,331 |) 721 | — | (4,610 |
| Retirement benefit plan | (123 |) (28 |) 1 | (150 |
| | (6,024 |) 737 | 1 | 5,286 |
| Total recognized in the year | | 1,713 | 1 | |

21. FINANCE INCOME (EXPENSES)

Finance income (expenses) for the years ended December 31 are as follows:

| | 2011 | 2010 | 2009 |
|---|--------|----------|----------|
| Finance income | | | |
| Interest on short-term investments | 11,670 | 7,211 | 4,374 |
| Interest received and discounts obtained | 238 | 409 | 168 |
| Discount to present value of trade receivables | 5,165 | 3,662 | 2,380 |
| | 17,073 | 11,282 | 6,922 |
| Finance expenses | | | |
| Interest on borrowings and financing | (4,691 |) (3,572 |) (3,320 |
| Bank expenses | (337 |) (949 |) (760 |
| Discount to present value of trade payables | (1,413 |) (866 |) (476 |
| | (6,441 |) (5,387 |) (4,556 |
| Foreign exchange differences | | | |
| Exchange gains on items classified in liabilities | 4,619 | 3,728 | 8,653 |
| Exchange losses on items classified in assets | (4,023 |) (3,632 |) (4,584 |
| | 596 | 96 | 4,069 |
| Finance income (expenses), net | 11,228 | 5,991 | 6,435 |

Suspensys Sistemas Automotivos Ltda.

Financial Statements
For the Years Ended
December 31, 2011, 2010 and 2009, and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Suspensys Sistemas Automotivos Ltda.
Caxias do Sul, RS

We have audited the accompanying balance sheets of Suspensys Sistemas Automotivos Ltda. (the "Company"), a company incorporated in Brazil, as of December 31, 2011, 2010 and 2009 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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, 2011, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

May 30, 2012

/s/ DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU
Auditores Independentes

SUSPENSYS SISTEMAS AUTOMOTIVOS LTDA.

BALANCE SHEETS AS OF DECEMBER 31, 2011, 2010 AND 2009

(In thousands of Brazilian reais - R\$)

| ASSETS | Note | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|--|---------|----------------|----------------|----------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 4 | 132,773 | 177,575 | 112,087 |
| Trade receivables | 5 | 141,114 | 90,027 | 71,776 |
| Recoverable taxes | 6 | 7,797 | 4,310 | 11,252 |
| Inventories | 7 | 72,272 | 53,292 | 53,217 |
| Amounts due from parent company | 11 | 62 | 369 | 368 |
| Other receivables | | 2,311 | 1,399 | 768 |
| Total current assets | | 356,329 | 326,972 | 249,468 |
| NON-CURRENT ASSETS | | | | |
| Amounts due from related parties | 11 | 52 | 114 | 485 |
| Recoverable taxes | 6 | 1,606 | 1,046 | 2,302 |
| Retirement benefit plan | 21 | 761 | 657 | 435 |
| Other receivables | | 83 | 56 | 58 |
| Property, plant and equipment | 8 | 134,610 | 124,714 | 121,405 |
| Intangible assets | 9 | 14,560 | 6,392 | 769 |
| Total non-current assets | | 151,672 | 132,979 | 125,454 |
| TOTAL ASSETS | | 508,001 | 459,951 | 374,922 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Trade payables | 13 | 52,139 | 35,654 | 48,915 |
| Borrowings and financing | 10 | 49,528 | 15,702 | 11,138 |
| Advances from customers | | 1,048 | 1,404 | 361 |
| Taxes and contributions payable | | 5,096 | 6,622 | 3,183 |
| Salaries payable | | 1,837 | 1,240 | 1,678 |
| Accrued vacation and related charges | | 7,895 | 5,788 | 4,772 |
| Dividends and interest on capital payable | 11 / 16 | 10,321 | 37,022 | 4,174 |
| Employee and management profit sharing | | 8,874 | 7,673 | 4,939 |
| Amounts due to related parties (intragroup loans) | 11 / 13 | 4,942 | — | — |
| Other payables | | 3,196 | 3,315 | 3,422 |
| Total current liabilities | | 144,876 | 114,420 | 82,582 |
| NON-CURRENT LIABILITIES | | | | |
| Borrowings and financing | 10 | 78,104 | 105,985 | 89,360 |
| Provision for tax, social security and labor risks | 12 | 782 | 150 | 141 |
| Contributions payable | | 3,717 | 2,887 | 1,999 |
| Deferred taxes | 19 | 5,650 | 7,116 | 8,605 |
| Other payables | | 81 | 3,728 | 3,242 |
| Total non-current liabilities | | 88,334 | 119,866 | 103,347 |
| SHAREHOLDERS' EQUITY | | | | |
| Capital | 14 | 110,000 | 71,291 | 71,291 |
| Capital reserve | 15 | — | 36,354 | 24,591 |
| Earnings reserve | | 149,329 | 100,709 | 75,046 |
| Retained earnings | | 15,462 | 17,311 | 18,065 |
| Total shareholders' equity | | 274,791 | 225,665 | 188,993 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 508,001 | 459,951 | 374,922 |

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

SUSPENSYS SISTEMAS AUTOMOTIVOS LTDA.
 STATEMENTS OF INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
 (In thousands of Brazilian reais - R\$)

| | Note | 2011 | 2010 | 2009 |
|--|------|------------|------------|------------|
| NET OPERATING REVENUE | 17 | 1,168,437 | 1,011,273 | 643,835 |
| COST OF SALES AND SERVICES | 18 | (957,958) | (839,460) | (539,112) |
| GROSS PROFIT | | 210,479 | 171,813 | 104,723 |
| OPERATING INCOME (EXPENSES) | | | | |
| Selling expenses | 18 | (50,215) | (34,721) | (20,944) |
| General and administrative expenses | 18 | (22,763) | (19,498) | (13,241) |
| Tax incentive - Fundopem | 15 | — | 11,763 | 13,013 |
| Other operating (expenses)/income, net | 18 | (13,107) | (11,190) | (4,686) |
| | | (86,085) | (53,646) | (25,858) |
| OPERATING PROFIT BEFORE FINANCE INCOME (COSTS) | | 124,394 | 118,167 | 78,865 |
| FINANCE INCOME (EXPENSES) | | | | |
| Finance income | 20 | 30,027 | 19,144 | 10,880 |
| Finance expenses | 20 | (14,713) | (12,835) | (7,805) |
| Foreign exchange gains/(loss) | 20 | 639 | (385) | (288) |
| | | 15,953 | 5,924 | 2,787 |
| PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION | | 140,347 | 124,091 | 81,652 |
| INCOME TAX AND SOCIAL CONTRIBUTION | | | | |
| Current | 19 | (42,246) | (32,393) | (16,212) |
| Deferred | 19 | 1,465 | 1,520 | (1,095) |
| NET PROFIT FOR THE YEAR | | 99,566 | 93,218 | 64,345 |

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

SUSPENSY S SISTEMAS AUTOMOTIVOS LTDA.
 STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
 (In thousands of Brazilian reais - R\$)

| | 2011 | 2010 | 2009 |
|---|--------|--------|--------|
| NET PROFIT FOR THE YEAR | 99,566 | 93,218 | 64,345 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| Actuarial gains (losses) on retirement benefit plan | (4) | 92 | 426 |
| Deferred income tax and social contribution on other comprehensive income | 1 | (31) | (145) |
| | (3) | 61 | 281 |
| COMPREHENSIVE INCOME FOR THE YEAR | 99,563 | 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, 2011, 2010 AND 2009
 (In thousands of Brazilian reais - R\$)

| | Note | Capital | Capital reserve Tax incentives reserve | Earnings reserve | Retained 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 | 15 | — | 13,013 | — | (13,013) | — |
| Interest on capital | 16 | — | — | — | (8,635) | (8,635) |
| Dividends on earnings reserve | 16 | — | — | (10,300) | — | (10,300) |
| Disproportionate dividends for Randon | 16 | — | — | (2,183) | (7,657) | (9,840) |
| Dividends paid on profit for the year | 16 | — | — | — | (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 | 15 | — | 11,763 | — | (11,763) | — |
| Interest on capital | 16 | — | — | — | (9,591) | (9,591) |
| Dividends on earnings reserve | 16 | — | — | (9,396) | — | (9,396) |
| Disproportionate dividends for Randon | 16 | — | — | (8,750) | (9,874) | (18,624) |
| Dividends paid on profit for the year | 16 | — | — | — | (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 |
| Net profit for the year | | — | — | — | 99,566 | 99,566 |
| Other comprehensive income | | — | — | — | (3) | (3) |
| Total comprehensive income | | — | — | — | 99,563 | 99,563 |
| Capital increase | 14/15 | 38,709 | (36,354) | (2,355) | — | — |
| Dividends on earnings reserve | 16 | — | — | (13,214) | — | (13,214) |
| Dividends paid on profit for the year | 16 | — | — | — | (25,080) | (25,080) |
| Interest on capital | 16 | — | — | — | (12,143) | (12,143) |
| Earnings reserve | | — | — | 64,189 | (64,189) | — |
| BALANCES AT DECEMBER 31, 2011 | | 110,000 | — | 149,329 | 15,462 | 274,791 |

