

ARVINMERITOR INC  
Form 10-K/A  
June 30, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K/A (Amendment no. 3)**

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

**For the Fiscal Year Ended September 28, 2008**

**Commission file number 1-15983**

**ARVINMERITOR, INC.**

**(Exact name of registrant as specified in its charter)**

**Indiana**  
**(State or other jurisdiction of  
incorporation or organization)**

**38-3354643**  
**(I.R.S. Employer  
Identification No.)**

**2135 West Maple Road**  
**Troy, Michigan**  
**(Address of principal executive  
offices)**

**48084-7186**  
**(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**

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

Common Stock, \$1 Par Value (including New York Stock Exchange  
the  
associated Preferred Share Purchase  
Rights)

**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 [ X ]  
]

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 [ X ]

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 [ X ] 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 12 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. [ X ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| 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)

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 29, 2009 (the last business day of the most recently completed second fiscal quarter) was approximately \$83.59 million.

73,960,446 shares of the registrant's Common Stock, par value \$1 per share, were outstanding on May 31, 2009.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Certain information contained in the Proxy Statement for the Annual Meeting of Shareowners of the registrant held on January 30, 2009 is incorporated by reference into Part III of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.



## Explanatory Note – Amendment

ArvinMeritor, Inc. (the “company” or “ArvinMeritor”) is filing this Form 10-K/A to include in its Annual Report on Form 10-K for the fiscal year ended September 28, 2008 (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 in which the company owns an interest. ArvinMeritor 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.

MSA met such test for ArvinMeritor’s 2007 fiscal year and the company has included in this Form 10-K/A the required audited financial statements for the fiscal year ended December 31, 2007 (“2007”). However, as MSA did not meet the significance test for the fiscal years 2008 (“2008”) and 2006 (“2006”), ArvinMeritor is only required to file unaudited financial statements for those periods. ArvinMeritor has included in this Form 10-K/A MSA’s unaudited financial statements for fiscal years ended December 31, 2008 and December 31, 2006.

SSA met the significant subsidiary test for ArvinMeritor’s fiscal years 2008, 2007 and 2006 and the company has included in this Form 10-K/A the required audited financial statements for the fiscal year ended December 31, 2008, 2007 and 2006.

The financial statements of MSA and SSA are prepared in accordance with accounting practices adopted in Brazil, a basis of accounting other than U.S. GAAP. Since MSA and SSA met a 30% significance test set forth in Rule 3-09 for 2007 (i.e. in one of the years for which financial statements are presented), a quantitative reconciliation of key items presented under accounting practices adopted in Brazil with those of U.S. GAAP is required for all years presented. Such reconciliations are included for both MSA and SSA for 2008, 2007 and 2006.

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 Securities and Exchange Commission (“SEC”) rules, ArvinMeritor 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 ArvinMeritor’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.

#### **ArvinMeritor**

The following financial statements and related notes were filed as part of the Annual Report filed with the SEC on November 21, 2008 (all financial statements listed below are those of the company and its consolidated subsidiaries):

Consolidated Statement of Operations, years ended September 30, 2008, 2007 and 2006.

Consolidated Balance Sheet, September 30, 2008 and 2007.

Consolidated Statement of Cash Flows, years ended September 30, 2008, 2007 and 2006.

Consolidated Statement of Shareowners’ Equity, years ended September 30, 2008, 2007 and 2006.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

#### **Meritor WABCO**

## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

The following financial statements and related notes of Meritor WABCO Vehicle Control Systems were filed as part of Amendment No. 2 on Form 10-K/A filed with the SEC on December 23, 2008:

Financial Statements as of and for the years ended September 30, 2008 and 2007 (As Restated) (Unaudited)

Financial Statements as of and for the year ended September 30, 2006 and Independent Auditors' Report

### **Master Sistemas Automotivos Ltda.**

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

Balance Sheets, December 31, 2008 and 2007

Statements of Income, Changes in Shareholders' Equity and Cash Flows, years ended December 31, 2008, 2007 and 2006; and Statement of Added Value, year ended December 31, 2008.

Independent Auditors' Report as of and for the year ended December 31, 2007.

### **Suspensys Sistemas Automotivos Ltda.**

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

Balance Sheets, December 31, 2008 and 2007

Statements of Income, Changes in Shareholders' Equity and Cash Flows, years ended December 31, 2008, 2007 and 2006; and Statement of Added Value, year ended December 31, 2008.

Independent Auditors' Report as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006.



***Master Sistemas Automotivos Ltda.***

*Financial Statements*

*As of December 31, 2008 (unaudited) and 2007 and for the Years Ended December 31, 2008 (unaudited), 2007 and 2006 (unaudited) and the Independent Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Master Sistemas Automotivos Ltda.

We have audited the accompanying balance sheet of Master Sistemas Automotivos Ltda. (the "Company"), a company incorporated in Brazil, as of December 31, 2007 and the related statements of income, changes in shareholders' equity, and cash flows for the year ended December 31, 2007. 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 audit 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2007 and the results of its operations for the year ended December 31, 2007, in conformity with accounting practices adopted in Brazil.

As mentioned in Note 3.8 to the financial statements, changes in Brazilian accounting practices have been introduced effective January 1, 2008. The financial statements as of December 31, 2007 and for each of the two years in the period ended December 31, 2007 have been prepared in conformity with Brazilian accounting practices in effect until December 31, 2007, and as permitted by Technical Pronouncement 13 – First Time Adoption of Law 11.638/07 and Provisional Act 449/08, are not being restated. Consequently, the financial statements as of and for the year ended December 31, 2008 may not be comparable with the financial statements as of December 31, 2007 and for each of the two years in the period then ended.

Accounting practices adopted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and the effect of such differences is presented in Note 20 to the financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of cash flows for the year ended December 31, 2007 is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with accounting practices adopted in Brazil. Such information has been subjected to those auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES  
Porto Alegre, Brazil

June 20, 2008

**MASTER SISTEMAS AUTOMOTIVOS**  
**LTDA.**

BALANCE SHEETS AS OF DECEMBER 31, 2008 (UNAUDITED) AND 2007  
(In thousands of Brazilian reais – R\$)

| <b><u>ASSETS</u></b>                          | <b>Note</b> | <b>2008</b><br>(Unaudited) | <b>2007</b>    |
|---|-------------|----------------------------|----------------|
| <b>CURRENT ASSETS</b>                         |             |                            |                |
| Cash and banks                                |             | 191                        | 529            |
| Temporary cash investments                    |             | 12,795                     | 40,055         |
| Trade accounts receivable                     | 4           | 34,362                     | 32,057         |
| Short-term investments                        |             | 32,222                     | -              |
| Recoverable taxes                             | 5           | 5,759                      | 4,689          |
| Inventories                                   | 6           | 29,715                     | 27,171         |
| Dividends and interest on capital receivable  |             | 11,789                     | 11,787         |
| Prepaid expenses                              |             | 268                        | 153            |
| Deferred income and social contribution taxes | 18          | 2,357                      | 91             |
| Other receivables                             |             | 1,365                      | 386            |
| Total current assets                          |             | 130,823                    | 116,918        |
| <b>NONCURRENT ASSETS</b>                      |             |                            |                |
| Long-term assets:                             |             |                            |                |
| Due from related parties                      | 13          | 597                        | 6,833          |
| Recoverable taxes                             | 5           | 4,324                      | 3,620          |
| Deferred income and social contribution taxes | 18          | -                          | 263            |
| Escrow deposits                               |             | 198                        | 198            |
| Total long-term assets                        |             | 5,119                      | 10,914         |
| Investments:                                  |             |                            |                |
| Investment in nonconsolidated subsidiary      | 7           | 75,468                     | 53,530         |
| Other investments                             |             | 25                         | 36             |
| Total investments                             |             | 75,493                     | 53,566         |
| Property, plant and equipment                 | 8           | 64,513                     | 56,785         |
| Intangible assets                             | 9           | 471                        | 282            |
| Deferred charges                              | 10          | 1,264                      | 1,581          |
| Total noncurrent assets                       |             | 146,860                    | 123,128        |
| <b>TOTAL ASSETS</b>                           |             | <b>277,683</b>             | <b>240,046</b> |

| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>       | Note | 2008           | 2007           |
|---|------|----------------|----------------|
|   |      | (Unaudited)    |                |
| <b>CURRENT LIABILITIES</b>                        |      |                |                |
| Trade accounts payable                            |      | 7,240          | 9,517          |
| Loans and financing                               | 11   | 28,803         | 26,962         |
| Payable for derivative transactions               | 16   | 4,385          | 85             |
| Taxes payable                                     |      | 1,554          | 2,266          |
| Salaries payable                                  |      | 452            | 603            |
| Accrued vacation and related charges              |      | 2,214          | 2,254          |
| Dividends and interest on capital payable         | 13   | 14,316         | 6,820          |
| Employee and management profit sharing            |      | 2,253          | 2,839          |
| Payables to related parties                       | 13   | 1,334          | 1,011          |
| Other payables                                    |      | 880            | 913            |
| Total current liabilities                         |      | 63,431         | 53,270         |
| <b>NONCURRENT LIABILITIES</b>                     |      |                |                |
| Long-term liabilities:                            |      |                |                |
| Loans and financing                               | 11   | 29,387         | 29,330         |
| Payable to parent company                         | 13   | 864            | -              |
| Payables to related parties                       | 13   | 2,845          | 4,044          |
| Taxes payable                                     | 18   | 1,370          | -              |
| Pension plan                                      | 14   | -              | 29             |
| Reserve for contingencies                         | 15   | -              | 774            |
| Other payables                                    |      | 865            | 294            |
| Total noncurrent liabilities                      |      | 35,331         | 34,471         |
| <b>SHAREHOLDERS' EQUITY</b>                       |      |                |                |
| Capital   | 17   | 105,000        | 32,100         |
| Income reserve                                    |      | 73,921         | -              |
| Retained earnings                                 |      | -              | 120,205        |
| Total shareholders' equity                        |      | 178,921        | 152,305        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |      | <b>277,683</b> | <b>240,046</b> |

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

**MASTER SISTEMAS**  
**AUTOMOTIVOS LTDA.**

STATEMENTS OF INCOME  
 FOR THE YEARS ENDED DECEMBER 31, 2008 (UNAUDITED), 2007 AND 2006 (UNAUDITED)  
 (In thousands of Brazilian reais – R\$)

|   | Note | 2008<br>(Unaudited) | 2007      | 2006<br>(Unaudited) |
|---|------|---------------------|-----------|---------------------|
| <b>GROSS SALES</b>  |      |                     |           |                     |
| Sales of products and goods in the domestic market        |      | 423,452             | 328,521   | 246,205             |
| Sale of products and goods in the foreign market          |      | 49,510              | 44,071    | 71,289              |
| Provision of services                                     |      | 2,767               | 2,888     | 2,318               |
|   |      | 475,729             | 375,480   | 319,812             |
| <b>DEDUCTIONS</b>   |      |                     |           |                     |
| Taxes on sales  |      | (101,520)           | (77,408)  | (58,489)            |
| Sales return  |      | (487)               | (464)     | (806)               |
| <b>NET SALES</b>  |      | 373,722             | 297,608   | 260,517             |
| <b>COST OF PRODUCTS AND SERVICES</b>                      |      | (312,617)           | (238,554) | (215,083)           |
| <b>GROSS PROFIT</b>                                       |      | 61,105              | 59,054    | 45,434              |
| <b>OPERATING INCOME (EXPENSES)</b>                        |      |                     |           |                     |
| Selling expenses  |      | (11,779)            | (10,590)  | (8,842)             |
| General and administrative expenses                       |      | (8,179)             | (8,686)   | (7,659)             |
| Management compensation                                   |      | (370)               | (326)     | (312)               |
| Equity in nonconsolidated subsidiary                      | 7    | 36,517              | 28,928    | 18,654              |
| Other operating income                                    |      | 756                 | 175       | 914                 |
| Other operating expenses                                  |      | (3,513)             | (4,680)   | (3,145)             |
|   |      | 13,432              | 4,821     | (390)               |
| <b>INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME</b>     |      | 74,537              | 63,875    | 45,044              |
| <b>FINANCIAL INCOME</b>                                   |      |                     |           |                     |
| Financial income  | 19   | 21,668              | 11,070    | 9,647               |
| Financial expenses  | 19   | (25,615)            | (9,764)   | (10,858)            |
| <b>OPERATING PROFIT</b>                                   |      | 70,590              | 65,181    | 43,833              |
| <b>NONOPERATING INCOME (EXPENSES), NET</b>                |      |                     |           |                     |
|   |      | -                   | -         | (41)                |
| <b>INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES</b> |      | 70,590              | 65,181    | 43,792              |
| <b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>               |      |                     |           |                     |
| Current   | 18   | (10,031)            | (10,233)  | (6,866)             |
| Deferred  | 18   | 2,003               | 354       | -                   |
| <b>NET INCOME</b>   |      | 62,562              | 55,302    | 36,926              |

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, 2008 (UNAUDITED), 2007 AND 2006 (UNAUDITED)  
(In thousands of Brazilian reais - R\$)

|  | Note | Capital | Capital<br>reserve<br>tax /<br>incentive<br>reserve | Income<br>reserves | Retained<br>earnings | Total    |
|--|------|---------|---|--------------------|----------------------|----------|
| BALANCES AS OF DECEMBER 31,<br>2005                                    |      | 20,265  | 4,017   | -                  | 64,972               | 89,254   |
| Net income   |      | -       | -   | -                  | 36,926               | 36,926   |
| Interest on capital  |      | -       | -   | -                  | (6,388)              | (6,388)  |
| Capital payment  |      | 7,731   | -   | -                  | -                    | 7,731    |
| Dividend payment   |      | -       | -   | -                  | (8,101)              | (8,101)  |
| BALANCES AS OF DECEMBER 31,<br>2006 (UNAUDITED)                        |      | 27,996  | 4,017   | -                  | 87,409               | 119,422  |
| Net income   |      | -       | -   | -                  | 55,302               | 55,302   |
| Interest on capital  | 12   | -       | -   | -                  | (8,024)              | (8,024)  |
| Capital payment  | 17   | 4,104   | (4,017)   | -                  | (86)                 | 1        |
| Dividend payment   |      | -       | -   | -                  | (14,396)             | (14,396) |
| BALANCES AS OF DECEMBER 31,<br>2007                                    |      | 32,100  | -   | -                  | 120,205              | 152,305  |
| Impact of adopting law no. 11,638/07<br>and Provisional act no. 449/08 |      | -       | -   | -                  | (130)                | (130)    |
| Capital payment  | 17   | 72,900  | -   | -                  | (72,900)             | -        |
| Complement of dividends from 2007                                      |      | -       | -   | -                  | (20,176)             | (20,176) |
| Net income   |      | -       | -   | -                  | 62,562               | 62,562   |
| Interest on capital  | 12   | -       | -   | -                  | (8,829)              | (8,829)  |
| Dividend payment   |      | -       | -   | -                  | (6,811)              | (6,811)  |
| Income reserve   |      | -       | -   | 73,921             | (73,921)             | -        |
| BALANCES AS OF DECEMBER 31,<br>2008 (UNAUDITED)                        |      | 105,000 | -   | 73,921             | -                    | 178,921  |

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, 2008 (UNAUDITED), 2007 AND 2006 (UNAUDITED)

(In Brazilian thousand reais)

|   | <u>Note</u> | <b>2008</b><br>(Unaudited) | <b>2007</b> | <b>2006</b><br>(Unaudited) |
|---|-------------|----------------------------|-------------|----------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |             |                            |             |                            |
| Net income  |             | 62,562                     | 55,302      | 36,926                     |
| Adjustments to reconcile net income to net the cash provided by (used in) operating activities: |             |                            |             |                            |
| Depreciation and amortization   |             | 10,916                     | 7,763       | 6,065                      |
| Loss on sale of property and equipment  |             | 37                         | 128         | 195                        |
| Equity in nonconsolidated subsidiary  | 7           | (36,517)                   | (28,928)    | (18,654)                   |
| Exchange variation, interest on loans and financing and derivatives                             |             | 12,516                     | 3,948       | (2,679)                    |
| Deferred income tax and social contribution   |             | (2,003)                    | (354)       | -                          |
| Provisions  |             | 1,586                      | -           | -                          |
| (Increase) decrease in assets:  |             |                            |             |                            |
| Increase in short-term investments  |             | (32,222)                   | -           | -                          |
| (Increase) decrease in trade accounts receivable  |             | (2,305)                    | 6,937       | (6,574)                    |
| Increase in inventories   |             | (4,933)                    | (9,981)     | (460)                      |
| (Increase) decrease in other receivables  |             | 1,255                      | (9,538)     | (6,673)                    |
| Increase (decrease) in liabilities:   |             |                            |             |                            |
| Increase (decrease) in trade accounts payable   |             | (2,277)                    | 1,903       | 927                        |
| Increase in payables and provisions   |             | 9,755                      | 5,619       | 1,068                      |
| Dividends and interest on capital received  |             | 14,557                     | 20,879      | 15,100                     |
| Interest on loans and financing paid  |             | (4,397)                    | (2,999)     | (846)                      |
| Decrease income and social contribution taxes   |             | (6,026)                    | (895)       | (70)                       |
| Net cash provided by operating activities   |             | 22,504                     | 49,784      | 24,325                     |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>  |             |                            |             |                            |
| Purchase of Property, Plant, Equipment  |             | (18,523)                   | (11,546)    | (19,763)                   |
| Additions to deferred charges   |             | -                          | (94)        | (644)                      |
| Net cash used in investing activities   |             | (18,523)                   | (11,640)    | (20,407)                   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>  |             |                            |             |                            |
| Dividends and interest on capital paid  |             | (28,200)                   | (22,420)    | (14,489)                   |
| Proceeds from loans and financing   |             | 40,569                     | 49,941      | 81,180                     |
| Loans and financing paid  |             | (43,948)                   | (32,419)    | (66,376)                   |
| Net cash provided by financing activities   |             | (31,579)                   | (4,898)     | 315                        |
| <b>NET INCREASE (DECREASE) IN BALANCE OF CASH, BANKS AND TEMPORARY CASH INVESTMENTS</b>         |             | (27,598)                   | 33,246      | 4,233                      |
| At beginning of period  |             | 40,584                     | 7,338       | 3,105                      |
| At end of period  |             | 12,986                     | 40,584      | 7,338                      |
|   |             | (27,598)                   | 33,246      | 4,233                      |

The accompanying notes are an integral part of these financial statements

MASTER SISTEMAS AUTOMOTIVOS LTDA.