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, 2011, 2010 AND 2009
 (In thousands of Brazilian reais - R\$)

| | Note | 2011 | 2010 | 2009 |
|--|------|-----------|-----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before income tax and social contribution | | 140,347 | 124,091 | 81,652 |
| Adjustments to reconcile profit before income tax and social contribution to cash generated by operating activities: | | | | |
| Depreciation of property, plant and equipment | 8 | 15,703 | 15,055 | 13,381 |
| Amortization of intangible assets | 9 | 310 | 294 | 284 |
| Gain from sale of property, plant and equipment items | | 146 | 27 | 8 |
| Provisions | | (1,268) |) 927 | (358) |
| Exchanges differences on borrowings and financing | | 1,728 | (139) | (1,755) |
| Interest and charges allocated to borrowings and financing | | 6,782 | 7,239 | 4,653 |
| Changes in assets and liabilities | | | | |
| Increase in trade receivables | | (51,806) | (18,251) | (4,803) |
| Increase in inventories | | (16,526) | (75) | (976) |
| (Increase)/decrease in other receivables | | (4,641) | 7,438 | 5,602 |
| Increase in trade payables | | 16,485 | (13,261) | 27,527 |
| Increase in other payables | | 21 | 4,243 | 2,573 |
| Income tax and social contribution paid | | (39,951) | (29,935) | (11,408) |
| Interest paid on financing | | (7,278) | (6,830) | (4,752) |
| Net cash generated by operating activities | | 60,052 | 90,823 | 111,628 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | 8 | (25,744) | (18,391) | (16,502) |
| Purchase of intangible assets | 9 | (8,478) | (5,917) | (53) |
| Investments | | (29) | — | — |
| Net cash used in investing activities | | (34,251) | (24,308) | (16,555) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Payment of dividends | 16 | (67,165) | (18,144) | (52,877) |
| Payment of interest on capital | 16 | (8,152) | (4,173) | (8,421) |
| Repayment of financing | | (13,928) | (10,214) | (24,443) |
| Borrowings from third-parties | | 18,642 | 31,133 | 69,000 |
| Borrowings from related parties | | — | 371 | 394 |
| Net cash used in financing activities | | (70,603) | (1,027) | (16,347) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | | | |
| Cash and cash equivalents at the beginning of the year | 4 | 177,575 | 112,087 | 33,361 |
| Cash and cash equivalents at the end of the year | 4 | 132,773 | 177,575 | 112,087 |

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, 2011, 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 at Avenida Abramo Randon, 1262, Caxias do Sul, RS, and is a jointly controlled entity of Randon S.A. Implementos e Participações (“Randon”) and Meritor Inc. (“Meritor”). 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, trailer axles, 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, 2011, 2010 and 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

The Company adopted all rules, revision of rules, and interpretations issued by IASB and that are applicable for the year ended on December 31, 2011.

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 issuance on May 28, 2012.

3. SIGNIFICANT 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 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 Critical accounting judgments and key estimates and assumptions

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 and useful lives of property, plant and equipment, the allowance for doubtful debts, impairment of inventories, the realization of deferred taxes, and the provision for labor and social security risks. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates

are revised if the revision affects only that period or also subsequent 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.

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, when applicable.

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.

The allowances for slow-moving or obsolete inventories are recognized when considered necessary by Management.

• Property, plant and equipment

Carried at cost of acquisition, formation or construction, less accumulated depreciation and accumulated impairment losses.

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 8, 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 a property and equipment item 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. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss when the asset is derecognized.

3.7 Impairment of tangible and intangible assets

At the end of each reporting period (or earlier when the need is identified), 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.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, as long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years/periods. A reversal of 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 statement of income, 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.

Income on investments earned on the short-term investment of funds of specific borrowings not yet spent on the qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

3.10 Retirement Benefit Plan

The Company is the sponsor of a defined contribution plan with minimum guaranteed benefits and 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 (in line item 'Retained earnings') according to the available option in paragraph 93A of IAS 19 - Employee Benefits.

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.

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 and cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment.

Financial liabilities measured at amortized cost

Borrowings are initially recognized, 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

A provision is 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 relevant products, at Management's best estimate of the expenditure required to settle the Company's obligation.

3.13 Tax incentive (FUNDOPEM)

Subsidized loans, directly or indirectly provided by the Government, obtained at interest rates lower than market, are treated as government grants, measured at the difference between the amounts raised and the fair value of the borrowing calculated using market interest rates.

3.14 Income tax and social contribution

Current taxes

The provision for income tax and social contribution is based on the taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The provision for income tax and social contribution 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 taxes

Deferred taxes are recognized on temporary differences at the end of each annual reporting period 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 Standards, interpretations and amendments to existing standards effective at December 31, 2011 which did not have a material impact on the Company's financial statements.

| Standard | Main requirements | Effective date |
|------------------------------|---|---|
| Improvements to IFRSs - 2010 | Amendments to several standards. | Effective for annual periods beginning on or after January 1, 2011 |
| Amendments to IFRS 1 | Limited Exemption from Comparative IFRS Disclosures for First-time Adopters | Effective for annual periods beginning on or after July 1, 2010 |
| Amendments to IAS 24 | Related-party disclosures | Effective for annual periods beginning on or after January 1, 2011 |
| Amendments to IFRIC 14 | Prepayments of a minimum funding requirement | Effective for annual periods beginning on or after January 1, 2011 |
| Amendments to IAS 32 | Classification of rights issues | Effective for annual periods beginning on or after February 1, 2010 |
| IFRIC 19 | Extinguishing financial liabilities with equity instruments | Effective for annual periods beginning on or after July 1, 2010 |

3.16 Standards, interpretations and amendments to existing standards not yet effective and which were not early adopted by the Company

The following standards and amendments to existing standards have been issued by the IASB, and are mandatory for annual periods beginning on or after July 1, 2011. The Company is currently evaluating the impact, if any, of the new requirements on its consolidated financial statements resulting from these standards:

| Standard | Main requirements | Effective date |
|-----------------------------|--|--|
| IFRS 9 (as amended in 2010) | Financial instruments | Effective for annual periods beginning on or after January 1, 2015 |
| Amendments to IFRS 1 | Removal of fixed dates for first-time adopters | |

Effective for annual periods beginning on
or after July 1, 2011

Amendments to IFRS 7 Disclosures - transfers of financial assets

Effective for annual periods beginning on
or after July 1, 2011

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| | | |
|--|---|--|
| Amendments to IAS 12 | Deferred taxes - recovery of the underlying assets when an asset is measured using the fair value model in IAS 40 | Effective for annual periods beginning on or after January 1, 2012 |
| IAS 28 (revised in 2011) Investments in Associates and Joint Ventures | Revision of IAS 28 to include the amendments introduced by IFRSs 10, 11 and 12. | Effective for annual periods beginning on or after January 1, 2013 |
| IAS 27 (revised in 2011) Separate Financial Statements | IAS 27 requirements related to consolidated financial statements are replaced by IFRS 10. The requirements for separate financial statements are maintained. Replaces the IAS 27 requirements applicable to consolidated financial statements and SIC 12. | Effective for annual periods beginning on or after January 1, 2013 |
| IFRS 10 Consolidated Financial Statements | IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. | Effective for annual periods beginning on or after January 1, 2013 |
| IFRS 11 Joint Arrangements | Eliminates the proportionate consolidation model for jointly controlled entities and maintains equity method model only. It also eliminates the concept of 'jointly controlled assets' and maintains only 'jointly controlled operations' and 'jointly controlled entities'. Expands the current disclosure requirements | Effective for annual periods beginning on or after January 1, 2013 |
| IFRS 12 Disclosure of Interests in Other Entities | in respect of entities, whether or not consolidated, where the entities have influence. Replaces and consolidates in a single standard all the guidance and requirements in respect of fair value measurement contained in other IFRSs. IFRS 13 defines fair value and provides guidance on how to measure fair value and requirements for disclosure relating to fair value measurement. However, it does not introduce any new requirement or amendment with respect to items to be measured at fair value, which remain as originally issued. | Effective for annual periods beginning on or after January 1, 2013 |
| IFRS 13 Fair Value Measurement | Eliminates the corridor approach and requires recognition of actuarial gains and losses as other comprehensive income for pension plans and other long-term benefits in profit or loss, when earned or incurred, among other changes. | Effective for annual periods beginning on or after January 1, 2013 |
| Amendments to IAS 19 Employee Benefits | | Effective for annual periods beginning on or after January 1, 2013 |
| Amendments to IFRS 7 | Introduces the requirement that information regarding offset financial assets be disclosed. | Effective for annual periods beginning on or after January 1, 2013 |
| Amendments to IAS 32 | Clarifies aspects and requirements regarding the offset of financial assets. | Effective for annual periods beginning on or after January 1, 2014 |
| Amendments to IAS 1 Presentation of Financial Statements | Introduces the requirement that all items recognized in other comprehensive income be separated into and totaled as items that are and items that are not subsequently | Effective for annual periods beginning on or after July 1, 2012 |

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

reclassified to profit or loss.
Clarifies the requirements to account for costs associated to the removal of surface mining waste, including when such stripping costs shall be recognized as an asset, how the asset is initially recognized, and subsequent measurements.

Effective for annual periods beginning on or after January 1, 2013

4. CASH AND CASH EQUIVALENTS

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

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|-------------------------|------------|------------|------------|
| Cash and banks | 2,135 | 1,814 | 14,205 |
| Short-term investments: | | | |
| CDB - 75.00% of CDI | 19,534 | — | — |
| CDB - 99.50% of CDI | — | 5,739 | 8,528 |
| CDB - 100.00% of CDI | 64,456 | 126,971 | 51,151 |
| CDB - 100.50% of CDI | 23,097 | 15,122 | 10,448 |
| CDB - 100.55% of CDI | 8,617 | 12,992 | 27,755 |
| CDB - 100.80% of CDI | 1,078 | — | — |
| CDB - 101.00% of CDI | 5,810 | 3,146 | — |
| CDB - 101.80% of CDI | 1,030 | — | — |
| CDB - 102.50% of CDI | 7,016 | 6,270 | — |
| CDB - 104.00% of CDI | — | 5,521 | — |
| | 130,638 | 175,761 | 97,882 |
| Total | 132,773 | 177,575 | 112,087 |

5. TRADE RECEIVABLES

Trade receivables are as follows:

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|---|------------|------------|------------|
| Trade receivables from third parties — domestic | 121,179 | 75,609 | 64,674 |
| Trade receivables from third parties — foreign | 1,497 | 291 | 651 |
| Trade receivables from related parties — domestic | 15,025 | 11,335 | 3,226 |
| Trade receivables from related parties — foreign | 4,533 | 3,194 | 3,434 |
| | 142,234 | 90,429 | 71,985 |
| Discount to present value | (582) |) (250) |) (209) |
| Allowance for doubtful debts | (538) |) (152) |) — |
| Total | 141,114 | 90,027 | 71,776 |

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 is as follows:

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|------------------------------|------------|------------|------------|
| 1 to 30 days | 28,991 | 12,282 | 7,497 |
| 31 to 60 days | 3,990 | 2,016 | 636 |
| 61 to 90 days | 1,960 | 844 | 1,892 |
| 91 to 180 days | 3,663 | 1,837 | 54 |
| Over 180 days | 2,725 | 33 | 2 |
| Past-due amounts | 41,329 | 17,012 | 10,081 |
| Current amounts | 100,905 | 73,417 | 61,904 |
| Discount to present value | (582) |) (250) |) (209) |
| Allowance for doubtful debts | (538) |) (152) |) — |
| Total | 141,114 | 90,027 | 71,776 |

Movement in the allowance for doubtful debts in the year was as follows:

| | 2011 | 2010 | 2009 |
|--------------------|------|--------|------|
| Opening balance | (152 |) — | — |
| Allowance increase | (386 |) (152 |) — |
| Closing balance | (538 |) (152 |) — |

Movement in the discount to present value of trade receivables in the year was as follows:

| | 2011 | 2010 | 2009 | |
|-----------------|------|--------|--------|---|
| Opening balance | (250 |) (209 |) (288 |) |
| Increase | (332 |) (41 |) 79 |) |
| Closing balance | (582 |) (250 |) (209 |) |

To determine whether or not trade receivables are recoverable, the Company takes into consideration any change in the customer's creditworthiness from the date the credit was originally granted to the end of the reporting period. The credit risk concentration is limited because the customer base is comprehensive and there is no relationship between customers. The Company does not hold any collateral or other credit enhancement over these receivables.

6. RECOVERABLE TAXES

Recoverable taxes are as follows:

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|---|------------|------------|------------|
| Federal VAT (IPI) | 4,402 | 1,217 | 1,526 |
| State VAT (ICMS) | 2,293 | 2,266 | 7,003 |
| Corporate income tax (IRPJ and social contribution on net profit (CSLL) | — | — | 188 |
| ICMS on purchases of property, plant and equipment | 2,374 | 1,319 | 2,905 |
| PIS on purchases of property, plant and equipment | 60 | 99 | 340 |
| COFINS on purchases of property, plant and equipment | 274 | 455 | 1,592 |
| Total | 9,403 | 5,356 | 13,554 |
| Current | 7,797 | 4,310 | 11,252 |
| Non-current | 1,606 | 1,046 | 2,302 |

Recoverable taxes in non-current assets comprise ICMS, PIS and COFINS on purchases of property, plant and equipment for which the realization occurs pursuant to current relevant legislation. Of the ICMS balance, at December 31, 2010 R\$ 950 and R\$ 5,423 at December 31, 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. There are no balances at December 31, 2011.

7. INVENTORIES

Inventories comprise:

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|------------------------------------|------------|------------|------------|
| Finished products | 6,095 | 2,608 | 4,216 |
| Work in process | 17,605 | 21,364 | 18,612 |
| Raw materials | 35,113 | 27,715 | 30,740 |
| Advances to suppliers | 129 | 70 | 31 |
| Allowance for inventory losses (a) | (152 |) (2,606 |) (384 |
| Imports in transit | 13,482 | 4,141 | 2 |
| Total | 72,272 | 53,292 | 53,217 |

(a) The amount of the allowance for inventory losses refers to probable losses arising on the adjustment of inventories to their realizable amounts. Movement in this allowance were as follows:

| | 2011 | 2010 | 2009 |
|-------------------------|--------|----------|--------|
| Opening balance | (2,606 |) (384 |) (296 |
| Increase | — | (2,222 |) (88 |
| Write-down of inventory | 2,454 | — | — |
| Closing balance | (152 |) (2,606 |) (384 |

The cost of inventories recognized as expenses during the year related to continuing operations was R\$ 957,958 (R\$ 839,460 for the year ended December 31, 2010 and R\$ 539,112 for the year ended December 31, 2009).

Management expects that these inventories will be recovered in a period shorter than twelve (12) months.

8. PROPERTY, PLANT AND EQUIPMENT

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|--------------------------|------------|------------|------------|
| Cost | 250,863 | 226,117 | 207,805 |
| Accumulated depreciation | (116,253 |) (101,403 |) (86,400 |
| | 134,610 | 124,714 | 121,405 |

| | Annual depreciation rate (%) | 2011 Cost | Accumulated depreciation | Net | 2010 Net | 2009 Net |
|---|------------------------------|-----------|--------------------------|-----------|----------|----------|
| Land | | 8,071 | — | 8,071 | 8,071 | 8,071 |
| Buildings | 1.44% | 40,095 | (6,282 |) 33,813 | 33,953 | 32,836 |
| Machinery and equipment | 9.9% | 180,594 | (100,119 |) 80,475 | 74,487 | 71,385 |
| Molds and dies | 14.13% | 15,484 | (7,253 |) 8,231 | 5,934 | 6,077 |
| Furniture and fixtures | 9.03% | 1,667 | (760 |) 907 | 765 | 794 |
| Vehicles | 9.29% | 1,308 | (396 |) 912 | 210 | 183 |
| Computer equipment | 24.8% | 2,301 | (1,443 |) 858 | 505 | 401 |
| Advances to suppliers | | 577 | — | 577 | — | 97 |
| Property, plant and equipment in progress | | 766 | — | 766 | 789 | 1,561 |
| Total | | 250,863 | (116,253 |) 134,610 | 124,714 | 121,405 |

a) Movement in cost

| | Balance 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 |
| | Balance 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 |
| 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 |
| | Balance at 01/01/2011 | Additions | Disposals | Transfers | Balance at 12/31/2011 |
| Land | 8,071 | — | — | — | 8,071 |
| Buildings | 39,260 | 835 | — | — | 40,095 |
| Machinery and equipment | 162,587 | 16,868 | (588) |) 1,727 | 180,594 |
| Molds and dies | 11,591 | 4,020 | (127) |) — | 15,484 |
| Furniture and fixtures | 1,414 | 254 | — | (1) |) 1,667 |
| Vehicles | 641 | 526 | (183) |) 324 | 1,308 |
| Computer equipment | 1,764 | 638 | (100) |) (1) |) 2,301 |
| Advances to suppliers | 449 | 1,585 | — | (1,457) |) 577 |
| Property, plant and equipment in progress | 340 | 1,018 | — | (592) |) 766 |
| Total | 226,117 | 25,744 | (998) |) — | 250,863 |

b) Movement in accumulated depreciation

| | Balances at 1/01/2009 | Additions | Disposals | Balances at 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 1/01/2010 | Additions | Disposals | Balances at 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) |

| | Balance at 1/01/2011 | Additions | Disposals | Balance at 12/31/2011 |
|-------------------------|-------------------------|-----------|-----------|--------------------------|
| Buildings | (5,307) | (975) | — | (6,282) |
| Machinery and equipment | (88,100) | (12,586) | 567 | (100,119) |
| Molds and dies | (5,657) | (1,632) | 36 | (7,253) |
| Furniture and fixtures | (649) | (111) | — | (760) |
| Vehicles | (431) | (120) | 155 | (396) |
| Computer equipment | (1,259) | (279) | 95 | (1,443) |
| Total | (101,403) | (15,703) | 853 | (116,253) |