STATEMENT OF ADDED VALUE  
FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)  
(In thousands of Brazilian reais - R\$)

|   | Note | 2008<br>(Unaudited) |
|---|------|---------------------|
| <b>SALES</b>  |      |                     |
| Sale of goods, products and services  |      | 475,242             |
| Other incomes   |      | 653                 |
|   |      | 475,895             |
| Material purchased from third parties (includes taxes - ICMS, IPI,PIS and COFINS) |      | 328,418             |
| Materials, power, outsourced services and others                                  |      | 41,488              |
|   |      | 369,906             |
| <b>GROSS ADDED VALUE</b>  |      | 105,989             |
| <b>DEPRECIATION, AMORTIZATION</b>   |      | 10,916              |
| <b>NET ADDED VALUE PRODUCED BY THE COMPANY</b>                                    |      | 95,073              |
| <b>TRANSFERRED ADDED VALUE:</b>   |      |                     |
| Equity in subsidiary  | 7    | 36,517              |
| Rents and royalties   |      | 103                 |
| Financial incomes   |      | 21,668              |
|   |      | 58,288              |
| <b>TOTAL ADDED VALUE TO BE DISTRIBUTED</b>  |      | 153,361             |
| <b>ADDED VALUE DISTRIBUTED</b>  |      |                     |
|   |      | 153,361             |
| <b>Personnel:</b>   |      |                     |
| Direct remuneration   |      | 27,232              |
| Benefits  |      | 4,247               |
| FGTS (Employees' Severance Guarantee Fund)  |      | 2,182               |
| <b>Taxes and contributions:</b>   |      |                     |
| Federal   |      | 20,423              |
| State   |      | 9,653               |
| Municipal   |      | 11                  |
| <b>Remuneration from third parties capital:</b>                                   |      |                     |
| Interest on financial expenses  |      | 25,615              |
| Rents   |      | 1,436               |
| <b>Remuneration on capital:</b>   |      |                     |
| Interest on capital   |      | 8,829               |
| Dividends   |      | 6,811               |
| Retained earnings   |      | 46,922              |

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, 2008 (UNAUDITED), 2007  
and 2006 (UNAUDITED)

(Amounts in Brazilian thousand reais – R\$, except when stated otherwise)

1. OPERATIONS

Master Sistemas Automotivos Ltda. (“Company”) was established on April 24, 1986 and began operations in April 1987. The Company is engaged in the development, manufacturing, sale, assembly, distribution, importation and exportation of motion control system for buses, trailers, trucks and their related parts and components.

2. FINANCIAL STATEMENT PRESENTATION

The financial statements have been prepared in conformity with Brazilian accounting practices, established by corporate law, pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC), standards issued by the Brazilian Securities and Exchange Commission (CVM) and instructions provided by the Brazilian Federal Revenue Service.

In preparing the financial statements for 2008, the Company adopted for the first time the new accounting practices introduced by Law 11638/07, approved on December 28, 2007, as amended by Provisional Act 449 of December 3, 2008.

Law 11638/07 and the Provisional Act 449/08 altered Law 6404/76 in relation to the preparation and disclosure of financial statements.

Adjustments related to the first-time adoption of Law 11638/07 and Provisional Act 449/08 are set forth in Note 3.8.

The financial statements have been prepared in conformity with the accounting practices adopted in Brazil described in Note 3, which are based on Brazilian Corporate Law and differ in certain respects from accounting principles generally accepted in the United States of America (“U.S. GAAP”). See Note 20 for a discussion of these differences and a reconciliation of stockholders’ equity and net income presented under accounting practices adopted in Brazil to U.S. GAAP.

3. SIGNIFICANT ACCOUNTING PRACTICES

3.1 Income recognition

Income and expenses are recognized on the accrual basis.

Revenue from sale of products is recognized when all risks and benefits inherent in the product are transferred to the buyer. Revenue from services is recognized when services are rendered.

3.2 Use of estimates

The preparation of financial statements in conformity with Brazilian accounting practices requires management to make estimates to record certain transactions. Significant assets and liabilities subject to these estimates and



assumptions include the net book value of property, plant and equipment, allowance for doubtful accounts, inventories, deferred tax assets, reserve for contingencies and assets and liabilities related to employees benefits. Actual results could differ from these estimates.

### 3.3 Foreign currency

Monetary assets and liabilities denominated in foreign currency are translated into Brazilian reais at the exchange rate in effect on the balance sheet date and currency translation differences are recorded in the statement of income.

### 3.4 Current and noncurrent assets

- Short-term investments

Stated at cost, plus income earned through the balance sheet date.

- Trade accounts receivable

Stated at billed amount plus respective taxes.

The allowance for doubtful accounts was recorded in an amount considered sufficient by management to cover possible losses on the collection of receivables based on the individual analysis of trade accounts receivable with default risk.

- Inventories

Stated at average cost of acquisition or production, which does not exceed market value. Provisions for slow-moving or obsolete inventories are recorded when considered necessary by management.

- Other current and noncurrent assets

Stated at their net realizable value.

- Investments

Investments in subsidiaries are accounted for under the equity method.

- Property, plant, and equipment

Stated at acquisition or construction cost. Depreciation is calculated under the straight-line method at rates mentioned in Note 8 and takes into consideration the estimated useful life of assets.

- Intangible assets

Intangible assets are recorded at acquisition cost and amortization is calculated under the straight-line method at rates mentioned in Note 9 and takes into consideration the estimated useful life of assets.

- Deferred charges

Stated at incurred cost and amortized under the straight-line method at 20% p.a., starting at the date of the project's completion.

### 3.5 Current and noncurrent liabilities

Stated at known or estimated amounts, plus, if applicable, related charges and monetary and/or exchange variations incurred through the balance sheet date.

### 3.6 Reserve for contingencies

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Provisions are recognized based on the best estimates of the involved risk.

### 3.7 Income Tax and Social Contribution

Income tax is calculated at the rate of 15%, plus a surtax of 10% on taxable income exceeding R\$240, and social contribution at the rate of 9% on taxable income. This calculation takes into consideration tax loss offset, limited to 30% of taxable income.

### 3.8 First –Time Adoption of Law 11638/07 and Provisional Act 449/08

The Company’s management opted to prepare its opening balance sheet with the transition date of January 1, 2008, which is the starting point for accounting in conformity with amendments introduced by Law 11,638/07 and Provisional Act 449/08. The changes introduced by said legislation are qualified as a change in accounting policy, however, as permitted by Technical Pronouncement CPC 13 - First-time Adoption of Law 11,638/07 and Provisional Act 449/08, approved by CVM Resolution 565 of December 17, 2008, all adjustments resulting from the first-time adoption of Law 11,638/07 and Provisional Act 449/08 were made directly in retained earnings on transition date, in conformity with the provisions of Article 186 of Law 6404/76, without retrospective effects on the financial statements.

Below are the equity adjustments arising from the first-time adoption of Law 11,638/07 and Provisional Act 449/08, a summary of the accounting practices amended by the said legislation and the effects thereof in the balance sheet on the date of transition.

- a) Adjustments arising from the first-time adoption of Law 11638/07 and Provisional Act 449/08 to the balance sheet as of the transition date – January 1, 2008:

|                      | December 31,<br>2007<br>Balances | Date of transition - 01/01/2008 |          |
|----------------------|----------------------------------|---------------------------------|----------|
|                      |                                  | Adjustments                     | Balances |
| Capital              | 32,100                           | -                               | 32,100   |
| Retained earnings    | 120,205                          | (130) {a}                       | 120,075  |
| Shareholders’ equity | 152,305                          | (130)                           | 152,175  |

Summary of adjustments:

|   |       |
|---|-------|
| {a} Adjustments against retained earnings                     |       |
| {a1} Adjustment of trade accounts receivable to present value | (142) |
| {a2} Adjustment of trade accounts payable to present value    | 12    |
| Total   | (130) |

- b) Summary of changes in accounting practices for the first-time adoption of Law 11638/07 and Provisional Act 449/08:

Deferred charges

Deferred charges balance as of December 31, 2008 will be maintained up to its full realization through amortization or write-off against net income. Deferred charges balance was recorded at recoverable value.

Present value adjustments

Trade accounts receivable and trade accounts payable were adjusted to present value based on interest rates reflecting the nature of receivables and payables in terms of maturity and payment conditions on the dates of the related transactions.

The effects of adjustments to present value from the first-time adoption of Law 11638 and Provisional Act 449/08 were recorded in retained earnings.

Statements of cash flows and value added

Replacement of the statement of changes in financial position by the statement of cash flows and inclusion of the statement of value added.

- c) Effects of the first-time adoption of Law 11638/07 and Provisional Act 449/08

Below is the reconciliation of net income and shareholders' equity for the period ended December 31, 2008, considering the effects of the initial adoption to Law 11638/07 and Provisional Act 449/08, compared to shareholders' equity and net income obtained if changes in accounting practices had not been adopted.

| <u>Net income (loss)</u>   | 2008<br>(Unaudited) |
|--|---------------------|
| Net income for the year ended December 31  | 62,562              |
| Effects from the first-time adoption of Law 11638/07 and Provisional Act 449/08:                       |                     |
| Adjustments of trade accounts receivable and trade accounts payable to present value                   | 16                  |
| Adjustments to equity in investee -Suspensys   | 366                 |
| Income tax and social contribution temporary and permanent differences                                 | 14                  |
| Total net adjustments from the adoption of Law 11638/07 and Provisional Act 449/08                     | 396                 |
| Net income without the effects of the adoption of Law 11638/07 and Provisional Act 449/08              | 62,958              |
| <u>Shareholders' equity</u>  |                     |
| Shareholders' equity as of December 31   | 178,921             |
| Adjustments on transition date recorded in retained earnings   | 130                 |
| Difference between net income for 2008 and adjusted net income   | 396                 |
| Shareholders' equity as of December 31, without the effects of Law 11638/07 and Provisional Act 449/08 | 179,447             |

4. ACCOUNTS RECEIVABLE

Trade accounts receivable as of December 31 are presented as follow:

|      |      |
|------|------|
| 2008 | 2007 |
|------|------|

## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

|  | (Unaudited) |        |
|--|-------------|--------|
| Trade accounts receivable from third parties – domestic market   | 15,776      | 18,327 |
| Trade accounts receivable from related parties – domestic market | 3,718       | 4,165  |
| Trade accounts receivable from third parties – foreign market    | 2,648       | 1,522  |
| Trade accounts receivable from related parties – foreign market  | 12,220      | 8,043  |
| Total  | 34,362      | 32,057 |

### 5. RECOVERABLE TAXES

Recoverable taxes are presented as follows:

|   | 2008<br>(Unaudited) | 2007  |
|---|---------------------|-------|
| IPI (federal VAT)                             | 49                  | 23    |
| ICMS (state VAT)                              | 2,356               | 1,391 |
| ICMS on recoverable fixed assets acquisitions | 3,597               | 3,344 |
| Recoverable PIS                               | 70                  | 110   |
| Recoverable PIS fixed assets acquisitions     | 426                 | 518   |
| Recoverable COFINS                            | 351                 | 517   |
| Recoverable COFINS fixed assets acquisitions  | 1,964               | 2,387 |
| Recoverable social contribution               | 1,182               | –     |
| Others  | 88                  | 19    |
| Total   | 10,083              | 8,309 |
| Current                                       | 5,759               | 4,689 |
| Long Term                                     | 4,324               | 3,620 |

The balance of recoverable taxes recorded in long-term assets is composed of ICMS, PIS and COFINS on acquisitions on fixed assets, which are recoverable in 48 months, according to current legislation.

### 6. INVENTORIES

Inventories as of December 31 are presented as follows:

|                                | 2008<br>(Unaudited) | 2007   |
|--------------------------------|---------------------|--------|
| Finished products              | 1,827               | 964    |
| Work in process                | 9,363               | 5,998  |
| Raw-materials and others       | 18,033              | 17,329 |
| Stock in transit               | 490                 | 1,994  |
| Advances to suppliers          | 392                 | 559    |
| Imports in transit             | 1,999               | 327    |
| Provision for inventory losses | (2,389)             | –      |
| Total                          | 29,715              | 27,171 |

### 7. INVESTMENTS IN NONCONSOLIDATED SUBSIDIARY

The following summarizes financial information pertaining to the company's unconsolidated subsidiary, Suspensys Sistemas Automotivos Ltda. As of December 31, 2008 and 2007:

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

|                                 | 2008<br>(Unaudited) | 2007     |
|---------------------------------|---------------------|----------|
| Capital                         | 71,291              | 34,233   |
| Shareholders equity – adjusted  | 141,922             | 100,663  |
| Interest on capital payable     | (6,183)             | (4,766)  |
| Dividends paid                  | (4,319)             | (21,267) |
| Dividends payable               | (16,914)            | (22,333) |
| Net income                      | 80,940              | 54,400   |
| Ownership interest (%)          | 53.18%              | 53.18%   |
| Number of shares                | 53,177              | 53,177   |
| Opening balance                 | 53,530              | 45,480   |
| Interest on capital receivable  | (3,288)             | (2,534)  |
| Dividends receivable            | (8,994)             | (9,633)  |
| Dividends received              | (2,297)             | (8,711)  |
| Equity in subsidiary's earnings | 36,517              | 28,928   |
| Ending balance                  | 75,468              | 53,530   |

As established in the “joint-venture” agreement and ratified by shareholders in the meeting minutes for approval of profit allocation, Randon S.A.- Implementos e Participações, a shareholder of Suspensys, is entitled to receive non-proportional dividends.

## 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31 are presented as follows:

|   | Annual<br>depreciation<br>rate (%) | Cost    | 2008 (Unaudited)<br>Accumulated<br>depreciation | Net    | 2007<br>Net |
|---|------------------------------------|---------|---|--------|-------------|
| Land                                      | -                                  | 2,745   | -   | 2,745  | 2,703       |
| Buildings                                 | 4                                  | 11,549  | (3,193)   | 8,356  | 8,822       |
| Machinery and Equipment                   | 15                                 | 77,896  | (42,232)  | 35,664 | 34,814      |
| Molds and dies                            | 15                                 | 16,000  | (10,505)  | 5,495  | 4,400       |
| Improvements and Installations            | 4 and 10                           | 2,307   | (971)   | 1,336  | 1,247       |
| Furniture and fixtures                    | 10                                 | 3,084   | (1,544)   | 1,540  | 1,446       |
| Vehicles                                  | 20 and 30                          | 2,191   | (1,158)   | 1,033  | 636         |
| Computer equipment and peripherals        | 20                                 | 1,117   | (849)   | 268    | 322         |
| Advances for suppliers                    | -                                  | 614     | -   | 614    | 367         |
| Works in progress                         | -                                  | 5,277   | -   | 5,277  | -           |
| Property, plant and equipment in progress | -                                  | 2,185   | -   | 2,185  | 2,028       |
| Total                                     |                                    | 124,965 | (60,452)  | 64,513 | 56,785      |

Machinery and equipment with a residual value of R\$ 713 and R\$ 1,041 were provided as collateral on loans from the *BNDES – (National Bank for Economic and Social Development)* by the Company and its subsidiary Suspensys Sistemas Automotivos Ltda., respectively.

## 9. INTANGIBLE ASSETS

Intangible assets are as follows:

|  | Annual<br>depreciation<br>rate (%) | Cost | 2008 (Unaudited)<br>Accumulated<br>depreciation | Net | 2007<br>Net |
|--|------------------------------------|------|---|-----|-------------|
|--|------------------------------------|------|---|-----|-------------|

|          |    |       |       |     |     |
|----------|----|-------|-------|-----|-----|
| Software | 20 | 1,263 | (792) | 471 | 282 |
|----------|----|-------|-------|-----|-----|

## 10. DEFERRED CHARGES

Deferred charges as of December 31 are presented as follows:

|                                   | 2008<br>(Unaudited) | 2007  |
|-----------------------------------|---------------------|-------|
| Expenses for studies and projects | 1,619               | 1,802 |
| Accumulated amortization          | (355)               | (221) |
| Total                             | 1,264               | 1,581 |

## 11. LOANS AND FINANCING

Loans and financing were obtained to finance the modernization of the industrial facilities, increase production capacity and develop quality processes, in addition to financing exports and imports. The loans and financing were obtained from several financial institutions through funds obtained by such institutions from the BNDES (National Bank for Economic and Social Development).

As of December 31, the balance of loans and financing is presented as follows:

| <u>Type:</u>                               | <u>Financial Charges</u>  | 2008<br>(Unaudited) | 2007   |
|--|---|---------------------|--------|
| <u>Working capital / exports</u>           |   |                     |        |
| Bank Credit - Exin                         | US Dollar exchange variation + interest of 2.70% p.a.               | -                   | 2,667  |
| Bank Credit - Exin                         | TJLP (long-term interest rate) plus interest of 2.70% p.a.          | 12,543              | 12,349 |
| ACC Financing                              | US Dollar exchange variation + interest of 5.25% p.a. to 5.80% p.a. | 5,018               | 4,430  |
| <u>Financing</u>                           |   |                     |        |
| Financing from BNDES                       | TJLP plus interest of 2.5% p.a. to 5% p.a.                          | 24,717              | 19,291 |
| FINEP – Study and Project Financing        | Interest of 4% p.a. plus 6% in excess of TJLP                       | 6,899               | 9,368  |
| FINAME – Machinery and Equipment Financing | UMBNDDES (foreign currencies) plus interest of 4% p.a.              | 427                 | 493    |
| FINAME – Machinery and Equipment Financing | Interest of 4% to 5.5% p.a. plus 6% in excess of TJLP               | 1,374               | 2,306  |
| FININP – machinery and Equipment Financing | US Dollar exchange variation + LIBOR + 1% p.a. to 4.4% p.a.         | 4,583               | 3,923  |
| Financing from BNDES                       | US Dollar exchange variation + interest of 2.5% p.a.                | 2,629               | 1,465  |
| Total                                      |   | 58,190              | 56,292 |
| Short term                                 |   | 28,803              | 26,962 |
| Long term                                  |   | 29,387              | 29,330 |

Maturities of long-term debts are presented as follows:

R\$  
(Unaudited)

|                    |        |
|--------------------|--------|
| Year of maturity   |        |
| 2010               | 11,110 |
| 2011               | 8,913  |
| 2012               | 6,910  |
| 2013 and following | 2,454  |
| Total              | 29,387 |

The loans and financing from the BNDES are collateralized by the machinery and equipment.

## 12. INTEREST ON CAPITAL PAYABLE

On December 31, 2008, the Company recorded interest on capital payable in the amount of R\$ 8,829 (unaudited) (R\$ 8,024 in 2007) by applying the TJLP (long-term interest rate) for the period between January and December 2008 on shareholders' equity balances of December 2007, observing the greater of 50% of pre-tax income or 50% of the retained earnings. The Company has also set aside R\$ 6,811 of the income for 2008 to distribute as dividends to shareholders.

In accordance with tax legislation, the amount recorded as interest on capital was entirely deducted from the calculation of income and social contribution taxes, resulting in a tax benefit of R\$ 3,002 (unaudited) in 2008 and R\$ 2,728 in 2007. For the purpose of these financial statements, such interest on capital was considered as dividends and was recorded as a reduction of retained earnings in shareholders' equity.

Additionally, the Company recorded financial income from the interest on capital receivable from the subsidiary Suspensys Sistemas Automotivos Ltda., in the total amount of R\$ 3,288 (unaudited) (R\$ 2,534 in 2007) which, for purposes of disclosure and adjustment to accounting practices, was reclassified to investments.

## 13. RELATED-PARTY TRANSACTIONS

Transactions and balances with related parties as of December 31 are presented as follows:

|                                 | Grupo Randon(*)     |       |                     | Grupo Arvin Meritor (**) |       |                     | Total               |        | 2006<br>(Unaudited) |
|---------------------------------|---------------------|-------|---------------------|--------------------------|-------|---------------------|---------------------|--------|---------------------|
|                                 | 2008<br>(Unaudited) | 2007  | 2006<br>(Unaudited) | 2008<br>(Unaudited)      | 2007  | 2006<br>(Unaudited) | 2008<br>(Unaudited) | 2007   |                     |
| Notes receivable- net           | 1,583               | 2,208 | -                   | 14,355                   | 9,999 | -                   | 15,938              | 12,207 | -                   |
| Advances to suppliers           | -                   | 18    | -                   | -                        | -     | -                   | -                   | 18     | -                   |
| Interest on capital receivable  | 2,795               | 2,154 | -                   | -                        | -     | -                   | 2,795               | 2,154  | -                   |
| Dividends receivable            | 8,994               | 9,633 | -                   | -                        | -     | -                   | 8,994               | 9,633  | -                   |
| Credits with the parent company | 597                 | 6,833 | -                   | -                        | -     | -                   | 597                 | 6,833  | -                   |
| Other receivables               | 243                 | 91    | -                   | -                        | -     | -                   | 243                 | 91     | -                   |
|                                 | 1,199               | 248   | -                   | 1,558                    | 425   | -                   | 2,757               | 673    | -                   |

|   |        |        |        |        |        |        |         |         |         |
|---|--------|--------|--------|--------|--------|--------|---------|---------|---------|
| Trade accounts payable                  |        |        |        |        |        |        |         |         |         |
| Interest on capital payable             | 3,827  | 3,478  | -      | 3,677  | 3,342  | -      | 7,505   | 6,820   | -       |
| Dividends payable                       | 3,475  | -      | -      | 3,337  | -      | -      | 6,811   | -       | -       |
| Payable to related parties - short-term | -      | -      | -      | 1,334  | 1,011  | -      | 1,334   | 1,011   | -       |
| Payable to parent company               | 864    | -      | -      | -      | -      | -      | 864     | -       | -       |
| Payable to related parties - long-term  | -      | -      | -      | 2,845  | 4,044  | -      | 2,845   | 4,044   | -       |
| Sales of products – net                 | 74,537 | 56,960 | 43,440 | 71,512 | 57,994 | 78,264 | 146,049 | 114,954 | 121,704 |
| Purchase of products and services - net | 24,524 | 16,077 | 22,224 | 5,761  | 4,514  | 13,199 | 30,285  | 20,591  | 35,424  |
| Financial income                        | 213    | 166    | 1      | 724    | 1,401  | 171    | 937     | 1,567   | 172     |
| Financial expenses                      | 12     | 94     | 122    | 2,182  | 354    | 68     | 2,194   | 448     | 190     |
| Commissions                             | 328    | 739    | 133    | -      | 51     | 20     | 328     | 790     | 153     |
| Administrative expenses                 | 3,801  | 2,958  | 2,700  | -      | -      | -      | 3,801   | 2,958   | 2,700   |

Loan balances with officers and managers are recorded in other accounts payable in the amount of R\$ 501 (current liabilities-unaudited) and R\$ 313 (noncurrency liabilities-unaudited) in 2008 and R\$ 359 (short-term) and R\$ 294 (long-term ) in 2007. Balances are restated at the DI-extra rate.

Management compensation and interest was R\$ 750 (unaudited) in 2008 and R\$ 715 in 2007.

The receivables from and payables to the parent company Randon S.A. Implementos e Participações are adjusted according to the financial market rates (“DI-extra”) issued by Andima (National Association of Financial Market Institutions).

The payables to related parties refer to accounts payable to ArvinMeritor Inc. for the import of machinery by the Company.

#### Commercial Transactions

The commercial transactions with related parties follow the prices and terms established by the agreement signed between the parties. The agreement takes into account the term, volume and specifications of the products purchased by the related parties, which are not comparable to sales to unrelated parties.



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

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

#### 14. PENSION PLAN

The Company co-sponsors RANDONPREV, a defined contribution pension plan under a capitalization regime whose main objective is to provide benefits that supplement those provided by the Government plans. The expenses included in the statement of income for the years ended December 31, 2008, 2007 and 2006 totaled R\$ 183 (unaudited), R\$ 176 and R\$ 175 (unaudited), respectively.

#### 15. CONTINGENCIES

There are contingencies of a general nature with respect to taxes, since it is not possible to secure definite and final approval of income tax returns, and tax laws in general are indefinite and dependent upon administrative interpretations, which are subject to changes.

The contingent liabilities as of December 31, 2008, are presented as follows:

| Contingencies   | Likelihood of loss      |                         |                       |
|-----------------|-------------------------|-------------------------|-----------------------|
|                 | Probable<br>(Unaudited) | Possible<br>(Unaudited) | Remote<br>(Unaudited) |
| Labor           | –                       | 318                     | –                     |
| Tax             | –                       | 1                       | 4,422                 |
| Social Security | –                       | 8                       | 1,194                 |
| Total           | –                       | 327                     | 5,616                 |

The Company has administrative proceedings in progress for which, based on the opinion of its attorneys and in accordance with Brazilian accounting practices, no reserves for contingencies have been recorded since the proceedings have been assessed to have a possible or remote likelihood of loss. The main proceedings with risk of remote loss are:

##### Tax

- a) Income tax, social contribution on net profit and withholding income tax – refers to a tax assessment in the amount of R\$ 3,089, arising from payments of commissions to agents abroad. The amount includes principal, penalties and interest;
- b) Deemed IPI credit – refers to notices issued by the Federal Revenue Service in the total amount of R\$ 1,333, whereby the tax authority denied the Company's request for deemed credit refund and demanded payment of the tax. The amount includes principal, penalties and interest.

##### Social Security

Refers to INSS (social security contribution) tax assessment in the total amount of R\$ 1,072 because of the non-payment of payroll charges on employee profit sharing.

#### 16. FINANCIAL INSTRUMENTS

## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

The estimated fair value of financial instruments has been determined using available market information and appropriate valuation methodologies. However, considerable judgment was required to interpret market data and then develop the most appropriate fair value estimates. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market information and/or valuation methodologies may have a material effect on the fair value estimates.

These financial instruments are managed through operating strategies, aimed at liquidity, profitability and security. The Company's financial instruments management policy consists of ongoing monitoring of contracted rates compared to market rates. The Company does not enter into transactions involving derivatives or take on any other risk for speculative purposes.

Balances breakdown:

In compliance with Brazilian Securities and Exchange Commission (CVM) Instruction 235/95, the carrying amounts and fair value of the financial instruments included in the balance sheet as of December 31, 2008 are as follows:

| <u>Description</u>                   | 12/31/2008                     |                           |
|--------------------------------------|--------------------------------|---------------------------|
|                                      | Carrying amount<br>(Unaudited) | Fair value<br>(Unaudited) |
| Highly-liquid short-term investments | 12,795                         | 12,795                    |
| Short-term investments               | 32,222                         | 32,222                    |
| Loans and financing:                 |                                |                           |
| In local currency                    | 45,533                         | 45,533                    |
| In foreign currency                  | 12,657                         | 12,657                    |
| Derivative transactions (NDF)        | 4,385                          | 4,385                     |

Criteria, assumptions and limits used for the calculation of market values

- . *Temporary cash investments*

Current accounts and temporary cash investments in banks have market values comparable to their book balances.

- . *Short-term investments*

Market values of short-term investments are comparable to their accounting balances.

- . *Loans and financing*

The fair value of financing approximates book balances, when compared to similar instruments, with comparable maturities and interest rates.

- . *Derivatives*

It is the Company's practice not to be exposed to market risks, thus avoiding assuming positions exposed to fluctuations and operating only with instruments that allow controlling these risks. Derivative contracts refer to forward transactions (NDF).

- . *Limitations*

Fair values were estimated through the balance sheet date, based on “relevant market information”. Changes in assumptions may significantly affect those estimates.

. *Financial management risk*

The Company is exposed to the following risks related to the use of its financial instruments:

- i. credit risk
- ii. liquidity risk
- iii. market risk

The Company, through its Parent Company, has a Hedge Transaction Policy, prepared by the Planning and Finance Committee (“the committee”) and evaluated by the Executive Board. These procedures are aimed to reduce the effects of fluctuation in exchange rates of foreign currency amounts estimated in the cash flow with no speculative purposes.

The monthly-estimated cash flow in foreign currency is used as basis for the twelve subsequent months, either based on the Strategic Plan projections or on the updated expectation of each company. Instruments used are conservative and previously approved by the same committee. For the transactions contracted, instruments are Non Deliverable Forward (NDF).

a. *Credit risk*

The Company’s sales policies are subject to credit policies established by its management and are intended to minimize customer default risks. This objective is attained by management through a careful selection of the customer portfolio, which considers the customer ability to pay (credit rating).

b. *Market risk*

Represented by the risk that changes in the market, such as exchange rate, interest rate and price variation, will affect the Company’s net income or the value of its financial instruments. Management’s purpose in monitoring market risks is to control exposure to market risks within acceptable parameters, to obtain optimal return.

*Foreign exchange rate risk*

The Company’s net income is subject to significant variations due to the effects from the volatility of exchange rates on assets and liabilities indexed to foreign currencies, mainly the U.S. dollar.

The Company is exposed to currency risk (exchange rate risk) on sales, purchases and loans denominated in a currency different from that usually used by the Company.

The Company contracts derivative transactions to hedge part of its foreign exchange rate exposure, with maturities normally below one year from balance sheet date.

Non Deliverable Forward (NDF)

For these transactions, the Company has obligation based on quotation at maturity. Earnings from these transactions are recorded under the accrual basis in the Company’s financial statements.

| Derivatives      | Total amount contracted<br>(USD) | Strike rate          | Due date                       |
|------------------|----------------------------------|----------------------|--------------------------------|
| NDF transactions | US\$8,400                        | R\$ 1.77 to R\$ 2.05 | Monthly up to December<br>2009 |

*Strategy for exchange rate risk*

As a strategy to avoid and reduce the effects of exchange rate fluctuation, management has adopted the policy of maintaining a natural hedge by keeping offsetting asset and liability position susceptible to exchange variation, as follows:

|                              | 12/31/2008  | 12/31/2007 |
|------------------------------|-------------|------------|
|                              | (Unaudited) |            |
| A. Loans/financing           | (12,657)    | (12,978)   |
| B. Trade accounts payable    | (6,788)     | (6,388)    |
| C. Trade accounts receivable | 14,868      | 9,564      |
| D. Net exposure (A-B+C)      | (4,577)     | (9,802)    |

*Interest rate risk*

The Company's net income is subject to significant variations arising from financing and loans contracted at floating interest rates.

The Company does not have derivatives to hedge interest rate variations.

*Price risk*

Price risk relates to the possibility of fluctuations in market prices for products sold or manufactured by the Company and other inputs used in the manufacturing process. To mitigate these risks, the Company continuously monitors the domestic and foreign markets, thus protecting against price changes.