9. INTANGIBLE ASSETS

| | Annual amortization rate | Balance at 01/01/2009 | Additions | Balance at 12/31/2009 | Additions | Balance at 12/31/2010 | Additions | Balance at 12/31/2011 |
|----------------------------------|--------------------------------|--------------------------|-----------|--------------------------|-----------|--------------------------|-----------|--------------------------|
| Software: | | | | | | | | |
| Costs | 15.4 % | 2,392 | 53 | 2,445 | 102 | 2,547 | 180 | 2,727 |
| Accumulated amortization | | (1,392) | (284) | (1,676) | (294) | (1,970) | (310) | (2,280) |
| | | 1,000 | (231) | 769 | (192) | 577 | (130) | 447 |
| Intangible assets in progress | | — | — | — | 5,815 | 5,815 | 8,298 | 14,113 |
| | | 1,000 | (231) | 769 | 5,623 | 6,392 | 8,168 | 14,560 |

Intangible assets refer to software licenses and other expenses on the implementation of the Company's new integrated management system (ERP), which was rolled-out in January 2012.

10. BORROWINGS AND FINANCING

Financing obtained was used to fund the construction of the Company's manufacturing facilities, develop quality processes, finance exports and imports, and finance machinery imports. 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 | Grace period | Payment frequency | Final maturity | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|---------------------------|------------------------------------|---------------------|----------------------|-------------------|------------|------------|------------|
| Financing | | | | | | | |
| BNDES – subloan A/C | U.S. dollar (forex)+ 2.5% p.a. | | Monthly | April/13 | 396 | 616 | 920 |
| BNDES – subloan A/B | URTJLP + 4,5% p.a. | | Monthly | — | — | — | 7,724 |
| BNDES – subloan B | URTJLP + 3% p.a. | | Monthly | April/13 | 4,003 | 7,005 | 10,007 |
| BNDES – subloan C | UMBND + 4,5% p.a. | | Monthly | — | — | — | 509 |
| BNDES – subloan D | URTJLP + 2.5% p.a. | | Monthly | April/13 | 243 | 425 | 607 |
| BNDES – USD subloan | U.S. dollar (forex)+ 1.95% p.a. | | Monthly | July/17 | 4,206 | 4,396 | — |
| BNDES – BCDEF subloan | URTJLP + 4.5% p.a. | | Monthly | July/17 | 36,037 | 43,501 | 30,801 |
| BRADESCO – FINEP | TJLP + 0.50 p.a. | | Monthly | Sept./14 | 6,890 | 9,453 | 12,018 |
| BRADESCO – FINEP | 5% p.a. | | Monthly | Dec/18 | 11,607 | 3,859 | — |
| BRADESCO – EXIM | TJLP + 5% p.a. | 36 months | Bullet payment | Aug./12 | 33,313 | 33,260 | 33,208 |
| BANCO DO BRASIL – EXIM | Spread 3% + 4.5% p.a. | 36 months | Bullet payment | June/13 | 9,399 | 9,384 | — |
| FUNDOPEM – ICMS | IPCA +3% p.a. | 54 months (a) | Monthly (a) | Aug./23 | 21,538 | 9,237 | 3,367 |

Financing of imported machinery

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| | | | | | | |
|-------------------------|----------------------------------|-----------|----------|---|---------|---------|
| FININP - Banco Bradesco | U.S. dollar (forex) + 7.38% p.a. | Quarterly | Dec/11 | — | 551 | 1,155 |
| FININP – ABN | YEN (forex) + 2.9% p.a. | Quarterly | April/10 | — | — | 182 |
| Total | | | | | 127,632 | 121,687 |
| Current | | | | | 49,528 | 15,702 |
| Non-current | | | | | 78,104 | 105,985 |
| | | | | | | 89,360 |

TJLP – Long-term Interest Rate

URTJLP – Long-term interest rate benchmark unit

IPCA – Extended Consumer Price Index

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

| Maturity | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|---------------------|------------|------------|------------|
| 2011 | — | — | 11,895 |
| 2012 | — | 47,540 | 45,462 |
| 2013 | 22,175 | 23,523 | 11,265 |
| 2014 | 10,877 | 11,745 | 8,543 |
| 2015 | 9,408 | 10,321 | 6,843 |
| 2016 and thereafter | 35,644 | 12,856 | 5,352 |
| Total | 78,104 | 105,985 | 89,360 |

Financing from BNDES, Banco do Brasil and Bradesco are collateralized by bonds and a letter of guarantee of quotaholder Randon S.A. Implementos e Participações.

(a) 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 on a monthly basis and is conditioned to the generation of direct and indirect jobs, investments made, 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 levy at the effective rates of 3.00% per year or 0.246627% per month, plus adjustment for inflation calculated based on the monthly fluctuation of the IPCA/IBGE (consumer price index) 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, and disbursements for Company use totaled 1,946,307.15 FUNDOPEM-RS incentive units (equivalent to R\$31,003 at December 31, 2011). Up to December 31, 2011, the Company utilized 1,218,310.11 FUNDOPEM-RS incentive units (equivalent to R\$ 19,406 at December 31, 2011). The benefit has a grace period of 54 months and settlement is scheduled in 96 months after the end of the grace period, ending May 21, 2019.

11. RELATED-PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

| Balance sheet | Randon companies (*) | | | Meritor companies(**) | | | Total | | |
|--|----------------------|---------|---------|-----------------------|---------|---------|---------|---------|---------|
| | 12/2011 | 12/2010 | 12/2009 | 12/2011 | 12/2010 | 12/2009 | 12/2011 | 12/2010 | 12/2009 |
| Trade receivables | 7,932 | 3,385 | 2,522 | 11,626 | 11,144 | 4,138 | 19,558 | 14,529 | 6,660 |
| Short-term receivables | 62 | 369 | 368 | — | — | — | 62 | 369 | 368 |
| Long-term receivables | 52 | 114 | 485 | — | — | — | 52 | 114 | 485 |
| Commissions payable (other payables) | — | — | — | — | — | 511 | — | — | 511 |
| Trade payables | 2,890 | 2,033 | 6,579 | — | — | 5 | 2,890 | 2,033 | 6,584 |
| Dividends and interest on capital payable | 7,850 | 28,158 | 3,175 | 2,471 | 8,864 | 999 | 10,321 | 37,022 | 4,174 |
| Income statement for the year | 2011 | 2010 | 2009 | 2011 | 2010 | 2009 | 2011 | 2010 | 2009 |
| Sales of products and services | 245,198 | 203,214 | 138,637 | 128,103 | 83,854 | 13,999 | 373,301 | 287,068 | 152,636 |

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| | | | | | | | | | |
|-------------------------------------|---------|--------|--------|---|---|---|---------|--------|--------|
| Purchases of products and services | 140,829 | 99,820 | 51,400 | — | — | — | 140,829 | 99,820 | 51,400 |
| Purchases with ICMS credits | 1,107 | 5,304 | 3,035 | — | — | — | 1,107 | 5,304 | 3,035 |
| Finance expenses | 503 | 344 | 308 | — | — | — | 503 | 344 | 308 |
| General and administrative expenses | 11,581 | 10,103 | 5,078 | — | — | — | 11,581 | 10,103 | 5,078 |

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(*) Includes: Randon S.A. Implementos e Participações, Fras-Le S.A., Fras-Le Argentina S.A., Jost Brasil Sistemas Automotivos Ltda., Randon Implementos para o Transporte, Randon Argentina, Castertech Fundação e Tecnologia Ltda., Master Sistemas Automotivos Ltda., Randon North America, Randon Adm. Consórcio, Randon Middle East, Randon Automotive Pty, Randon Investimentos, Randon Maghreb, Randon Brantech, Banco Randon, Fras Le Europe, Fras Le Mexico, Fras Le Andima, Fras Le North America, Fras Le Friction Mat. Pinghu, and Fras Le Africa Automotive.

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

Suspensys is the co-guarantor of vendor financing contracts, limited to R\$ 20,000 for transactions conducted between Company customers and Banco Randon. As at December 31, 2011, there is no balance regarding these transactions.

Amounts due from and to Randon S.A. Implementos e Participações bear interest equivalent to DI-extra, a rate released by the Brazilian Association of Financial and Capital Markets Entities, or Anbima.