*c. Estimated fair values*

Fair values were estimated at the financial statement date, based on "relevant market information". Changes in assumptions and in financial market transactions may significantly affect those estimates. Methods and assumptions adopted by the Company to estimate the disclosure of its derivatives' fair values as of December 31, 2008 are as follows:

Fair value is typically based on market price quotations for assets or liabilities with similar features. In case these market prices are not available, fair values are based on market operator quotations, pricing models, discounted cash flow or similar techniques, for which the determination of the fair value may require significant judgment or estimates by management. Market price quotations are used to determine derivatives' fair value.

Non deliverable forward (NDF) and Zero Cost Collar transactions: Fair value is typically based on market price quotations for assets or liabilities with similar features. In case these market prices are not available, fair values are based on market operator quotations, discounted cash flow or similar techniques, for which the determination of the fair value may require significant judgment or estimates by management. The Company does not intend to settle these contracts in advance of maturity.

## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

The chart below shows the carrying amount values and estimated fair values of the Company's derivatives as of December 31, 2008. Original outstanding amounts exposed to US dollar variation, as well as their corresponding fair values, are as follows:

| <u>Description</u> | Domestic notional amount<br>in thousands of US\$ |            | Domestic notional amount<br>in thousands of R\$ |            | Carrying balance          |            | Fair value – in thousands of<br>R\$ - (credit) / debit |            | Accumulated effect in<br>2008 – in thousands of R\$<br>(credit) / debit |                               |
|--------------------|--|------------|---|------------|---------------------------|------------|--|------------|---|-------------------------------|
|                    | 12/31/2008<br>(Unaudited)                        | 12/31/2007 | 12/31/2008<br>(Unaudited)                       | 12/31/2007 | 12/31/2008<br>(Unaudited) | 12/31/2007 | 12/31/2008<br>(Unaudited)                              | 12/31/2007 | Amount<br>received<br>(Unaudited)                                       | Amount<br>paid<br>(Unaudited) |
| Zero Cost          |  |            |   |            |                           |            |  |            |   |                               |
| Collar             | –  | 5,600      | –   | 9,702      | –                         | –          | –  | 327        | 375   | (1,016)                       |
| NDF                | 8,400  | 2,800      | 14,455  | 4,851      | (4,385)                   | (85)       | (4,385)  | (109)      | 109   | (1,084)                       |
| Total              | 8,400  | 8,400      | 14,455  | 14,553     | (4,385)                   | (85)       | (4,385)  | 218        | 484   | (2,100)                       |

Liability amounts recorded as of December 31, 2008 for NDF transactions are classified as derivatives.

Their maturities of derivatives are summarized below, in thousands of U.S. dollars:

| <u>Description</u> | Up to 30 days | 12/31/2008             |                         | Total |
|--------------------|---------------|------------------------|-------------------------|-------|
|                    |               | From 31 to 180<br>days | From 181 to 365<br>days |       |
| NDF                | 700           | 3,500                  | 4,200                   | 8,400 |

The Company has contracted derivatives transactions in U.S. dollars (NDF) for delivery in up to 365 days at the average price of R\$ 1.91/US\$ with notional value of US\$ 8,400. Management estimates (based on BM&FBOVESPA quotations) that it is probable the dollar will be rated at R\$ 1.70/US\$ on maturity. Scenario II estimates the dollar at R\$ 2.12/US\$ and scenario III estimates the dollar at R\$ 2.55/US\$. In the probable scenario, the Company may obtain a gain of R\$ 1,764. In the other two scenarios, the Company may incur losses of R\$ 3,528 and R\$ 7,140, respectively.

## 17. CAPITAL

Subscribed capital is represented by 105,000 shares at the par value of R\$ 1.00 each. The capital's ownership composition is:

| <u>Shareholder</u>                                | R\$<br>(Unaudited) | %   |
|---|--------------------|-----|
| Randon S.A. Implementos e Participações           | 53,550             | 51  |
| Arvinmeritor do Brasil Sistemas Automotivos Ltda. | 51,450             | 49  |
| Total   | 105,000            | 100 |

Through change no. 20 in the Articles of Association, on October 30, 2008 the capital of the Company was increased from R\$ 32,100 to R\$ 105,000 upon the capitalization of a portion of retained earnings in the amount of R\$ 72,900.

## 18. INCOME AND SOCIAL CONTRIBUTION TAXES

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

Reconciliation of income and social contribution taxes for the year ended December 31, 2008 with the amount that results from applying statutory rates is presented as follows:

|   | 2008                      |  | 2007                      |  | 2006                      |  |
|---|---------------------------|--|---------------------------|--|---------------------------|--|
|   | Income tax<br>(Unaudited) | Social contribution tax<br>(Unaudited) | Income tax<br>(Unaudited) | Social contribution tax<br>(Unaudited) | Income tax<br>(Unaudited) | Social contribution tax<br>(Unaudited) |
| Income before income and social contribution taxes      | 70,590                    | 70,590                                 | 65,182                    | 65,182                                 | 43,792                    | 43,792                                 |
| Statutory rate  | 15%+10%                   | 9%                                     | 15%+10%                   | 9%                                     | 15%+10%                   | 9%                                     |
| Income and social contribution taxes at statutory rates | 17,648                    | 6,353                                  | 16,296                    | 5,866                                  | 10,948                    | 3,941                                  |
| Effects of taxes on:                                    |                           |  |                           |  |                           |  |
| Interest on capital expense                             | (2,207)                   | (795)                                  | (2,005)                   | (722)                                  | (1,597)                   | (575)                                  |
| Interest on capital income                              | 822                       | 296                                    | 633                       | 228                                    | 731                       | 264                                    |
| Equity in subsidiary                                    | (9,129)                   | (3,287)                                | (7,232)                   | (2,603)                                | (4,663)                   | (1,679)                                |
| Net permanent exclusions                                | (781)                     | (303)                                  | (288)                     | (173)                                  | (261)                     | (148)                                  |
| Income and social contribution taxes before deductions  | 6,353                     | 2,264                                  | 7,404                     | 2,596                                  | 5,158                     | 1,803                                  |
| Income tax deductions and other adjustments             | (467)                     | (122)                                  | (121)                     | -                                      | (95)                      | -                                      |
| Provision for income and social contribution            | 5,886                     | 2,142                                  | 7,283                     | 2,596                                  | 5,063                     | 1,803                                  |
| Current income and social contribution taxes            | 7,358                     | 2,673                                  | 7,544                     | 2,689                                  | 5,063                     | 1,803                                  |
| Deferred income and social contribution taxes           | (1,472)                   | (531)                                  | (261)                     | (93)                                   | -                         | -                                      |

b) Deferred income and social contribution Taxes:

|  | Temporary differences | 2008 Deferred income and social contribution taxes<br>(Unaudited) | 2007 Deferred income and social contribution taxes |
|--|-----------------------|---|--|
| <u>Temporary Differences:</u>            |                       |   |  |
| Provision for loss in inventories        | 2,389                 | 812   | -  |
| Provision for contingencies              | -                     | -   | 263  |
| Provision for derivatives                | 4,385                 | 1,491   | -  |
| Reserve for warranties                   | 65                    | 22  | 89   |
| Provision for collective labor agreement | 48                    | 16  | 2  |
| Others                                   | 45                    | 16  | -  |
|  | 6,932                 | 2,357   | 354  |

19. NET FINANCIAL INCOME

## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

Net financial income (expenses) for the year ended December 31, is presented as follows:

|   | 2008<br>(Unaudited) | 2007    | 2006<br>(Unaudited) |
|---|---------------------|---------|---------------------|
| <u>Financial incomes:</u>   |                     |         |                     |
| Exchange gains on liabilities                                       | 11,019              | 6,961   | 6,669               |
| Earnings from temporary cash investments and short-term investments | 5,263               | 2,769   | 710                 |
| Earnings from derivative operations                                 | 624                 | 61      | 1,360               |
| Interest from loan agreements                                       | 214                 | 166     | 1                   |
| Adjustments to present value – trade accounts receivable            | 4,447               | -       | -                   |
| Other financial earnings  | 101                 | 1,113   | 907                 |
|   | 21,668              | 11,070  | 9,647               |
| <u>Financial expenses:</u>  |                     |         |                     |
| Exchange losses on assets   | (12,568)            | (4,757) | (4,905)             |
| Interest on loans and financing                                     | (4,517)             | (3,881) | (2,419)             |
| Losses from derivative operations                                   | (6,540)             | (189)   | (912)               |
| Adjustments to present value - trade accounts payable               | (1,069)             | -       | (400)               |
| Expenses on loan agreements   | (12)                | (94)    | (122)               |
| Other financial expenses  | (909)               | (843)   | (2,100)             |
|   | (25,615)            | (9,764) | (10,858)            |
| Net financial income (expenses)                                     | (3,947)             | 1,306   | (1,211)             |

### 20. SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL (BR GAAP) AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (U.S. GAAP)

The financial statements of the Company are prepared in accordance with BR GAAP. Note 3 to the financial statements summarizes the accounting policies adopted by the Company. BR GAAP differs from U.S. GAAP in certain significant respects, which are summarized below:

(a) Supplementary inflation restatement in 1996 and 1997 for U.S. GAAP

Under BR GAAP, inflation accounting was discontinued effective January 1, 1996. Prior to that date, BR GAAP statements included indexation adjustments which partially accounted for the effect of inflation on property, plant and equipment, investments, deferred charges (collectively referred to as “Permanent assets”) and shareholders’ equity, and reported the net charge or credit in the statement of operations.

Under U.S. GAAP, Brazil ceased to be treated as a highly inflationary economy starting January 1, 1998. Therefore the financial information the purposes of U.S. GAAP for the two-year period ended December 31, 1997 includes additional inflation restatement adjustments made by applying the IGP-M to permanent assets and shareholders’ equity.

(b) Deferred Charges

BR GAAP allows the deferral of pre-operating expenses and certain expenses related to research and development. Under BR GAAP, these items are amortized over a period of five to ten years. Under U.S. GAAP, these are recorded as expenses when incurred. See Note 3.

(c) Capitalization of interest in relation to construction in progress

Under accounting practices adopted in Brazil, prior to January 1, 1996 the Company was not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of the cost of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets. Under Brazilian GAAP exchange losses on foreign currency denominated assets and liabilities are capitalized. Under U.S. GAAP, capitalization of exchange losses is not permitted.

(d) Pension Plan Surplus

Under Brazilian GAAP, the excess of the fair value of the pension plan assets over the projected benefit obligation is not recognized as an asset on the balance sheet. Under U.S. GAAP, the asset is recognized on the balance sheet as prepaid pension cost.

(e) Accounting for derivative instruments

Under BR GAAP in 2007 and 2006, derivative instruments are recorded at cost plus accrued interest. Under BR GAAP, there is no specific standard addressing accounting of financial derivative instruments other than for financial institutions. In 2008, the derivative instruments are recorded at the fair value. See Note16.

Under U.S. GAAP, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. SFAS No. 133 requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value.

(f) Effects of U.S. GAAP adjustments on equity investee

Suspensys Sistemas Automotivos Ltda. ("Suspensys") is accounted for using the equity method of accounting under BR GAAP. The principal U.S. GAAP adjustments that affect the Company's accounting for the results of Suspensys are as follows:

- Deferred charges
- Capitalization of interest
- Pension plan surplus
- Deferred income tax on the above adjustments

The effect of these adjustments is included as "U.S. GAAP adjustments on equity in earnings of Suspensys", a line item in the reconciliation of net income (loss) and shareholders' equity.

(g) New Accounting Pronouncements

In December 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation (FIN) No. 48 for Certain Nonpublic Enterprises. The FSP defers the effective date of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, for certain nonpublic enterprises, to fiscal years beginning after December 15, 2008. Nonpublic enterprises that have applied the recognition, measurement, and disclosure provisions of Interpretation 48 in a full set of annual financial statements issued prior to the issuance of this FSP are not eligible for the deferral. Nonpublic consolidated entities of public enterprises that apply U.S. generally accepted accounting principles are also not eligible for the deferral. Since the Company does not meet those exceptions that would require the application of FIN 48, there is no impact on the Company's financial statements related to the adoption of FIN 48.

In March 2008, FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement No. 133" which requires expanded disclosures about derivative and hedging activities. SFAS No. 161 has the same scope as SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. It encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We are currently assessing the potential impact of the standard on disclosures in the company's financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets." The FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under



## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

SFAS No. 142, "Goodwill and Other Intangible Assets". The FSP is intended to improve the consistency between the useful life of an intangible asset determined under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), and other U.S. generally accepted accounting principles. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and is to be applied prospectively to intangible assets acquired after the effective date. Disclosure requirements are to be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. We are currently evaluating the impact FSP 142-3 will have on our financial statements.

In May 2008, the FASB issued SFAS No. 162 "The Hierarchy of Generally Accepted Accounting Principles", which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement is effective 60 days following the SEC's approval of the PCAOB amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles". There is no impact on the financial statements related to the adoption of this pronouncement.

### (h) Other Comprehensive Income

Under U.S. GAAP, SFAS No. 130, "Reporting Comprehensive Income", requires the disclosure of comprehensive income. Comprehensive income is comprised of net income and "Other comprehensive income", which include charges or credits directly to equity that are not the result of transactions with shareholders. The Company has not recorded other comprehensive income for all periods presented.

### (i) Cash and Cash Equivalents

Under U.S. GAAP, cash equivalents are defined as temporary short-term, highly liquid investments, which are both readily convertible to known amounts of cash and have original maturities of 90 days or less. The Company holds certain highly liquid, low risk financial investments, comprised principally of high quality government debt, which are classified as cash equivalents under BR GAAP.

Under U.S. GAAP, since these investments have original maturities of over 90 days, such investments do not qualify as cash equivalents. The effect of this difference in classification on the Company's balance sheets and statements of cash flows for the periods presented is as follows:

|  | 2008<br>(Unaudited) | 2007     | 2006<br>(Unaudited) |
|--|---------------------|----------|---------------------|
| Cash and cash equivalents under Brazilian GAAP | 12,986              | 40,584   | 7,338               |
| Reclassification of temporary cash investments | (12,795)            | (40,055) | (7,035)             |
| Cash and cash equivalents under U.S. GAAP      | 191                 | 529      | 303                 |

### Cash Flows

|   | 2008<br>(Unaudited) | 2007            | 2006<br>(Unaudited) |
|---|---------------------|-----------------|---------------------|
| <b>Operating activities under Brazilian GAAP</b>                          | <b>22,054</b>       | <b>49,784</b>   | <b>24,325</b>       |
| Reclassification of short-term investments                                | 32,222              | -               | -                   |
| <b>Operating activities under U.S. GAAP</b>                               | <b>54,276</b>       | <b>49,784</b>   | <b>24,325</b>       |
| <b>Investing activities under Brazilian GAAP</b>                          | <b>(18,523)</b>     | <b>(11,640)</b> | <b>(20,407)</b>     |
| Cash flows relating to temporary cash investments under U.S. GAAP         | 27,260              | (33,020)        | (4,019)             |
| Cash flows relating to short-term investments under U.S. GAAP             | (32,222)            | -               | -                   |
| <b>Investing activities under U.S. GAAP</b>                               | <b>(23,485)</b>     | <b>(44,660)</b> | <b>(24,426)</b>     |
| Cash and cash equivalents at beginning of the year under Brazilian GAAP   | 40,584              | 7,338           | 3,105               |
| Reclassification of temporary cash investments at beginning of the year   | (40,055)            | (7,035)         | (3,016)             |
| <b>Cash and cash equivalents at beginning of the year under U.S. GAAP</b> | <b>529</b>          | <b>303</b>      | <b>89</b>           |
| Increase (decrease) in cash and cash equivalents under Brazilian GAAP     | (27,598)            | 33,246          | 4,233               |
| Cash flows relating to temporary cash investments under U.S. GAAP         | 27,260              | (33,020)        | (4,019)             |

|   |            |            |            |
|---|------------|------------|------------|
| <b>Cash and cash equivalents at end of year under U.S. GAAP</b> | <b>191</b> | <b>529</b> | <b>303</b> |
|---|------------|------------|------------|

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

(j) Reconciliation of principal differences between BR GAAP and U.S. GAAP

|   | <u>Reference</u> | <b>2008</b><br>(Unaudited) | <b>2007</b>   | <b>2006</b><br>(Unaudited) |
|---|------------------|----------------------------|---------------|----------------------------|
| <b>Net income under BR GAAP</b>                                       |                  | <b>62,562</b>              | <b>55,302</b> | <b>36,926</b>              |
| Additional indexation of property and equipment from 1995 to 1997,net | <b>20 (a)</b>    | (5)                        | (39)          | (39)                       |
| Deferred charges, net   | <b>20 (b)</b>    | 317                        | (37)          | (642)                      |
| Interest capitalization, net  | <b>20 (c)</b>    | 192                        | 111           | 204                        |
| Pension plan surplus  | <b>20 (d)</b>    | 6                          | (16)          | 20                         |
| Fair value adjustment on derivative instruments                       | <b>20 (e)</b>    | 352                        | (352)         | (53)                       |
| Equity investee (Suspensys)   |                  | 415                        | 409           | (89)                       |
| Deferred income tax on the above adjustments                          |                  | (400)                      | (45)          | 213                        |
| <b>Net income under U.S. GAAP</b>                                     |                  | <b>63,439</b>              | <b>55,333</b> | <b>36,540</b>              |

|   | <u>Reference</u> | <b>2008</b><br>(Unaudited) | <b>2007</b>    | <b>2006</b><br>(Unaudited) |
|---|------------------|----------------------------|----------------|----------------------------|
| <b>Shareholders' equity under BR GAAP</b>                             |                  | <b>178,921</b>             | <b>152,305</b> | <b>119,422</b>             |
| Additional indexation of property and equipment from 1995 to 1997,net | <b>20 (a)</b>    | 189                        | 194            | 233                        |
| Deferred charges, net   | <b>20 (b)</b>    | (1,264)                    | (1,581)        | (1,544)                    |
| Interest capitalization, net  | <b>20 (c)</b>    | 657                        | 465            | 353                        |
| Pension plan surplus  | <b>20 (d)</b>    | 183                        | 177            | 169                        |
| Fair value adjustment on derivative instruments                       | <b>20 (e)</b>    | -                          | (352)          | -                          |
| Equity investee (Suspensys investment)                                | <b>20 (f)</b>    | (912)                      | (1,327)        | (1,736)                    |
| Deferred income tax on the above adjustments                          |                  | (82)                       | 318            | 362                        |
| <b>Shareholders' equity under U.S. GAAP</b>                           |                  | <b>177,692</b>             | <b>150,199</b> | <b>117,259</b>             |



*Suspensys Sistemas*

*Automotivos Ltda.*

*Financial Statements*

*As of December 31, 2008 and 2007, and*

*For The Years Ended December 31, 2008, 2007 and 2006 and the Independent Auditors` Report.*

Deloitte Touche Tohmatsu Auditores Independentes

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Suspensys Sistemas Automotivos Ltda.

We have audited the accompanying balance sheet of Suspensys Sistemas Automotivos Ltda. ("Company"), a company incorporated in Brazil, as of December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008, and the statement of value added for the year ended December 31, 2008. 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits include 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 also 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, as well as 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, 2008 and 2007, and the results of its operations for each of the three years in the period ended December 31, 2008, in conformity with accounting practices adopted in Brazil.

As mentioned in Note 3.8 to the financial statements, changes in Brazilian accounting practices have been introduced effective January 1, 2008. The financial statements as of December 31, 2007 and for each of the two years in the period ended December 31, 2007 have been prepared in conformity with Brazilian accounting practices in effect until December 31, 2007, and as permitted by Technical Pronouncement 13 – First Time Adoption of Law 11.638/07 and Provisional Act 449/08, are not being restated. Consequently, the financial statements as of and for the year ended December 31, 2008 may not be comparable with the financial statements as of December 31, 2007 and for each of the two years in the period then ended.

Accounting practices adopted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and the effect of such differences is presented in Note 19 to the financial statements.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statements of cash flows for the years ended December 31, 2007 and 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements prepared in accordance with accounting practices adopted in Brazil. Such information has been subjected to those auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES

Porto Alegre, Brazil

June 19, 2009

SUSPENSYS SISTEMAS AUTOMOTIVOS LTDA.BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007  
(In thousands of Brazilian reais - R\$)

| <u>ASSETS</u>                                 | Note | 2008           | 2007           |
|---|------|----------------|----------------|
| <b>CURRENT ASSETS</b>                         |      |                |                |
| Cash and banks                                |      | 1,578          | 5,582          |
| Temporary cash investments                    |      | 31,783         | 34,491         |
| Trade accounts receivable                     | 4    | 66,973         | 82,397         |
| Recoverable taxes                             | 5    | 12,820         | 7,248          |
| Inventories                                   | 6    | 52,241         | 45,948         |
| Prepaid expenses                              |      | 431            | 272            |
| Deferred income and social contribution taxes | 17   | 2,804          | 2,042          |
| Other receivables                             |      | 1,270          | 580            |
| Total current assets                          |      | 169,900        | 178,560        |
| <b>NONCURRENT ASSETS</b>                      |      |                |                |
| Long-term assets:                             |      |                |                |
| Due from related parties                      | 10   | 880            | 1,756          |
| Recoverable taxes                             | 5    | 5,814          | 2,446          |
| Other receivables                             |      | 185            | 323            |
| Total long-term assets                        |      | 6,879          | 4,525          |
| Property, plant and equipment                 | 7    | 85,894         | 48,618         |
| Intangible assets                             | 7    | 1,000          | 1,176          |
| Deferred charges                              | 8    | 3,294          | 4,290          |
| Total noncurrent assets                       |      | 97,067         | 58,609         |
| <b>TOTAL ASSETS</b>                           |      | <b>266,967</b> | <b>237,169</b> |

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>       | Note | 2008           | 2007           |
|---|------|----------------|----------------|
| <b>CURRENT LIABILITIES</b>                        |      |                |                |
| Trade accounts payable                            |      | 19,000         | 39,834         |
| Loans and financing                               | 9    | 22,555         | 22,798         |
| Advances from customers                           |      | 338            | 350            |
| Taxes payable                                     |      | 2,650          | 4,231          |
| Payroll and related taxes                         |      | 820            | 1,004          |
| Accrued vacation and related charges              |      | 3,623          | 3,815          |
| Dividends and interest on capital payable         |      | 22,170         | 26,385         |
| Employee and management profit sharing            |      | 6,503          | 5,310          |
| Other payables                                    |      | 5,287          | 3,210          |
| Total current liabilities                         |      | 82,946         | 106,937        |
| <b>NONCURRENT LIABILITIES</b>                     |      |                |                |
| Long-term liabilities:                            |      |                |                |
| Loans and financing                               | 9    | 34,846         | 29,286         |
| Due to related parties                            | 10   | 2,388          | 147            |
| Reserve for contingencies                         | 12   | 136            | 136            |
| Taxes payable                                     |      | 1,045          | -              |
| Total noncurrent liabilities                      |      | 38,415         | 29,569         |
| <b>SHAREHOLDERS' EQUITY</b>                       |      |                |                |
| Capital   | 15   | 71,291         | 34,233         |
| Tax incentive reserve                             | 16   | -              | 37,058         |
| Income reserves                                   |      | 74,315         | -              |
| Retained earnings                                 |      | -              | 29,372         |
| Total shareholders' equity                        |      | 145,606        | 100,663        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |      | <b>266,967</b> | <b>237,169</b> |

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



SUSPENSYS SISTEMAS  
AUTOMOTIVOS LTDA.

STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006  
(In thousands of Brazilian reais – R\$)

|   | Note | 2008      | 2007      | 2006      |
|---|------|-----------|-----------|-----------|
| <b>GROSS SALES</b>  |      |           |           |           |
| Products and goods – Domestic market                      |      | 1,063,649 | 801,664   | 535,416   |
| Products and goods – Foreign market                       |      | 40,208    | 41,646    | 31,077    |
| Services provided   |      | 10        | 13        | 6         |
|   |      | 1,103,867 | 843,323   | 566,499   |
| <b>DEDUCTIONS</b>   |      |           |           |           |
| Taxes on sales  |      | (251,674) | (189,394) | (128,965) |
| Discounts and rebates                                     |      | (15,718)  | (7,738)   | (7,236)   |
| <b>NET SALES</b>  |      | 836,475   | 646,191   | 430,298   |
| <b>COST OF PRODUCTS AND SERVICES</b>                      |      | (703,228) | (522,819) | (354,062) |
| <b>GROSS PROFIT</b>                                       |      | 133,247   | 123,372   | 76,236    |
| <b>OPERATING INCOME (EXPENSES)</b>                        |      |           |           |           |
| Selling expenses  |      | (24,773)  | (20,215)  | (11,930)  |
| General and administrative expenses                       |      | (13,447)  | (14,760)  | (12,596)  |
| Financial income  | 18   | 26,980    | 6,967     | 6,333     |
| Financial expense   | 18   | (17,257)  | (9,345)   | (6,028)   |
| Tax incentive – Fundopem                                  | 16   | 11,578    | -         | -         |
| Other operating income (expenses)                         |      | (8,258)   | (7,349)   | (3,129)   |
|   |      | (25,177)  | (44,702)  | (27,350)  |
| <b>INCOME FROM OPERATIONS</b>                             |      | 108,070   | 78,670    | 48,886    |
| <b>NONOPERATING INCOME (EXPENSES), NET</b>                |      | -         | (34)      | (87)      |
| <b>INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES</b> |      | 108,070   | 78,636    | 48,799    |
| <b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>               |      |           |           |           |
| Current   | 17   | (27,892)  | (26,215)  | (13,784)  |
| Deferred  | 17   | 762       | 1,979     | 64        |
| <b>NET INCOME</b>   |      | 80,940    | 54,400    | 35,079    |

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, 2008, 2007 AND 2006  
(In thousands of Brazilian reais - R\$)

|  | Note | Capital | Capital<br>reserve<br>tax incentive<br>reserve | Revenue<br>reserves | Retained<br>earnings | Total    |
|--|------|---------|--|---------------------|----------------------|----------|
| BALANCES AS OF DECEMBER<br>31, 2005                                    |      | 34,233  | 20,287   | -                   | 24,609               | 79,129   |
| Dividends paid   |      | -       | -  | -                   | (16,714)             | (16,714) |
| Dividends paid – Randon  |      | -       | -  | -                   | (7,953)              | (7,953)  |
| Tax incentive – Fundopem   | 16   | -       | 7,827  | -                   | -                    | 7,827    |
| Net income   |      | -       | -  | -                   | 35,079               | 35,079   |
| Dividends payable  |      | -       | -  | -                   | (6,179)              | (6,179)  |
| Interest on capital  | 13   | -       | -  | -                   | (5,502)              | (5,502)  |
| BALANCES AS OF DECEMBER<br>31, 2006                                    |      | 34,233  | 28,114   | -                   | 23,340               | 85,687   |
| Dividends payable  |      | -       | -  | -                   | (18,115)             | (18,115) |
| Dividends paid – Randon  |      | -       | -  | -                   | (4,886)              | (4,886)  |
| Dividends payable – Randon   |      | -       | -  | -                   | (4,219)              | (4,219)  |
| Tax incentive – Fundopem   | 16   | -       | 8,944  | -                   | -                    | 8,944    |
| Net income   |      | -       | -  | -                   | 54,400               | 54,400   |
| Dividends paid   |      | -       | -  | -                   | (16,382)             | (16,382) |
| Interest on capital  | 13   | -       | -  | -                   | (4,766)              | (4,766)  |
| BALANCES AS OF DECEMBER<br>31, 2007                                    |      | 34,233  | 37,058   | -                   | 29,372               | 100,663  |
| Impact of adopting law no. 11,638/07<br>and Provisional act no. 449/08 | 3    | -       | -  | -                   | (690)                | (690)    |
| Dividends paid for 2007  | 15   | -       | -  | -                   | (4,319)              | (4,319)  |
| Capital increase   | 15   | 37,058  | (37,058)                                       | -                   | -                    | -        |
| Net income   |      | -       | -  | -                   | 80,940               | 80,940   |
| Tax incentive – Fundopem   | 16   | -       | -  | 11,578              | (11,578)             | -        |
| Revenue reserve  |      | -       | -  | 62,737              | (62,737)             | -        |
| Dividend's Randon  |      | -       | -  | -                   | (7,891)              | (7,891)  |
| Dividends paid   |      | -       | -  | -                   | (16,914)             | (16,914) |
| Interest on capital  | 13   | -       | -  | -                   | (6,183)              | (6,183)  |
| BALANCES AS OF DECEMBER<br>31, 2008                                    |      | 71,291  | -  | 74,315              | -                    | 145,606  |

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, 2008, 2007 AND 2006  
(In Brazilian thousand reais)

|   | 2008     | 2007     | 2006     |
|---|----------|----------|----------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |          |          |          |
| Net income  | 80,940   | 54,400   | 35,079   |
| Adjustments to reconcile net income to net the cash provided by (used in) operating activities: |          |          |          |
| Depreciation and amortization   | 14,899   | 12,892   | 11,514   |
| Loss on sale of property and equipment  | 189      | 132      | 230      |
| Foreign exchange and interests on loan and financing  | 7,365    | 2,621    | (428)    |
| VAT Fiscal Incentive (Fundopen)   | -        | 8,944    | 7,827    |
| Deferred income tax and social contribution   | (762)    | (1,979)  | (64)     |
| Change in assets and liabilities provided by (used in) cash:                                    |          |          |          |
| Variations in assets and liabilities  |          |          |          |
| Reduction (addition) in trade accounts receivable   | 15,424   | (38,055) | (13,762) |
| Reduction (addition) in inventories   | (6,293)  | (23,167) | (2,389)  |
| Reduction (addition) in other receivables   | (10,227) | (3,629)  | 5,325    |
| Reduction (addition) in suppliers   | (18,593) | 11,494   | 7,621    |
| Reduction (addition) in accounts payable and provisions   | 2,874    | 6,106    | 793      |
| Interest on loans and financing paid  | (4,684)  | (3,081)  | (2,164)  |
| Income and social contribution taxes  | -        | 1,965    | -        |
| Net cash provided by operating activities   | 81,132   | 28,643   | 49,582   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>  |          |          |          |
| Purchase of Property, Plant, Equipment  | (51,170) | (12,417) | (13,813) |
| Additions to deferred charges   | -        | (310)    | (1,498)  |
| Net cash used in investing activities   | (51,170) | (12,727) | (15,311) |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>  |          |          |          |
| Dividends and interest on capital paid  | (39,309) | (32,839) | (34,441) |
| Proceeds from loans and financing   | 28,666   | 30,680   | 7,075    |
| Loans and financing paid  | (26,031) | (5,109)  | (6,312)  |
| Net cash provided by financing activities   | (36,674) | (7,268)  | (33,678) |
| Net increase in cash and temporary cash investments   | (6,712)  | 8,648    | 593      |
| At beginning of period  | 40,073   | 31,425   | 30,832   |
| At end of period  | 33,361   | 40,073   | 31,425   |
|   | (6,712)  | 8,648    | 593      |

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

SUSPENSYS SISTEMAS AUTOMOTIVOS LTDA.

STATEMENT OF ADDED VALUE  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(In thousands of Brazilian reais - R\$)

|  | <b>2008</b> |
|--|-------------|
| SALES  |             |
| Sale of goods, products and services   | 1,088,049   |
|  | 1,088,049   |
| MATERIAL PURCHASED FROM THIRD PARTIES (includes taxes - ICMS, IPI, PIS and COFINS) | 786,322     |
| Materials, power, outsourced services and others                                   | 84,888      |
|  | 871,210     |
| GROSS ADDED VALUE  | 216,839     |
| DEPRECIATION, AMORTIZATION   | 14,899      |
| NET ADDED VALUE PRODUCED BY THE COMPANY  | 201,940     |
| TRANSFERRED ADDED VALUE  |             |
| Financial incomes  | 26,980      |
|  | 26,980      |
| TOTAL ADDED VALUE TO BE DISTRIBUTED  |             |
|  | 228,920     |
| ADDED VALUE DISTRIBUTED  | 228,920     |
| Personnel:   |             |
| Direct remuneration  | 48,309      |
| Benefits   | 7,797       |
| FGTS (Employees' Severance Guarantee Fund)   | 3,360       |
| Taxes and contributions:   |             |
| Federal  | 49,719      |
| State  | 16,961      |
| Municipal  | 119         |
| Remuneration from third parties capital  |             |
| Interest on financial expenses   | 17,257      |
| Rents  | 4,458       |
| Remuneration on capital:   |             |
| Interest on capital  | 6,183       |
| Dividends  | 24,805      |
| Retained earnings  | 49,952      |

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, 2008, 2007 AND 2006

(Amounts in Brazilian reais – R\$, except when stated otherwise)

1. OPERATIONS

Suspensys Sistemas Automotivos Ltda. (“Company”) was established on October 1, 2002, and is engaged in the manufacturing and sale of air and mechanical suspensions for trucks, buses and trailers, trailer axles, third axles and hubs and drums for trucks, buses and trailers, in addition to providing technical assistance for its products.