General and administrative expenses refer to the apportionment of corporate costs and administrative assistance services incurred by 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.

Management compensation

Management compensation for the year ended December 31 is distributed as follows: nominal salary of R\$ 1,324 in 2011 (R\$ 1,068 in 2010 and R\$ 910 in 2009) and profit sharing of R\$ 1,536 in 2011 (R\$ 959 in 2010 and R\$ 1,164 in 2009).

Borrowings from officers and managers are disclosed in line item ‘Amounts due to related parties’ and total R\$ 4,942 at December 31, 2011 (R\$ 3,707 at December 31, 2010 and R\$ 3,379 at December 31, 2009). These balances are adjusted using the rate DI-extra, as released by the Brazilian Association of Financial and Capital Markets Entities, or Anbima. Related borrowing costs for the year, as disclosed in the statement of income, totaled R\$ 503 in 2011, R\$ 344 in 2010 and R\$ 301 in 2009.

12. PROVISION FOR TAX, SOCIAL SECURITY AND LABOR RISKS

The Company has challenged, through its legal counsel, labor lawsuits and civil and tax proceedings at the administrative and judicial levels. Based on the opinion of its legal counsel, the Company recognized a provision of R\$ 782 to cover probable losses that might result from the outcome of these lawsuits.

The position of contingent liabilities at December 31, 2011 is as follows:

| Nature of contingent liability | Likelihood of loss | |
|--------------------------------|--------------------|----------|
| | Probable | Possible |
| Tax | — | 13,910 |
| Labor | 782 | 360 |
| Social security | — | 4,682 |
| Total | 782 | 18,952 |

Movement in provision:

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| Nature of provision | 12/31/2009 | Increase in provision | 12/31/2010 | Increase in provision | 12/31/2011 |
|---------------------|------------|-----------------------|------------|-----------------------|------------|
| Labor | 141 | 9 | 150 | 632 | 782 |
| Total | 141 | 9 | 150 | 632 | 782 |

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 provision was recorded since they were classified as possible likelihood of loss, as follows:

Tax

State VAT (ICMS) – the Company received a tax assessment notice from the Rio Grande do Sul Department of Finance in the original amount of R\$ 7,801 for alleged irregularity in the calculation of the ICMS relief 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 a) authorities. The amount of the matter under litigation was reduced in 2008, due to the judgment of the annulment action filed by the Company, and a new amount of R\$ 2,277 was attributed, including fine and interest. On December 10, 2010, the tax authority converted the tax assessment penalty, initially typified as basic, equivalent to 60%, into a qualified penalty at the percentage of 120%, thus generating a supplementary tax assessment of R\$ 415, totaling R\$ 2,693. The Company filed an objection against said tax assessment notice on a timely basis.

The Company was assessed in the inflation adjusted amount of R\$ 7,678, for an alleged import duties (II) and b) Federal VAT (IPI) debt, for alleged noncompliance with award acts provided for by the Drawback special regime. Awaiting expert evidence.

Disallowance of ICMS presumed credit on purchase of steel - refers to assessment notices issued by the Rio Grande c) do Sul State Department of Finance totaling R\$ 3,539, through which this tax authority confirmed the award of the tax benefit in an amount higher than permitted by the law.

Labor

Several labor lawsuits mostly consisting of compensation claims.

Social security

The Company received INSS assessment notices for alleged nonpayment of social security taxes on profit sharing, against which the Company filed objections currently being at the judgment stage at the Federal Revenue Service, assessed as possible losses. The inflation adjusted amount under litigation of these assessments totals R\$ 4,682.

13. FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial assets and liabilities were determined based on available market information and appropriate valuation techniques. 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, all measured at the amortized cost, included in the balance sheet are identified below:

| Description | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|---------------------------|------------|------------|------------|
| Cash equivalents | 132,773 | 177,575 | 112,087 |
| Trade receivables | 141,114 | 90,027 | 71,776 |
| Borrowings and financing: | | | |
| In local currency | 123,031 | 116,124 | 93,137 |

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| | | | |
|---|-------|-------|-------|
| In foreign currency | 4,602 | 5,563 | 7,361 |
| Amounts due to related parties (intragroup loans) | 4,942 | 3,707 | 3,379 |

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Financial instruments that are recognized in the financial statements at their amortized cost are substantially similar to the amounts 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 cost of financial instruments approximates fair value, so the disclosure of levels 1, 2 and 3 are not applicable.

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
- v. liquidity 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. If considered necessary, the instruments used are conservative and previously approved by the same committee. For the years ended December 31, 2011, 2010 and 2009, the Company did not enter into any transactions involving derivative financial instruments.

a. Credit risk

Credit risk arises from the possibility of a counterparty not fulfilling its obligation, which would cause financial loss. In the course of its operations, the Company is exposed to the credit risk as a result of its operating activities, arising mainly on trade receivables.

The Company's sales policies are contingent on the credit policies defined by Management and are intended to minimize possible 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). A customer's creditworthiness is assessed based on an internal credit rating system. Outstanding trade receivables are frequently monitored. The need for an allowance for impairment losses is analyzed at the end of each reporting period on an individual basis, for the major customers. Additionally, receivables lower than the allowance are collectively tested.

Sales concentration

In the year ended December 31, 2011, three customers individually accounted for more than 10% of sales, with shares of 26.10% (25.68% in 2010 and 35.77% in 2009), 20.56% (19.44% in 2010 and 21.15% in 2009) and 10.68% (7.19% in 2010 and 0.91% in 2009) of net revenue each, equivalent to R\$ 304,924 (R\$ 259,718 in 2010 and R\$ 230,309 in 2009), R\$ 240,180 (R\$ 196,618 in 2009 and R\$ 136,156 in 2009) and R\$ 124,732 (R\$ 72,704 in 2010 and R\$ 5,878 in 2009). These last two amounts refer to related parties. Other Company sales in the domestic and foreign markets are diluted and there is no sales concentration in a percentage above 10% for any other customer.

b. Foreign exchange rate risk

The Company's results are exposed to significant fluctuations due to the effects of the exchange rate volatility on assets and liabilities denominated in foreign currencies, mainly the US dollar, which closed the year with a positive fluctuation of 12.58% (negative fluctuation of 4.31% in 2010, 25.49% in 2009).

The Company is exposed to the currency risk (foreign exchange risk) on sales, purchases and borrowings that are denominated in a currency other than the Company's functional currency, the Brazilian real.

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

| | 12/31/2011 | 12/31/2010 | 12/31/2009 |
|--------------------------------|------------|------------|------------|
| A. Financing | (4,602 |)(5,563 |)(7,361 |
| B. Trade and other receivables | 6,030 | 7,993 | 4,527 |
| C. Net exposure (A+B) | 1,428 | 2,430 | (2,834 |

A possible depreciation of the real against the US dollar by approximately 2% at December 31, 2011, would decrease profits by R\$ 29 (R\$ 49 in 2010 and R\$ 57 in 2009). This analysis is based on the fluctuation of the foreign currency that the Company took into consideration for its strategic planning. The analysis assumes that all other variables, especially interest rates, remain constant.

Any appreciation of the real against the US dollar would have the opposite effect, assuming that all other variables would remain constant.

c. Interest rate risk

The Company's result is exposed to significant fluctuations 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.

A 1% increase in annual interest rates would have increased the Company's borrowings and financing balance by R\$ 1,276 at December 31, 2011 (R\$ 1,217 at December 31, 2010 and R\$ 1,005 at December 31, 2009). This analysis assumes that all other variables that could impact this carrying amount remain constant. Any decrease in the interest rates by the same percentage would have the opposite effect, assuming that all other variables would remain constant.

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. The Company has not contracted any financial instruments to hedge against fluctuations in its raw materials' prices.

e. Liquidity risk

The table below details the remaining contractual maturity of the Company's liabilities and the contractual amortization periods. The table was prepared using the undiscounted cash flows of the financial liabilities based on the nearest date on which the Company can be required to make the related payment. The table includes interest and principal cash flows. As the interest flows refer to floating rates, the undiscounted value was obtained based on the interest curves at the end of the reporting period. Contractual maturity is based on the first date the Company can be

required to pay the related obligations.