2. FINANCIAL STATEMENT  
PRESENTATION

The financial statements have been prepared in conformity with Brazilian accounting practices, established by corporate law, pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC), standards issued by the Brazilian Securities and Exchange Commission (CVM) and instructions provided by the Brazilian Federal Revenue Service.

In preparing the financial statements for 2008, the Company adopted for the first time the new accounting practices introduced by Law 11638/07, approved on December 28, 2007, as amended by Provisional Act 449 of December 3, 2008.

Law 11638/07 and Provisional Act 449/08 altered Law 6404/76 in relation to the preparation and presentation of financial statements. Adjustments related to the first-time adoption of Law 11638/07 and Provisional Act 449/08 are set forth in Note 3.8.

The financial statements have been prepared in conformity with the accounting practices adopted in Brazil as described in Note 3, which are based on Brazilian Corporate Law and differ in certain respects from accounting principles generally accepted in the United States of America (“U.S. GAAP”). See Note 19 for a discussion of these differences and a reconciliation of stockholders’ equity and net income presented under accounting practices adopted in Brazil to U.S. GAAP.

3. SIGNIFICANT ACCOUNTING  
PRACTICES

3.1 Income recognition

Income and expenses are recognized on the accrual basis.

Revenue from sale of products is recognized when all risks and benefits inherent in the product are transferred to the buyer. Revenue from services is recognized when services are rendered.

3.2 Use of estimates

The preparation of financial statements in conformity with Brazilian accounting practices requires management to make estimates to record certain transactions. Significant assets and liabilities subject to these estimates and assumptions include the net book value of property, plant and equipment, allowance for doubtful accounts, inventories, deferred tax assets, reserve for contingencies and assets and liabilities related to employees benefits. Actual results could differ from these estimates.

### 3.3 Foreign currency

Monetary assets and liabilities denominated in foreign currency were translated into Brazilian reais at the exchange rate in effect on the balance sheet date and currency translation differences were recorded in the statement of income.

### 3.4 Current and noncurrent assets

- Short-term investments

Stated at cost, plus income earned through the balance sheet date.

- Trade accounts receivable

Stated at the billed amount plus related taxes.

The allowance for doubtful accounts was recorded in an amount considered sufficient by management to cover possible losses on the collection of receivables based on the individual analysis of trade accounts receivable with default risk.

- Inventories

Stated at average cost of acquisition or production, which does not exceed market value.

- Other current and noncurrent assets

Stated at their net realizable value.

- Property, plant and equipment and intangible assets

Stated at acquisition or construction cost. Depreciation and amortization are calculated under the straight-line method at rates mentioned in Note 7 and takes into consideration the estimated useful life of assets.

- Deferred assets

Stated at incurred cost and amortized under the straight-line method at 20% p.a., starting at the date of the project's completion.

### 3.5 Current and noncurrent liabilities

Stated at known or estimated amounts, plus, if applicable, related charges and monetary and/or exchange variations incurred through the balance sheet date.

### 3.6 Reserve for contingencies

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation resulting from a past event and it is probable that an outflow of resources will be required to settle the obligation. Provisions are recognized based on the best estimates of the involved risk.

### 3.7 Income Tax and Social Contribution

Income tax for the current period is calculated at the rate of 15%, plus a surtax of 10% on taxable income exceeding R\$240, and social contribution at the rate of 9% on taxable income on net profit. This calculation takes into consideration tax loss offset, limited to 30% of taxable income.

### 3.8 First-time adoption of Law 11638/07 and Provisional Act 449/08

The Company's management opted to prepare its opening balance sheet with the transition date of January 1, 2008, which is the starting point for accounting in conformity with amendments introduced by Law 11,638/07 and Provisional Act 449/08. The changes introduced by said legislation are qualified as a change in accounting policy, however, as permitted by Technical Pronouncement CPC 13 - First-time Adoption of Law 11,638/07 and Provisional Act 449/08, approved by CVM Resolution 565 of December 17, 2008, all of the adjustments resulting from the first-time adoption of Law 11,638/07 and Provisional Act 449/08 were made directly in retained earnings on transition date, in conformity with the provisions of Article 186 of Law 6404/76, without retrospective effects on the financial statements.

Below are the equity adjustments arising from the first-time adoption of Law 11638/07 and Provisional Act 449/08, a summary of the accounting practices amended by said legislation, effects thereof in the balance sheet on the date of transition.

- a) Adjustments arising from the first-time adoption of Law 11638/07 and Provisional Act 449/08 to the balance sheet as of the transition date – January 1, 2008:

|                                       | December 31, 2007<br>Balances | Adjustments | Date of transition<br>January 1, 2008 | Balances |
|---------------------------------------|-------------------------------|-------------|---------------------------------------|----------|
| Capital                               | 34,233                        | -           |                                       | 34,233   |
| Capital reserve tax incentive reserve | 37,058                        | -           |                                       | 37,058   |
| Retained earnings                     | 29,372                        | (690)       | { a }                                 | 28,682   |
| Shareholders' equity                  | 100,663                       | (690)       |                                       | 99,973   |

Summary of adjustments

|   |       |
|---|-------|
| {a} Adjustments against retained earnings                     |       |
| {a1} Adjustment of trade accounts receivable to present value | (799) |
| {a2} Adjustment of trade accounts payable to present value    | 109   |
| Total   | (690) |

- b) Summary of changes in accounting practices for the first-time adoption of Law 11638/07 and Provisional Act 449/08:

Deferred charges

Deferred charges as of December 31, 2008 will be maintained up to its full realization through amortization or write-off against the net income for the year. Deferred charges were tested for its recoverable value.

Present value adjustments

Trade accounts receivable and trade accounts payable were adjusted to present value based on interest rates reflecting the nature of receivables and payables in terms of maturity and payment conditions on the dates of the related transactions.

The effects of adjustments to present value from the first-time adoption of Law 11638 and Provisional Act 449/08 were recorded in retained earnings.

Donations and investment grants

Tax incentives received by the Company prior to the first-time adoption of Law 11638/07 and Provisional Act 449/08 were recorded as capital reserve in shareholders' equity, which were merged into the Company's capital.

Beginning 2008, tax incentives have been recognized in income, as received.

Statements of cash flows and value added

Replacement of the statement of changes in financial position by the statement of cash flows and inclusion of the statement of value added.

- c) Effects of the first-time adoption of Law 11638/07 and Provisional Act 449/08

Below is the reconciliation of net income and shareholders' equity for the period ended December 31, 2008, considering the effects of the initial adoption to Law 11638/07 and Provisional Act 449/08, compared to shareholders' equity and net income obtained if changes in accounting practices had not been adopted.

|   |        |
|---|--------|
| <u>Net income (loss):</u>                 | 2008   |
| Net income for the year ended December 31 | 80,940 |



## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

Effects from the first-time adoption of Law 11638/07 and Provisional Act 449/08:

|  |        |
|--|--------|
| Adjustments of trade accounts receivable and trade accounts payable to present value | 293    |
| Tax incentive (Fundopem)   | 11,578 |
| Income tax and social contribution temporary and permanent differences               | (100)  |
| Total net adjustments from the adoption of Law 11638/07 and Provisional Act 449/08   | 11,771 |

|   |        |
|---|--------|
| Net income without the effects of the adoption of Law 11638/07 and Provisional Act 449/08 | 69,169 |
|---|--------|

Shareholders' equity: 2008

|  |         |
|--|---------|
| Shareholders' equity as of December 31   | 145,606 |
| Adjustments on transition date recorded in retained earnings   | (690)   |
| Difference between net income for 2008 and adjusted net income   | 193     |
| Shareholders' equity as of December 31, without the effects of Law 11638/07 and Provisional Act 449/08 | 145,109 |

### 4. ACCOUNTS RECEIVABLE

Trade accounts receivable as of December 31 are presented as follow:

|  | 2008   | 2007   |
|--|--------|--------|
| Trade accounts receivable from third parties – domestic market   | 60,470 | 69,373 |
| Trade accounts receivable from third parties – foreign market    | 2,772  | 1,532  |
| Trade accounts receivable from related parties – domestic market | 915    | 1,472  |
| Trade accounts receivable from related parties – foreign market  | 2,816  | 10,020 |
| Total  | 66,973 | 82,397 |

### 5. RECOVERABLE TAXES

Recoverable taxes are presented as follows:

|  | 2008   | 2007  |
|--|--------|-------|
| IPI (federal VAT)  | 2,126  | 1,550 |
| ICMS (state VAT)   | 10,255 | 3,595 |
| IRPJ (corporate income tax) and CS (social contribution tax) | 767    | 33    |
| ICMS on fixed assets acquisitions                            | 3,252  | 2,222 |
| PIS on fixed assets acquisitions                             | 398    | 409   |
| COFINS on fixed assets acquisitions                          | 1,836  | 1,885 |
| Total  | 18,634 | 9,694 |
| Current  | 12,820 | 7,248 |
| Long term  | 5,814  | 2,446 |

The balance of recoverable taxes recorded in long-term assets is composed of ICMS, PIS and COFINS on acquisitions on fixed assets, which are recoverable in 48 months, according to current legislation. Recoverable ICMS, R\$8,456 (R\$6,068 in 2009 and R\$2,388 in 2010), related to the purchase of Randon's ICMS credit balance which will be offset according to the schedule prepared by the Treasury Department of Rio Grande do Sul State.

### 6. INVENTORIES

## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

Inventories as of December 31 are presented as follows:

|                       | 2008   | 2007   |
|-----------------------|--------|--------|
| Finished goods        | 1,998  | 3,140  |
| Work in process       | 15,944 | 10,883 |
| Raw-materials         | 28,913 | 31,670 |
| Advances to suppliers | 655    | 38     |
| Imports in transit    | 4,731  | 217    |
| Total                 | 52,241 | 45,948 |

### 7. PROPERTY, PLANT AND EQUIPMENT / INTANGIBLE ASSETS

Property, plant and equipment and intangible assets as of December 31 are presented as follows:

|   | Annual<br>depreciation<br>rate (%) | Cost    | 2008<br>Accumulated<br>depreciation | Net    | 2007<br>Net |
|---|------------------------------------|---------|-------------------------------------|--------|-------------|
| Land                                      | -                                  | 1,648   | -                                   | 1,648  | 1,648       |
| Buildings                                 | 4                                  | 14,394  | (2,714)                             | 11,680 | 12,162      |
| Machinery and Equipment                   | 10 to 20                           | 111,404 | (65,264)                            | 46,140 | 26,614      |
| Molds and dies                            | 10 to 20                           | 7,934   | (2,801)                             | 5,133  | 3,072       |
| Installations                             | 10                                 | 3,352   | (1,116)                             | 2,236  | 1,750       |
| Furniture and fixtures                    | 10                                 | 1,218   | (442)                               | 776    | 744         |
| Vehicles                                  | 20                                 | 550     | (319)                               | 231    | 180         |
| Computer equipment                        | 20                                 | 1,336   | (794)                               | 542    | 395         |
| Advances to suppliers                     | -                                  | 1,909   | -                                   | 1,909  | 590         |
| Property, Plant and Equipment in progress | -                                  | 15,599  | -                                   | 15,599 | 1,463       |
| Total                                     |                                    | 159,344 | (73,450)                            | 85,894 | 48,618      |
| Intangible assets                         |                                    |         |                                     |        |             |
| Software                                  | 20                                 | 2,392   | (1,392)                             | 1,000  | 1,176       |
| Total                                     |                                    | 161,736 | (74,842)                            | 86,894 | 49,794      |

### 8. DEFERRED CHARGES

Deferred charges as of December 31 are presented as follows:

|                               | 2008    | 2007    |
|-------------------------------|---------|---------|
| Costs of studies and projects | 5,554   | 5,554   |
| Accumulated amortization      | (2,260) | (1,264) |
| Total                         | 3,294   | 4,290   |

### 9. LOANS AND FINANCING

Loans and financing were obtained to finance the construction of the industrial facilities, development of quality processes, financing exports and machine imports. The loans and financing were obtained from several financial institutions through funds obtained by such institutions from the BNDES (National Bank for Social and Economic Development).

As of December 31, the balance of loans and financing is presented as follows:

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

| Type:   | Financial Charges              | 2008   | 2007   |
|---|--------------------------------|--------|--------|
| <u>Import/ export:</u>                                |                                |        |        |
| ACC – Advance on Foreign Exchange Contracts           | Exchange variation + 5,2% p.a. | 2,416  | -      |
| <u>Financing</u>                                      |                                |        |        |
| FINAME – machinery and equipment financing (Bradesco) | URTJLP + 5% p.a                | -      | 85     |
| FINAME – machinery and equipment financing (Unibanco) | URTJLP + 4,8% p.a              | 173    | 240    |
| BNDES – sub-loan A                                    | URTJLP + 4,5% p.a              | -      | 2,963  |
| BNDES – sub-loan A/C                                  | Exchange variation + 2,5% p.a. | 1,605  | 1,425  |
| BNDES – sub-loan B                                    | URTJLP + 4,5% p.a.             | 6,876  | 7,632  |
| BNDES – sub-loan B                                    | URTJLP + 3,0% p.a.             | 12,986 | 15,155 |
| BNDES – sub-loan C                                    | UMBND + 4,5% p.a.              | 1,507  | 1,740  |
| BNDES – sub-loan D                                    | URTJLP + 2,5% p.a.             | 787    | 920    |
| BRADESCO – FINEP                                      | TJLP + 0,50 p.a.               | 11,893 | 3,797  |
| BRADESCO – EXIM                                       | Exchange variation + 2,7 p.a.  | -      | 2,665  |
| BRADESCO – EXIM                                       | TJLP + 2,7 p.a.                | -      | 12,199 |
| VOTORANTIM – EXIM                                     | TJLP                           | 12,410 | -      |
| FUNDOPEM – ICMS                                       | IPCA + 3% p.a.                 | 3,120  | -      |
| <u>Machinery import financing</u>                     |                                |        |        |
| FININP – Bradesco                                     | Exchange variation+2,5% p.a.   | 2,460  | 1,557  |
| FININP – ABN  | Exchange variation+2,9% p.a.   | 682    | 851    |
| FININP – ABN  | Exchange variation +2,5% p.a.  | 486    | 855    |
| Total   |                                | 57,401 | 52,084 |
| Current   |                                | 22,555 | 22,798 |
| Long-term   |                                | 34,846 | 29,286 |

URTJLP = Reference unit of Brazilian long-term interest rate units/UMBND = Monetary unit of national bank of social and economic development/TJLP = Long-term interest rate/IPCA = National index for the price consumer.

Maturities of long-term debts are presented as follows:

| Year of maturity   | Amount |
|--------------------|--------|
| 2010               | 13,578 |
| 2011               | 6,150  |
| 2012               | 6,066  |
| 2013               | 4,716  |
| 2014               | 1,964  |
| 2015 and following | 2,372  |
| Total              | 34,846 |

The loans and financing from the BNDES and FINAME are collateralized by financed machinery and equipment of the Company and its shareholders.

## 10. RELATED-PARTY TRANSACTIONS

Transactions and balances with related parties as of December 31 are presented as follows:

|                                  | Randon Companies* |       |      | ArvinMeritor** |       |      | Officers/Managers |       |      | Total |        |      |
|----------------------------------|-------------------|-------|------|----------------|-------|------|-------------------|-------|------|-------|--------|------|
|                                  | 2008              | 2007  | 2006 | 2008           | 2007  | 2006 | 2008              | 2007  | 2006 | 2008  | 2007   | 2006 |
| Balance sheet                    |                   |       |      |                |       |      |                   |       |      |       |        |      |
| Trade accounts receivables – net | 1,254             | 4,012 | -    | 2,477          | 7,480 | -    | -                 | -     | -    | 3,731 | 11,492 | -    |
| Due from related parties         | 880               | 1,756 | -    | -              | -     | -    | -                 | -     | -    | 880   | 1,756  | -    |
| Due to related parties           | 2,388             | 147   | -    | -              | -     | -    | -                 | -     | -    | 2,388 | 147    | -    |
| Other payables                   | -                 | -     | -    | -              | -     | -    | 2,585             | 1,756 | -    | 2,585 | 1,756  | -    |

## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

|   |         |         |         |        |        |        |     |     |     |         |         |         |
|---|---------|---------|---------|--------|--------|--------|-----|-----|-----|---------|---------|---------|
| Commissions payable (other payables)            | -       | -       | -       | 701    | 291    | -      | -   | -   | -   | 701     | 291     | -       |
| Trade accounts payable                          | 7,513   | 3,924   | -       | -      | -      | -      | -   | -   | -   | 7,513   | 3,924   | -       |
| Statement of income                             |         |         |         |        |        |        |     |     |     |         |         |         |
| Sale of products, goods and services – net      | 180,781 | 140,472 | 139,809 | 24,827 | 36,104 | 31,456 | -   | -   | -   | 205,608 | 176,576 | 171,264 |
| Purchases of products, goods and services – net | 65,871  | 44,007  | 38,127  | -      | 453    | 4,997  | -   | -   | -   | 65,871  | 44,460  | 43,123  |
| Purchases of ICMS credits                       | 8,546   | 3,540   | 5,220   | -      | -      | -      | -   | -   | -   | 8,546   | 3,540   | 5,220   |
| Financial expenses                              | 15      | 18      | 14      | -      | -      | -      | 272 | 187 | 172 | 287     | 205     | 186     |
| Financial income                                | 237     | 113     | 551     | -      | -      | -      | -   | -   | -   | 237     | 113     | 551     |
| Commissions expenses (other payables)           | -       | -       | -       | 230    | 355    | 245    | -   | -   | -   | 230     | 355     | 245     |
| General and administrative expenses             | 4,842   | 4,649   | 4,457   | -      | -      | -      | -   | -   | -   | 4,842   | 4,649   | 4,457   |

Management's compensation breakdown is as follows: base salary R\$689 (R\$626 in 2007) and profit sharing of R\$850 (R\$662 in 2007).

Debits and credits with the parent company Randon S.A. Implementos e Participações are subject to interest prevailing in the financial market (DI-extra issued by Andima - National Association of Financial Market Institutions).

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

The Company has loan agreements with Officers and Managers. Loans are subject to DI-extra rate.

### Commercial Transactions

The commercial transactions with related parties follow the prices and terms established by the agreement signed between the parties. The agreement takes into account the term, volume and specifications of the products purchased by the related parties, which are not comparable to sales to unrelated parties.

(\* Includes: Randon S.A. Implementos e Participações, Randon Veículos Ltda., Jost Brasil Sistemas Automotivos Ltda., Master Sistemas Automotivos Ltda., Fras-le Argentina and Randon Argentina

(\*\*) Includes: Meritor Heavy Vehicle Systems LLC. and Meritor do Brasil Ltda.

## 11. PENSION PLAN

The Company co-sponsors RANDONPREV, a defined contribution pension plan under a capitalization regime whose main objective is to provide benefits that supplement those provided by the government plans. The pension plan expenses included in the statements of income for the years ended December 31, 2008, 2007 and 2006 totaled R\$ 297, R\$ 263 and 215, respectively.

## 12. CONTINGENCIES

The Company, through its attorneys, has challenged at the administrative and judicial level the collection of certain taxes, labor and civil proceedings. Based on the opinion of its attorneys, the Company recorded a reserve for contingencies in the amount of R\$ 136 to cover probable losses that may result from the final outcome of such proceedings.

The contingent liabilities as of December 31, 2008 are as follows:

## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

| Contingency | Likelihood of Losses |          |        |
|-------------|----------------------|----------|--------|
|             | Probable             | Possible | Remote |
| Civil       | -                    | -        | 7      |
| Labor       | 43                   | 620      | 12     |
| Tax         | 93                   | -        | 2,288  |
| Total       | 136                  | 620      | 2,307  |

The Company has administrative proceedings in progress for which, based on the opinion of its attorneys and in accordance with Brazilian accounting practices, no reserves for contingencies have been recorded since the proceedings have been assessed to have a possible or remote likelihood of loss. The main proceedings with risk of remote loss are:

### Tax

- a) ICMS (State VAT) – The Company was assessed for an alleged irregularity in the calculation of the ICMS reduction benefit through the FUNDOMEM/ NOSSO EMPREGO (see Note 16). The total amount, including principal, penalties and interest, is R\$ 7,801.
- b) On January 24, 2008, as a result of the defense presented by the Company against the above-mentioned infraction notice, the ICMS debt was re-calculated by tax authorities. Based on the notice sent by tax authorities to the Company at that date, management estimates that the total amount of the tax assessment will be reduced to approximately R\$ 2,277, including principal, penalties and interest.

### 13. INTEREST ON CAPITAL PAYABLE

In 2008, the Company recorded interest on capital in the amount of R\$ 6,183 (R\$ 4,766 in 2007) by applying the TJLP (long-term interest rate) for the period between January and December, 2008 on shareholders` equity, observing the greater of 50% of pre-tax income or 50% of the retained earnings.

In accordance with tax legislation, the amount recorded as interest on capital was entirely deducted from the calculation of income and social contribution taxes, resulting in a tax benefit of R\$ 2,102 (R\$ 1,620 in 2007). For the purpose of these financial statements, such interest on capital was considered as dividends and was recorded as a reduction of retained earnings in shareholders` equity.

### 14. FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has been determined using available market information and appropriate valuation methodologies. However, considerable judgment was required to interpret market data and then develop the most appropriate fair value estimates. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market information and/or valuation methodologies may have a material effect on the fair value estimates.

These financial instruments are managed through operating strategies, aimed at liquidity, profitability and security. The company`s financial instruments management policy consists of ongoing monitoring of contracted rates compared to market rates. The Company does not have transactions involving derivatives or any other risk assets for speculative purposes.

#### *Balances breakdown*

In compliance with Brazilian Securities and Exchange Commission (CVM) Instruction 235/95, the carrying amounts and fair value of the financial instruments included in the balance sheet as of December 31, 2008 and are as follows:

| Description            | 12/31/2008      |            |
|------------------------|-----------------|------------|
|                        | Carrying amount | Fair value |
| Short-term investments | 31,783          | 31,783     |

|                      |        |        |
|----------------------|--------|--------|
| Loans and financing: |        |        |
| In local currency    | 48,245 | 48,245 |
| In foreign currency  | 9,156  | 9,156  |

*Criteria, assumptions and limits used for the calculation of market values.*

- . *Temporary cash investments*

Current accounts and temporary cash investments in banks have market values comparable to their book balances.

- . *Loan and financing*

The fair value of financing approximates book balances, when compared to similar instruments, with comparable maturities and interest rates.

- . *Limitations*

Fair values were estimated through the balance sheet date, based on “relevant market information”. Changes in assumptions may significantly affect those estimates.

- . *Risk financial management*

The Company is exposed to the following risks related to the use of its financial instruments:

- i. credit risk
- ii. liquidity risk
- iii. market risk

The Company, through its Parent Company, has a Hedge Transaction Policy, prepared by the Planning and Finance Committee (“the committee”) and evaluated by the Executive Board. These procedures are aimed to reduce the effects of fluctuation in exchange rates of foreign currency amounts estimated in the cash flow with no speculative purposes.

The monthly-estimated cash flow in foreign currency is used as basis for the twelve subsequent months, either based on the Strategic Plan projections or on the updated expectation of each company. Instruments used are conservative and previously approved by the same committee.

- a. *Credit risk*

The Company’s sales policies are subject to credit policies established by its management and are intended to minimize customer default risks. This objective is attained by management through a careful selection of the customer portfolio, which considers the customer ability to pay (credit rating).

- b. *Market risk*

Represented by the risk that changes in the market, such as exchange rate, interest rate and price variation, will affect the Company's net income or the value of its financial instruments. Management's purpose in monitoring market risks is to control exposure to market risks within acceptable parameters, to obtain optimal return.

*Foreign exchange rate risk*

The Company's net income is subject to significant variations due to the effects from the volatility of exchange rates on assets and liabilities indexed to foreign currencies, mainly the U.S. dollar.

The Company is exposed to currency risk (exchange rate risk) on sales, purchases and loans denominated in a currency different from that usually used by the Company.

*Strategy for Exchange Rate Risk*

As a strategy to avoid and reduce the effects in exchange rate fluctuation, management has adopted the policy of maintaining a natural hedge with the maintenance of tied assets also subject to exchange variation, as follows:

|                         | December 31,<br>2008 | December 31,<br>2007 |
|-------------------------|----------------------|----------------------|
| A. Loans and financing  | (9,156)              | (10,231)             |
| B. Suppliers            | (899)                | (288)                |
| C. Net assets           | 12,234               | 11,552               |
| D. Net exposure (A-B+C) | 2,179                | 1,033                |

*Interest rate risk*

The Company's net income is subject to significant variations arising from financing and loans contracted at floating interest rates. The Company does not have derivatives to hedge interest rate variations.

In accordance with its financial policies, the Company has not conducted financial instrument transactions for speculative purposes.

*Price risk*

Price risk relates to the possibility of fluctuations in market prices for products sold or manufactured by the Company and other inputs used in the manufacturing process. To mitigate these risks, the Company continuously monitors the domestic and foreign markets, thus protecting against price changes.

## 15. CAPITAL

Subscribed capital is represented by 100,000 shares held among the shareholders. In November 2008, capital was increased by R\$ 37,058 rising to R\$ 71,291 upon the capitalization of the tax incentivized capital reserve and without the issuance of new shares, as per change no. 18 in the Articles of Association.

The capital structure of Suspensys is represented as follows:

| Shareholders                            | Shares | R\$    | %      |
|---|--------|--------|--------|
| Randon S.A. Implementos e Participações | 22,881 | 16,312 | 22.881 |
| Master Sistemas Automotivos Ltda.       | 53,177 | 37,910 | 53.177 |

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

|                                     |         |        |         |
|-------------------------------------|---------|--------|---------|
| Meritor Heavy Vehicle Systems, LLC. | 23,942  | 17,069 | 23,942  |
| Total                               | 100,000 | 71,291 | 100,000 |

On April 30, 2008, the Company paid dividends in the amount of R\$ 4,319 out of net income for the year ended December 31, 2007, proportionate to the shareholders' interest. On December 31, 2008 the Company paid dividends in the amount of R\$ 16,914 out of the net income for the year.

As established by the joint-venture agreement and ratified by the shareholders in the meeting minutes for approval of profit allocation, Randon is entitled to receive non-proportional dividends in the amount of the tax benefit from Fundopem.

## 16. TAX INCENTIVE RESERVE

Tax incentive recorded in income statement refers to tax incentives obtained in 2008 in the amount of R\$ 11,578 (the balance of R\$ 37,058 accrued through December, 2007 was transferred to capital, in accordance with amendment number 18 to the Articles of Association) through the FUNDOPEM/NOSSO EMPREGO program. This ICMS reduction benefit granted to the Company is calculated on a monthly basis and is contingent upon the creation of direct or indirect jobs in the State of Rio Grande do Sul.

## 17. INCOME AND SOCIAL CONTRIBUTION TAXES

- a) Reconciliation of income and social contribution taxes for the year ended December 31, 2008 with the amount that results from applying statutory rates is presented as follows:

|  | 2008       |                         | 2007       |                         | 2006       |                         |
|--|------------|-------------------------|------------|-------------------------|------------|-------------------------|
|  | Income tax | Social contribution tax | Income tax | Social contribution tax | Income tax | Social contribution tax |
| Income before income and social contribution taxes       | 108,070    | 108,070                 | 78,636     | 78,636                  | 48,799     | 48,799                  |
| Statutory Rate   | 15%+10%    | 9%                      | 15%+10%    | 9%                      | 15%+10%    | 9%                      |
| Income and social contribution taxes at statutory rates: | 27,018     | 9,726                   | 19,659     | 7,077                   | 12,200     | 4,392                   |
| Effect of taxes on:                                      |            |                         |            |                         |            |                         |
| Interest on capital expense                              | (1,546)    | (556)                   | (1,191)    | (429)                   | (1,375)    | (495)                   |
| Industrial development program                           | (2,187)    | (787)                   | (747)      | (269)                   | (610)      | (274)                   |
| Tax incentive  | (2,895)    | (1,042)                 | -          | -                       | -          | -                       |
| Others   | 143        | (14)                    | 284        | 43                      | -          | -                       |
| Permanent exclusions – net                               | (6,485)    | (2,399)                 | (1,654)    | (655)                   | (1,985)    | (769)                   |
| Income and social contribution taxes before deductions   | 20,533     | 7,327                   | 18,005     | 6,422                   | 10,215     | 3,623                   |
| Income tax deductions and other adjustments              | (611)      | (119)                   | (191)      | -                       | (118)      | -                       |
| Provision for income and social contribution taxes       | 19,922     | 7,208                   | 17,814     | 6,422                   | 10,097     | 3,623                   |
| Current income and social contribution taxes             | 20,477     | 7,415                   | 19,225     | 6,990                   | 10,138     | 3,646                   |
| Deferred income and social contribution taxes            | (555)      | (207)                   | (1,411)    | (568)                   | (41)       | (23)                    |



Edgar Filing: ARVINMERITOR INC - Form 10-K/A

b) Deferred Income and social contribution taxes:

|   | Temporary differences | Deferred income and social contribution taxes 2008 | Deferred income and social contribution taxes 2007 |
|---|-----------------------|--|--|
| Temporary differences                                 |                       |  |  |
| Provision for profit sharing program (administrators) | 2,450                 | 833  | 639  |
| Provision for profit sharing program (employees)      | 3,353                 | 1,140  | 904  |
| Provision for profit sharing program (directors)      | 850                   | 77   | 69   |
| Provision for collective labor agreement              | 269                   | 91   | 49   |
| Reserve for contingencies                             | 136                   | 46   | 46   |
| Reserve for warranties                                | 1,274                 | 433  | 312  |
| Others  | 541                   | 184  | 23   |
| Total   | 8,873                 | 2,804  | 2,042  |

18. NET FINANCIAL INCOME

The net financial income (expenses) for the year ended December 31 are presented as follows:

|  | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|-------------|-------------|-------------|
| <u>Financial incomes</u>                                 |             |             |             |
| Income from temporary cash investments                   | 4,613       | 2,977       | 3,280       |
| Interests received and discounts obtained                | 143         | 74          | 47          |
| Exchange gains on liabilities                            | 10,945      | 3,916       | 3,006       |
| Adjustment to present value of trade accounts receivable | 11,279      | -           | -           |
|  | 26,980      | 6,967       | 6,333       |
| <u>Financial expenses</u>                                |             |             |             |
| Interest on loans and financings                         | (5,006)     | (3,969)     | (2,667)     |
| Banking expenses   | (148)       | (97)        | (77)        |
| Exchange losses on assets                                | (6,918)     | (3,871)     | (2,306)     |
| Adjustment to present value of accounts payable          | (4,518)     | -           | -           |
| Others   | (667)       | (1,408)     | (978)       |
|  | (17,257)    | (9,345)     | (6,028)     |
| Net financial income (expenses)                          | 9,723       | (2,378)     | 305         |

19. SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL (BR GAAP) AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (U.S. GAAP)

The financial statements of the Company are prepared in accordance with BR GAAP. Note 3 to the consolidated financial statements summarizes the accounting policies adopted by the Company. BR GAAP differs from U.S. GAAP in certain significant respects, which are summarized below:

(a) Deferred Charges

## Edgar Filing: ARVINMERITOR INC - Form 10-K/A

BR GAAP allows the deferral of pre-operating expenses and certain expenses related to research and development. Under BR GAAP, these items are amortized over a period of five to ten years. Under U.S. GAAP, these are recorded as expenses when incurred.

### (b) VAT Tax Incentive (Fundopem)

Under BR GAAP, as described in Note 16, prior to January 1, 2008, tax incentives relating to certain state taxes on revenues were recorded directly in shareholders' equity. Under U.S. GAAP, these tax incentives are recorded in the income statement. Beginning January 1, 2008, the tax incentive is recorded in the income statement.

### (c) Capitalization of interest in relation to construction in progress

Under accounting practices adopted in Brazil, prior to January 1, 1996 the Company was not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets.

Under Brazilian GAAP exchange losses on foreign currency denominated assets and liabilities are capitalized. Under U.S. GAAP, capitalization of exchange losses is not permitted.

### (d) Pension Plan Surplus

Under Brazilian GAAP, the excess of the fair value of the pension plan assets over the projected benefit obligation is not recognized as an asset on the balance sheet. Under U.S. GAAP, the asset is recognized on the balance sheet as prepaid pension cost.

### (e) Dividends

Under BR GAAP, proposed dividends are accounted for in the financial statements in anticipation of their approval by the shareholders' meeting. Distributions characterized as interest on shareholders' equity as well as minimum compulsory dividends are accrued for under both BR GAAP and U.S. GAAP. Any excess of proposed dividends over either the minimum compulsory dividend or distributions characterized as interest on shareholders' equity would not be accounted for under U.S. GAAP, if such proposed dividends are subject to approval at the annual Shareholders' meeting.