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| Description | 12/31/2011 | | | | | Total |
|---|---------------|--------------------|-------------------------|-------------------|--------------|---------|
| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | |
| Trade payables | 51,854 | 277 | 7 | 1 | — | 52,139 |
| Borrowings and financing | 1,181 | 4,752 | 43,595 | 60,621 | 17,483 | 127,632 |
| Interest to be incurred on borrowings and financing | 413 | 1,609 | 3,734 | 9,341 | 1,318 | 16,415 |
| Intragroup loans | 4,942 | — | — | — | — | 4,942 |
| Dividends and interest on capital | — | — | 10,321 | — | — | 10,321 |

14. CAPITAL

Subscribed capital is represented by 100,000 quotas in the total amount of R\$ 110,000 (R\$ 71,291 in 2010 and 2009), held as follows:

| Shareholder | Shares | R\$ | % |
|---|---------|---------|--------|
| Master Sistemas Automotivos Ltda. | 53,177 | 58,495 | 53.177 |
| Meritor Heavy Vehicle Systems, LLC. | 23,942 | 26,336 | 23.942 |
| Randon S.A. Implementos e Participações | 22,881 | 25,169 | 22.881 |
| Total | 100,000 | 110,000 | 100 |

On August 1, 2011, the Company's shareholders approved the 1st amendment to the Articles of Organization which increases capital to R\$ 110,000 (without the issuance of new shares), by capitalizing R\$ 36,354 from the tax incentives reserve and R\$ 2,355 from the earnings reserve.

15. TAX INCENTIVE RESERVES

Represented tax incentives received in 2010 (up to October 2010) and 2009, respectively, in the amounts of R\$ 11,763 and R\$ 13,013, under the FUNDOPEM/NOSSO EMPREGO program.

The amount of R\$ 36,354 recognized in equity at December 31, 2010 refers to tax incentives obtained through October 2010 under the FUNDOPEM/NOSSO EMPREGO program. This ICMS relief benefit granted to the Company was calculated monthly and was contingent to the generation of direct and indirect jobs in the State of Rio Grande do Sul. The tax incentives received were recognized in profit for the year as they were received and allocated to a special account of equity. The benefit was discontinued in October 2010. On August 1, 2011, the Company's shareholders decided to use this reserve to increase the Company's capital as mentioned in note 14.

16. DIVIDENDS AND INTEREST ON CAPITAL

Dividends

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).

The Shareholders' Meeting held on April 15, 2011 approved the dividend distribution proposal and interest on capital and dividends for the year ended December 31, 2010 totaling R\$ 51,675 were paid on May 30, 2011, as follows:

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| | |
|---|-----------|
| Interest on capital accrued at 12/31/2010: | R\$9,591 |
| Minimum dividends prescribed by Company bylaws accrued at 12/31/2010: | R\$28,870 |
| Supplementary dividends: | R\$13,214 |
| Total | R\$51,675 |

The shareholders' meeting held on August 19, 2011 approved the early distribution of dividends, based on retained earnings through June 30, 2011, totaling R\$ 25,080, paid on September 15, 2011.

Interest on capital

The Company recorded for the year ended December 31, 2011 interest on capital of R\$ 12,143 (R\$ 9,591 for the year ended December 31, 2010 and R\$ 8,635 for the year ended December 31, 2009), using as a basis the TJLP for the period January-December of each year, applied to equity, considering the higher of 50% of the profit for the year before income tax or 50% of the retained earnings.

As provided for by the tax law, the amount recognized 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\$ 4,131 (R\$ 3,261 for the year ended December 31, 2010 and 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 disclosed as a reduction of retained earnings in equity, and the tax benefit as a reduction of expenses on current income tax and social contribution.

17. NET OPERATING REVENUE

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

| | 2011 | 2010 | 2009 |
|---|------------|------------|------------|
| Gross revenue for tax purposes | 1,557,378 | 1,331,628 | 863,207 |
| Less: | | | |
| Taxes on sales | (360,297) | (303,666) | (200,475) |
| Sales returns | (17,177) | (8,770) | (13,263) |
| Discount to present value on installment sales | (11,467) | (7,919) | (5,634) |
| Net revenue recognized in the statement of income | 1,168,437 | 1,011,273 | 643,835 |

18. EXPENSES BY NATURE

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

| | 2011 | 2010 | 2009 |
|---------------------------------------|-----------|---------|---------|
| Raw materials and auxiliary materials | 819,847 | 714,656 | 447,922 |
| Depreciation and amortization | 16,013 | 15,349 | 13,665 |
| Personnel | 102,782 | 69,763 | 50,449 |
| Production freight | 5,402 | 4,383 | 2,855 |
| Freight on sales | 33,300 | 23,347 | 12,904 |
| Costs of outside services | 28,120 | 23,030 | 15,550 |
| Repairs | 15,504 | 15,495 | 10,863 |
| Rentals | 5,780 | 5,494 | 3,458 |
| Electric power | 4,707 | 4,014 | 2,525 |
| Other expenses | 12,588 | 29,338 | 17,792 |
| Total | 1,044,043 | 904,869 | 577,983 |

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

| | 2011 | 2010 | 2009 |
|-------------------------------------|-----------|---------|---------|
| Cost of sales and services | 957,958 | 839,460 | 539,112 |
| Selling expenses | 50,215 | 34,721 | 20,944 |
| General and administrative expenses | 22,763 | 19,498 | 13,241 |
| Other operating expenses, net | 13,107 | 11,190 | 4,686 |
| Total | 1,044,043 | 904,869 | 577,983 |

19. INCOME TAX AND SOCIAL CONTRIBUTION

Income tax and social contribution expense

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

| | 2011 | 2010 | 2009 |
|--|---------|------------|------------|
| Profit before income tax and social contribution | 140,347 | 124,091 | 81,652 |
| Applicable rate | 34 | % 34 | % 34 |
| Income tax and social contribution at nominal rates | 47,718 | 42,191 | 27,762 |
| Effect of taxes on: | | | |
| Interest on capital expense (*) | (4,131) |) (3,261) |) (2,936) |
| Industrial development program | (2,225) |) (3,264) |) (2,529) |
| Tax incentive – Fundopem | — |) (4,000) |) (4,424) |
| Other | 768 |) 310 |) (136) |
| | (5,588) |) (10,215) |) (10,025) |
| Income tax and social contribution before deductions | 42,130 | 31,976 | 17,737 |
| Income tax deductions and other adjustments | (1,349) |) (1,103) |) (430) |
| Income tax and social contribution expense | 40,781 | 30,873 | 17,307 |
| Current income tax and social contribution | 42,246 | 32,393 | 16,212 |
| Deferred income tax and social contribution | (1,465) |) (1,520) |) 1,095 |

* See note 16, Interest on Capital

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Analysis of deferred income tax and social contribution

| | 12/31/2011 | | 12/31/2010 | | 12/31/2009 | |
|--|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|
| Temporary differences | Temporary differences | Deferred taxes | Temporary differences | Deferred taxes | Temporary differences | Deferred taxes |
| Accrued profit sharing: | | | | | | |
| - Employees | 3,397 | 1,155 | 2,988 | 1,016 | 2,384 | 811 |
| - Directors | 1,794 | 161 | 1,680 | 151 | 939 | 85 |
| - Officers | 3,683 | 1,252 | 3,005 | 1,022 | 1,784 | 606 |
| Provision for labor risks | 782 | 266 | 150 | 51 | 136 | 46 |
| Provision for warranty claims | 1,885 | 641 | 2,135 | 726 | 1,689 | 574 |
| Provision for employee termination | 274 | 93 | 203 | 69 | 152 | 52 |
| Deferred asset recorded for tax purposes | 471 | 160 | 1,222 | 422 | 2,201 | 422 |
| Other temporary additions | 2,180 | 742 | 3,133 | 1,066 | 1,211 | 412 |
| Total assets | | 4,470 | | 4,523 | | 3,008 |
| Incentive depreciation, Law 11774 | (8,306) | (2,076) | (10,720) | (2,680) | (6,491) | (1,623) |
| Deemed cost of property, plant and equipment | (22,914) | (7,791) | (25,712) | (8,742) | (28,964) | (9,848) |
| Retirement benefit plan | (743) | (253) | (639) | (217) | (417) | (142) |
| Total liabilities | | (10,120) | | (11,639) | | (11,613) |
| Deferred income tax and contribution – net | | 5,650 | | 7,116 | | 8,605 |

Movement in deferred income tax and social contribution

| Temporary differences | Balances at 1/1/2011 | Recognized in profit for the year | Recognized in other comprehensive income | Balances at 12/31/2011 |
|--|-------------------------|---|---|---------------------------|
| Accrued profit sharing: | | | | |
| - Employees | 1,016 | 139 | — | 1,155 |
| - Directors | 151 | 10 | — | 161 |
| - Officers | 1,022 | 230 | — | 1,252 |
| Provision for tax, social security and labor risks | 51 | 215 | — | 266 |
| Provision for warranty claims | 726 | (85) |) — | 641 |
| Provision for employee termination | 69 | 24 | — | 93 |
| Deferred asset recorded for tax purposes | 422 | (262) |) — | 160 |
| Other temporary additions | 1,066 | (324) |) — | 742 |
| | 4,523 | (53) |) — | 4,470 |
| Incentive depreciation, Law 11774 | (2,680) |) 604 | — | (2,076) |
| Deemed cost of property, plant and equipment | (8,742) |) 951 | — | (7,791) |
| Retirement benefit plan | (217) |) (37) |) 1 | (253) |
| | (11,639) |) 1,518 | 1 | (10,120) |
| Total recognized in the year | | 1,465 | 1 | |

| Temporary differences | Balances at 1/1/2010 | Recognized in profit for the year | Recognized in other comprehensive income | Balances at 12/31/2010 |
|--|-------------------------|---|---|---------------------------|
| Accrued profit sharing: | | | | |
| - Employees | 811 | 205 | — | 1,016 |
| - Directors | 85 | 66 | — | 151 |
| - Officers | 606 | 416 | — | 1,022 |
| Provision for tax, social security and labor risks | 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 | 1,515 | | 4,523 |
| Incentive depreciation, Law 11774 | (1,623) |) (1,057) |) — | (2,680) |
| Deemed cost of property, plant and equipment | (9,848) |) 1,106 | — | (8,742) |
| Retirement benefit plan | (142) |) (44) |) (31) | (217) |
| | (11,613) |) 5 | (31) | (11,639) |
| Total recognized in the year | | 1,520 | (31) | |

| Temporary differences | Balances at 01/01/2009 | Recognized in profit for the year | Recognized in other comprehensive income | Balances at 12/31/2009 |
|--|---------------------------|---|---|---------------------------|
| 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 | (642 |) — | 3,008 |
| Incentive depreciation Law 11774 | — | (1,623 |) | (1,623 |
| Cost attributed to property, plant and equipment | (11,015 |) 1,167 | — | (9,848 |
| Retirement benefit plan | — | 3 | (145 |) (142 |
| | (11,015 |) (453 |) (145 |) (11,613 |
| Total recognized in the year | | (1,095 |) (145 |) |

The Company offsets deferred tax assets and deferred tax liabilities because it related to income taxes levied by the same tax authority on the Company. The Company understands such presentation reflects better financial position as a standalone legal entity.

20. FINANCE INCOME (EXPENSES)

Net finance income (expenses) for the years ended December 31 are as follows:

| | 2011 | 2010 | 2009 |
|--|---------|-----------|----------|
| Finance income | | | |
| Interest on short-term investments | 18,337 | 10,982 | 5,010 |
| Interest received and discounts obtained | 555 | 243 | 157 |
| Discount to present value of trade receivables | 11,135 | 7,919 | 5,713 |
| | 30,027 | 19,144 | 10,880 |
| Finance expenses | | | |
| Interest on borrowings and financing | (8,820 |) (8,340 |) (5,491 |
| Bank expenses | (129 |) (171 |) (124 |
| Other | (586 |) (253 |) (218 |
| Discount to present value of trade payables | (5,178 |) (4,071 |) (2,507 |
| | (14,713 |) (12,835 |) (8,340 |
| Less: Borrowing costs capitalized to qualifying assets | — | — | 535 |
| Expense recognized in the income statement | (14,713 |) (12,835 |) (7,805 |
| Foreign exchange differences | | | |
| Exchange gains | 3,417 | 2,652 | 2,828 |
| Exchange losses | (2,778 |) (3,037 |) (3,116 |
| | 639 | (385 |) (288 |
| Finance income (expenses), net | 15,953 | 5,924 | 2,787 |

21. 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, 2011, using the projected unit credit method and the determined balance of R\$ 761 at December 31, 2011 (R\$ 657 at December 31, 2010 and R\$ 435 at December 31, 2009), corresponding to the Company's benefit, is recorded in non-current assets.

(2) Financial Statement Schedule for the years ended September 30, 2011, 2010 and 2009. The following schedule was filed as part of the Annual Report filed with the SEC on November 23, 2011:

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 Meritor, filed as Exhibit 4.01 to Meritor's Registration Statement on Form S-4, as amended (Registration Statement No. 333-36448) ("Form S-4"), is incorporated by reference.
- 3-a-1 Articles of Amendment of Restated Articles of Incorporation of the Company filed as Exhibit 3-a-1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 3, 2011, in incorporated by reference.
- 3-b By-laws of Meritor, filed as Exhibit 3 to Meritor'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 Meritor 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 Meritor 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 Meritor'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 Meritor 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 Meritor'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 Meritor 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 Meritor'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 Meritor 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

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Second Supplemental Indenture, dated as of July 7, 2000, to the Indenture dated as of July 3, 1990, between Meritor 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 Meritor 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 Meritor 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 Meritor'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.

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- 4-d-1 First Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of March 7, 2006, between Meritor and The Bank of New York Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Company), as trustee (including Subsidiary 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.
- 4-e Indenture, dated as of February 8, 2007, between Meritor 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 Meritor'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 Meritor, Meritor 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 Meritor, 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 Meritor, 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 Meritor, 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 Meritor, 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 Meritor, 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 Meritor, AFI, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10a to Meritor'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 Meritor'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.

*10-b-4 Form of Performance Share Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-b to Meritor'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 Meritor's Current Report on Form 8-K, dated December 9, 2008 (File No. 1-15983), is incorporated herein by reference.

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- Description of Performance Goals for fiscal year 2012 established in connection with Cash Performance Plans under Long Term Incentive Plans, filed as Exhibit 10-b-6 to Meritor's 2011 Form 10-K for the fiscal year ended October 2, 2011, is incorporated herein by reference.
- *10-b-6
- Description of Annual Incentive Goals established for fiscal year 2012 under the Incentive Compensation Plan, filed as Exhibit 10-b-7 to Meritor's 2011 Form 10-K for the fiscal year ended October 2, 2011, is incorporated herein by reference.
- *10-b-7
- 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-b-7a
- 2007 Long-Term Incentive Plan, as amended, filed as Exhibit 10-a to Meritor'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
- Form of Restricted Stock Agreement under the 2007 Long-Term Incentive Plan, filed as Exhibit 10-c-1 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 is incorporated herein by reference.
- *10-c-1
- Description of Compensation of Non-Employee Directors, filed as Exhibit 10-d to Meritor's 2011 Form 10-K for the fiscal year ended October 2, 2011, is incorporated herein by reference.
- *10-d
- 2004 Directors Stock Plan, filed as Exhibit 10-a to Meritor'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
- Form of Restricted Share Unit Agreement under the 2004 Directors Stock Plan, filed as Exhibit 10-c-3 to Meritor'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-1
- Form of Restricted Stock Agreement under the 2004 Directors Stock Plan, filed as Exhibit 10-c-4 to Meritor'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-2
- Option Agreement under the 2007 Long-Term Incentive Plan between Meritor and Charles G. McClure filed as Exhibit 10-c to Meritor's Quarterly report on Form 10-Q for the quarterly period ended June 30, 2008 is incorporated herein by reference.
- *10-e-3
- Restricted Stock Agreement under the 2007 Long-term Incentive Plan between Meritor and Charles G. McClure filed as Exhibit 10-d to Meritor's Quarterly Report on form 10-Q for the quarterly period ended June 30, 2008 is incorporated herein by reference.
- *10-e-4
- Letter Agreement, dated January 15, 2011, with former executive officer filed as Exhibit 10 to Meritor's Report on Form 8-K dated and filed August 5, 2011, is incorporated herein by reference.
- *10-e-5
- Form of Restricted Stock Unit Agreement for Employees under 2010 Long-Term Incentive Plan filed as Exhibit 10.2 to Meritor'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 10.3 to Meritor's Report on Form 10-Q for the fiscal quarter ended January 3, 2009 is incorporated
- *10-e-7

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 Meritor's Report on Form 10-Q for the fiscal quarter ended January 3, 2009 is incorporated herein by reference.
- *10-e-9 2010 Long-Term Incentive Plan, as amended and restated as of January 20, 2011, filed as Exhibit 10.d to Meritor's Report on Form 10-Q for the fiscal quarter ended January 2, 2011 is incorporated herein by reference.
- *10-f Incentive Compensation Plan, as amended and restated, filed as Exhibit 10.6 to Meritor'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 Meritor'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 Meritor, 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.

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- *10-i 1998 Stock Benefit Plan, as amended, filed as Exhibit (d)(2) to Meritor'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 Meritor'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 Meritor Receivables Corporation, Meritor, 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 Meritor'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 Meritor Receivables Corporation, Meritor, 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 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 Meritor Receivables Corporation and Meritor Heavy Vehicle Braking Systems (U.S.A.), Inc. and Meritor Heavy Vehicle Systems LLC, filed as exhibit 10b to Meritor's Current Report on Form 8-K, dated September 8, 2009 and filed on September 10, 2009, is incorporated herein by reference.
- 10-m-m Second Amendment dated as of October 29, 2010 to Loan Agreement dated as of September 8, 2009, as amended, by and among Meritor, Inc., Meritor Receivables Corporation, the Lenders from time to time party thereto and, Ally Commercial Finance LLC (formerly, 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-1 Third Amendment dated as of February 24, 2011 to Loan and Security Agreement among ArvinMeritor Receivables Corporation, the Company, the lenders from time to time a party thereto and Ally Commercial Finance LLC (formerly, GMAC Commercial Finance LLC), as agent and lender filed as exhibit 10 to Meritor's Form 10-Q for the quarter ended April 3, 2011 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 Meritor 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-m-3 Amendment dated as of June 28, 2011 to Receivables Purchase Agreement dated as of October 29, 2010, by and among Meritor Heavy Vehicle Braking Systems (USA), Inc., Meritor Heavy Vehicle Systems, LLC and Meritor Aftermarket USA, LLC (formerly known as ArvinMeritor Mascot, LLC) as sellers, Viking Asset Purchaser No 7 IC, an incorporated cell of Viking Global Finance ICC, an incorporated cell company incorporated under the laws of Jersey, as purchaser, and Citicorp Trustee Company Limited, as programme trustee filed as exhibit 10-a to Meritor's Form 10-Q for the quarter ended July 3, 2011 is incorporated herein by reference.

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10-m-4 Receivables Purchase Agreement dated as of June 28, 2011, by and among Meritor HVS A.B., as seller, Viking Asset Purchaser No 7 IC, an incorporated cell of Viking Global Finance ICC, an incorporated cell company incorporated under the laws of Jersey, as purchaser, and Citicorp Trustee Company Limited, as programme trustee filed as exhibit 10-b to Meritor's Form 10-Q for the quarter ended July 3, 2011 is incorporated herein by reference.

10-m-5 Receivables Purchase Agreement dated as of October 29, 2010, by and among ArvinMeritor Mascot, LLC, Meritor Heavy Vehicle Braking Systems (USA), Inc., Meritor Heavy Vehicle Systems, LLC, Viking Asset Purchaser No 7 IC, an incorporated cell of Viking Global Finance ICC, an incorporated cell company incorporated under the laws of Jersey, as purchaser, and Citicorp Trustee Company Limited, as programme trustee, filed as Exhibit 10-c to Meritor's Current report on Form 8-K dated October 29, 2010 and filed November 2, 2010, is incorporated herein by reference.

10-m-6 First Amendment dated as of December 6, 2010 to Purchase and Sale Agreement dated as of August 3, 2010 among Meritor France (as Seller), Meritor, Inc. (as Seller Guarantor) and 81 Acquisition LLC (as Buyer), filed as Exhibit 10 to Meritor's Form 8-K dated December 6, 2010 and filed December 8, 2010, is incorporated herein by reference.

10-m-7 Second Amendment dated as of January 3, 2011 to Purchase and Sale Agreement dated as of August 3, 2010 among Meritor France (as Seller), Meritor, Inc. (as Seller Guarantor) and Inteva Products Holding Coöperatieve U.A., as assignee of 81 Acquisition LLC (as Buyer), as amended, filed as Exhibit 10 to Meritor's Form 8-K dated and filed on January 3, 2011, is incorporated herein by reference.

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- *10-n Employment agreement between the company and Charles G. McClure, Jr., dated as of September 14, 2009, filed as Exhibit 10-n to Meritor's Form 10-K for the fiscal year ended September 27, 2009 is incorporated herein by reference.
- *10-o Employment agreement dated May 13, 2011 between Meritor, Inc. and L. Cummins, filed as Exhibit 10 to Meritor's Form 10-Q for the quarter ended July 3, 2011 is incorporated by reference.
- *10-q Employment agreement between Meritor, Inc. and Carsten J. Reinhardt, dated as of September 14, 2009 filed as Exhibit 10-q to Meritor'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 Meritor, Inc. and Jeffrey A. Craig, filed as Exhibit 10-r to Meritor'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 Meritor, Inc. and Vernon Baker filed as Exhibit 10-s to Meritor'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 Meritor, Inc. and Mary Lehmann filed as Exhibit 10-t to Meritor'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 Meritor, Inc. and Lin Cummins filed as Exhibit 10-u to Meritor'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 Meritor, Inc. and Barbara Novak filed as Exhibit 10-v to Meritor's Form 10-K for the fiscal year ended September 27, 2009 is incorporated herein by reference.
- *10-w Form of employment letter between Meritor, Inc. and its executives, filed as Exhibit 10-a to Meritor'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 Meritor and Larry Ott filed as Exhibit 10 to Meritor'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 Meritor, Inc. and Larry Ott dated as of August 3, 2010 filed as Exhibit 10-1 to Meritor'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 Meritor, Inc. and Timothy Bowes dated as of April 28, 2010 filed as Exhibit 10-1 to Meritor'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 Meritor, Inc. and Joseph Mejaly dated as of April 28, 2010 filed as Exhibit 10-2 to Meritor's Quarterly Report on Form 10-Q for the fiscal quarter ended April 4, 2010 is incorporated herein by reference.

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- *10-w-5 Employment Agreement dated November 2, 2011 between Meritor, Inc. and Pedro Ferro filed as Exhibit 10-w-5 to Meritor's Form 10-K for the fiscal year ended October 2, 2011 is incorporated herein by reference.
- 10-x Receivables Purchase Agreement dated November 19, 2007 between Meritor CVS Axles France and Viking Asset Purchaser and CitiCorp Trustee Company Limited, filed as Exhibit 10-t to Meritor'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 Meritor'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 Meritor'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 Meritor, Iochpe-Maxion, S.A. and the other parties listed therein, filed as Exhibit 10 to Meritor's Report on Form 10-Q for the Quarter ended June 28, 2009 is incorporated by reference.
- 12 Computation of ratio of earnings to fixed charges, filed as Exhibit 12 to Meritor's 2011 Form 10-K for the fiscal year ended October 2, 2011, is incorporated herein by reference.
- 21 List of subsidiaries of Meritor, Inc., filed as Exhibit 21 to Meritor's 2011 Form 10-K for the fiscal year ended October 2, 2011, is incorporated herein by reference.

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- 23-a Consent of Vernon G. Baker, II, Esq., Senior Vice President and General Counsel, filed as Exhibit 23-a to Meritor's 2011 Form 10-K for the fiscal year ended October 2, 2011, is incorporated herein by reference.
- 23-b Consent of Deloitte & Touche LLP, independent registered public accounting firm, filed as Exhibit 23-b to Meritor's 2011 Form 10-K for the fiscal year ended October 2, 2011, is incorporated herein by reference.
- 23-c Consent of Bates White LLC, filed as Exhibit 23-c to Meritor's 2011 Form 10-K for the fiscal year ended October 2, 2011, is incorporated herein by reference.
- 23-d Consent of Deloitte Touche Tohmatsu Auditores Independentes relating to the financial statements of Master Sistemas Automotivos Ltda. #
- 23-e Consent of Deloitte Touche Tohmatsu Auditores Independentes 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 Meritor, filed as Exhibit 24 to Meritor's 2011 Form 10-K for the fiscal year ended October 2, 2011, 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. #
- 99-a Commitment and Acceptance, dated as of March 31, 2011, by and among Meritor, Inc. (formerly known as ArvinMeritor, Inc.), ArvinMeritor Finance Ireland (together with Meritor, Inc. the "Borrowers"), Deutsche Bank AG New York Branch, as Accepting Lender and JPMorgan Chase Bank, National Association, as Administrative Agent relating to that certain Credit Agreement, dated as of June 23, 2006 (as amended by Amendment No.1, Amendment No. 2, Amendment No. 3, Amendment No. 4, and Amendment No. 5 thereto) among the Borrowers, each lender from time to time a party thereto, and JP Morgan Chase Bank, National Association, as administrative agent filed as exhibit 99-a to Meritor's Form 10-Q for the quarter ended April 3, 2011 is incorporated herein by reference.
- 99-b Commitment and Acceptance, dated as of April 13, 2011, by and among Meritor, Inc. (formerly known as ArvinMeritor, Inc.), ArvinMeritor Finance Ireland (together with Meritor, Inc. the "Borrowers"), The Huntington National Bank, as Accepting Lender and JPMorgan Chase Bank, National Association, as Administrative Agent relating to that certain Credit Agreement, dated as of June 23, 2006 (as amended by Amendment No.1, Amendment No. 2, Amendment No. 3, Amendment No. 4, Amendment No. 5 thereto and the Commitment and Acceptance dated as of March 31, 2011, relating to Deutsche Bank AG New York Branch becoming a Lender) among the Borrowers, each lender from time to time a party thereto, and JP Morgan Chase Bank, National Association, as administrative agent filed as exhibit 99-b to Meritor's Form 10-Q for the quarter ended April 3, 2011 is incorporated herein by reference
- 99-c

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Third Amendment dated as of May 9, 2011 to Credit Agreement dated as of November 18, 2010 among Meritor, Inc. (formerly named ArvinMeritor, Inc.), Citicorp USA, Inc., as administrative agent and issuing bank, the other lenders party thereto, and the Bank of New York Mellon, as paying agent filed as exhibit 99-a to Meritor's Form 10-Q for the quarter ended July 3, 2011 is incorporated herein by reference.

* Management contract or compensatory plan or arrangement.

Filed herewith.

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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 21, 2012

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