### (f) New Accounting Pronouncements

In December 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation (FIN) No. 48 for Certain Nonpublic Enterprises. The FSP defers the effective date of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, for certain nonpublic enterprises, to fiscal years beginning after December 15, 2008. Nonpublic enterprises that have applied the recognition, measurement, and disclosure provisions of Interpretation 48 in a full set of annual financial statements issued prior to the issuance of this FSP are not eligible for the deferral. Nonpublic consolidated entities of public enterprises that apply U.S. generally accepted accounting principles are not eligible for the deferral. Since the Company does not meet those exceptions that would require the application of FIN 48, there is no impact on the Company's financial statements related to the adoption of FIN 48.

In April 2008, the FASB issued FSP No. FAS 142-3, "Determination of the Useful Life of Intangible Assets." The FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets." The FSP is intended to improve the consistency between the useful life of an intangible asset determined under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), and other U.S. generally accepted accounting principles. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and is to be applied prospectively to intangible assets acquired after the effective date. Disclosure requirements are to be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. We are currently evaluating the impact FSP 142-3 will have on our financial statements.

In May 2008, the FASB issued SFAS No. 162 "The Hierarchy of Generally Accepted Accounting Principles", which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement is effective 60 days following the SEC's approval of the PCAOB amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles". There is no impact on the financial statements related to the adoption of

this pronouncement.

(g) Other Comprehensive Income

Under U.S. GAAP, SFAS No, 130, "Reporting Comprehensive Income", requires the disclosure of comprehensive income. Comprehensive income is comprised of net income and "other comprehensive income", which include charges or credits directly to equity that are not the result of transactions with shareholders. The Company has not recorded other comprehensive income for all periods presented.

(h) Cash and Cash Equivalents

Under U.S. GAAP, cash equivalents are defined as short-term, highly liquid investments, which are both readily convertible to known amounts of cash and have original maturities of 90 days or less. The Company holds certain highly liquid, low risk financial investments, comprised principally of high quality government debt, which are classified as cash equivalents under BR GAAP. Under U.S. GAAP, since these investments have original maturities of over 90 days, such investments do not qualify as cash equivalents. The effect of this difference in classification on the Company's balance sheets and statements of cash flows for the periods presented is as follows:

|  | 2008         | 2007         | 2006         |
|--|--------------|--------------|--------------|
| Cash and cash equivalents under Brazilian GAAP   | 33,361       | 40,073       | 31,425       |
| Reclassification of temporary investments        | (31,783)     | (34,491)     | (22,940)     |
| <b>Cash and cash equivalents under U.S. GAAP</b> | <b>1,578</b> | <b>5,582</b> | <b>8,485</b> |

**Cash Flows**

|   | 2008            | 2007            | 2006            |
|---|-----------------|-----------------|-----------------|
| <b>Investing activities under Brazilian GAAP</b>                        | <b>(51,170)</b> | <b>(12,727)</b> | <b>(15,311)</b> |
| Cash flows relating to temporary cash investments under U.S. GAAP       | 2,708           | (11,551)        | 5,685           |
| <b>Investing activities under US GAAP</b>                               | <b>(48,462)</b> | <b>(24,278)</b> | <b>(9,626)</b>  |
| Cash and cash equivalents at beginning of the year under Brazilian GAAP | 40,073          | 31,425          | 30,832          |
| Reclassification of temporary cash investments at beginning of the year | (34,491)        | (22,940)        | (28,625)        |
| <b>Cash and cash equivalents at beginning of the year under US GAAP</b> | <b>5,582</b>    | <b>8,485</b>    | <b>2,207</b>    |
| Increase (decrease) in cash and cash equivalents under Brazilian GAAP   | (6,712)         | 8,648           | 593             |
| Cash flows relating to temporary cash investments under US GAAP         | 2,708           | (11,551)        | 5,685           |
| <b>Cash and cash equivalents at end of year under US GAAP</b>           | <b>1,578</b>    | <b>5,582</b>    | <b>8,485</b>    |

(i) Reconciliation of principal differences between BR GAAP and U.S. GAAP

|  | <u>Reference</u> | 2008          | 2007          | 2006          |
|--|------------------|---------------|---------------|---------------|
| <b>Net income under BR GAAP</b>              |                  | <b>80,940</b> | <b>54,400</b> | <b>35,079</b> |
| Deferred charges                             | <b>19 (a)</b>    | 996           | 1,040         | (425)         |
| VAT Tax incentive (Fundopem)                 | <b>19 (b)</b>    | -             | 8,944         | 7,827         |
| Interest capitalization                      | <b>19 (c)</b>    | 126           | (6)           | (6)           |
| Pension plan surplus                         | <b>19 (d)</b>    | 61            | 56            | 35            |
| Deferred income tax on the above adjustments |                  | (402)         | (371)         | 135           |
| <b>Net income under U.S. GAAP</b>            |                  | <b>81,721</b> | <b>64,063</b> | <b>42,645</b> |

|  | <u>Reference</u> | 2008           | 2007           | 2006          |
|--|------------------|----------------|----------------|---------------|
| <b>Shareholders' equity under BRGAAP</b> |                  | <b>145,606</b> | <b>100,663</b> | <b>85,687</b> |

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

|  |               |                |                |               |
|--|---------------|----------------|----------------|---------------|
| Deferred charges                             | <b>19 (a)</b> | (3,294)        | (4,290)        | (5,330)       |
| Reversal of dividends payable                | <b>19 (e)</b> | -              | 4,219          | -             |
| Interest capitalization                      | <b>19 (c)</b> | 241            | 115            | 121           |
| Pension plan surplus                         | <b>19 (d)</b> | 326            | 265            | 161           |
| Deferred income tax on the above adjustments |               | 1,012          | 1,414          | 1,785         |
| <b>Shareholders' equity under U.S. GAAP</b>  |               | <b>143,891</b> | <b>102,386</b> | <b>82,424</b> |

(2) Financial Statement Schedule for the years ended September 30, 2008, 2007 and 2006. The following schedule was filed as part of the Annual Report filed with the SEC on November 21, 2008:

Schedule II - Valuation and Qualifying Accounts

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

(3) Exhibits

3-a Restated Articles of Incorporation of ArvinMeritor, filed as Exhibit 4.01 to ArvinMeritor's Registration Statement on Form

S-4, as amended (Registration Statement No. 333-36448) ("Form S-4"), is incorporated by reference.

3-b By-laws of ArvinMeritor, filed as Exhibit 3 to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended

June 29, 2003 (File No. 1-15983), is incorporated by reference.

4-a Rights Agreement, dated as of July 3, 2000, between ArvinMeritor and The Bank of New York (successor to EquiServeTrust

Company, N.A.), as rights agent, filed as Exhibit 4.03 to the Form S-4, is incorporated by reference.

4-b Indenture, dated as of April 1, 1998, between ArvinMeritor and BNY Midwest Trust Company (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-1 First Supplemental Indenture, dated as of July 7, 2000, to the Indenture, dated as of April 1, 1998, between ArvinMeritor and

BNY Midwest Trust Company (successor to The Chase Manhattan Bank), as trustee, filed as Exhibit 4-b-1 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 1-15983) ("2000 Form 10-K"), is incorporated by reference.

4-b-2 Third Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of April 1, 1998, between ArvinMeritor

and BNY Midwest Trust Company (successor to The Chase Manhattan Bank), as trustee (including Subsidiary Guaranty dated as of June 23, 2006), filed as Exhibit 4.2 to ArvinMeritor's Current Report on Form 8-K, dated June 23, 2006 and filed on June 27, 2006 (File No. 1-15983)("June 23, 2006 Form 8-K"), is incorporated by reference.

4-c Indenture dated as of July 3, 1990, as supplemented by a First Supplemental Indenture dated as of March 31, 1994, between

ArvinMeritor and BNY Midwest Trust Company (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 by reference.

4-c-1 Second Supplemental Indenture, dated as of July 7, 2000, to the Indenture dated as of July 3, 1990, between ArvinMeritor

and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as trustee, filed as Exhibit 4-c-1 to the 2000 Form 10-K, is incorporated by reference.

4-c-2 Fourth Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of July 3, 1990, between ArvinMeritor

and BNY Midwest Trust Company (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 by reference.

4-d Indenture, dated as of March 7, 2006, between ArvinMeritor and BNY Midwest Trust Company, as trustee, filed as Exhibit

4.1 to ArvinMeritor's Current Report on Form 8-K, dated March 7, 2006 and filed on March 9, 2006 (File No. 1-15983), is incorporated by reference.

4-d-1 First Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of March 7, 2006, between ArvinMeritor

and 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 by reference.

4-e Indenture, dated as of February 8, 2007, between ArvinMeritor and The Bank of New York Trust Company, N.A., as trustee (including form of Subsidiary Guaranty dated as of February 8, 2007), filed as Exhibit 4-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2007 (File No. 1-15983), is incorporated by reference.

10-a Credit Agreement, dated as of June 23, 2006, by and among ArvinMeritor, ArvinMeritor Finance Ireland, the institutions

from time to time parties thereto as lenders, JP Morgan Chase Bank, National Association, as Administrative Agent, Citicorp North America, Inc. and UBS Securities LLC, as Syndication Agents, ABN AMRO Bank N.V., BNP Paribas and Lehman Commercial Paper Inc., as Documentation Agents, and J.P. Morgan Securities Inc. and Citigroup Global Markets, as Joint Lead Arrangers and Joint Book Runners, filed as Exhibit 10.1 to the June 23, 2006 Form 8-K, is incorporated 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 by reference.

10-a-2 Pledge and Security Agreement, dated as of June 23, 2006, by and among ArvinMeritor, the subsidiaries named therein and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10.3 to the June 23, 2006 Form 8-K, is incorporated by reference.

10-a-3 Amendment No. 1 to Credit Agreement, dated as of February 23, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated and filed on February 23, 2007 (File No. 1-15983), is incorporated by reference.

10-a-4 Amendment No. 2 to Credit Agreement, dated as of October 2, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated October 2, 2007 and filed on October 3, 2007 (File No. 1-15983), is incorporated by reference.

10-a-5 Amendment No. 3 to Credit Agreement, dated as of October 26, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated October 26, 2007 and filed on October 30, 2007 (File No. 1-15983), is incorporated by reference.

110-a-6 Amendment No. 4 to Credit Agreement, dated as of December 10, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K filed on December 11, 2007 is incorporated herein by reference.

\*10-b-1 1997 Long-Term Incentives Plan, as amended and restated, filed as Exhibit 10 to ArvinMeritor's Current Report on Form 8-K dated and filed on April 20, 2005 (File No. 1-15983), is incorporated by reference.

\*10-b-2 Form of Restricted Stock Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-a-2 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-13093), is incorporated 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 by reference.

\*10-b-4 Form of Performance Share Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-b to ArvinMeritor's Current Report on Form 8-K, dated December 7, 2004 and filed on December 9, 2004 (File No. 1-15983), is incorporated by reference.

\*10-b-5 Description of Performance Goals Established in connection with 2007-2009 Cash Performance Plan under the 1997 Long-

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

Term Incentives Plan, filed as Exhibit 10-b-7 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 1, 2006 (File No. 1-15983), is incorporated by reference.

\*10-b-6 Description of Performance Goals Established in connection with 2008-2010 Cash Performance Plan under the 2007 Long Term Incentive Plan, filed as Exhibit 10a to the Current Report on Form 8-K filed on December 19, 2007 is incorporated herein by reference.

\*10-b-7 Description of Annual Incentive Goals Established for Fiscal year 2009 under the Incentive Compensation Plan, filed as Exhibit 10a to the Current Report on Form 8-K filed on November7, 2008 is incorporated herein by reference.

\*10-c 2007 Long-Term Incentive Plan, as amended, filed as Exhibit 10-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2007 (File No. 1-15983), is incorporated by reference.

\*10-c-1 Form of Restricted Stock Agreement under the 2007 Long-Term Incentive Plan, filed as Exhibit 10-c-1 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

\*10-d Description of Compensation of Non-Employee Directors is incorporated by reference to Exhibit 10-d of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.

\*10-e 2004 Directors Stock Plan, filed as Exhibit 10-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2004 (File No. 1-15983), is incorporated by reference.

\*10-e-1 Form of Restricted Share Unit Agreement under the 2004 Directors Stock Plan, filed as Exhibit 10-c-3 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 3, 2004 (File No. 1-15983), is incorporated by reference.

\*10-e-2 Form of Restricted Stock Agreement under the 2004 Directors Stock Plan, filed as Exhibit 10-c-4 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 2, 2005 (Filed No. 1-15983), is incorporated by reference.

\*10-e-3 Option Agreement under the 2007 Long-Term Incentive Plan between ArvinMeritor and Charles G. McClure filed as Exhibit 10-c to ArvinMeritor's Quarterly report on Form 10-Q for the quarterly period ended June 30, 2008 is incorporated herein by reference.

\*10-e-4 Restricted Stock Agreement under the 2007 Long-term Incentive Plan between ArvinMeritor and Charles G. McClure filed as Exhibit 10-d to ArvinMeritor's Quarterly Report on form 10-Q for the quarterly period ended June 30, 2008 is incorporated herein by reference.

\*10-f Incentive Compensation Plan, as amended and restated, filed as Exhibit 10-b to ArvinMeritor's Current Report on Form 8-K, dated February 16, 2005 and filed on February 17, 2005 (File No. 1-15983), is incorporated by reference.



Edgar Filing: ARVINMERITOR INC - Form 10-K/A

\*10-f-1 Form of Deferred Share Agreement, filed as Exhibit 10-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended January 2, 2005 (File No. 1-15983), is incorporated by reference.

\*10-g Copy of resolution of the Board of Directors of ArvinMeritor, adopted on July 6, 2000, providing for its Deferred Compensation Policy for Non-Employee Directors, filed as Exhibit 10-f to the 2000 Form 10-K, is incorporated by reference.

\*10-h Deferred Compensation Plan, filed as Exhibit 10-e-1 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 1-13093), is incorporated by reference.

\*10-i 1998 Stock Benefit Plan, as amended, filed as Exhibit (d)(2) to ArvinMeritor's Schedule TO, Amendment No. 3 (File No. 5-61023), is incorporated by reference.

\*10-j Employee Stock Benefit Plan, as amended, filed as Exhibit (d)(3) to ArvinMeritor's Schedule TO, Amendment No. 3 (File No. 5-61023), is incorporated 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 by reference.

10-l Amended and Restated Loan Agreement dated as of September 15, 2008 by and among ArvinMeritor, Inc., ArvinMeritor Receivables Corporation, the Lenders from time to time party thereto and SunTrust Robinson Humphrey, Inc., as Administrative Agent, filed as Exhibit 10a to the current report on form 8-K filed on August 13, 2008 is incorporated herein by reference.

10-m Second Amended and Restated Purchase and Sale Agreement, dated as of September 19, 2005, among ArvinMeritor OE, LLC and various affiliates, as Originators, and ArvinMeritor Receivables Corporation, filed as Exhibit 10b to ArvinMeritor's Current Report on Form 8-K, dated September 16, 2005 and filed on September 19, 2005 (File No. 1-15983), is incorporated by reference.

10-m-1

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

First Amendment, dated as of May 8, 2006, to Second Amended and Restated Purchase and Sale Agreement, dated as of September 19, 2005, among ArvinMeritor Receivables Corporation and the Originators named therein, filed as Exhibit 10b to ArvinMeritor's Current Report on Form 8-K, dated May 8, 2006 and filed on May 10, 2006, is incorporated by reference.

10-m-2 Third Amendment, dated as of November 6, 2006, to Second Amended and Restated Purchase and Sale Agreement, dated as of September 19, 2005, among ArvinMeritor Receivables Corporation and the Originators named therein, filed as Exhibit 10-1-2 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 1, 2006 (File No. 1-15983), is incorporated by reference.

110-m-3 Sixth Amendment, dated as of March 31, 2008, to Second Amended and Restated Purchase and Sale Agreement, dated as of September 19, 2005, among ArvinMeritor Receivables Corporation and the Originators named therein filed as exhibit 10b to the Current Report on Form 8-K filed on April 1, 2008 is incorporated herein by reference.

10-m-4 Eighth Amendment, dated as of September 15, 2008, to Second Amended and Restated Purchase and Sale Agreement, dated as of September 19, 2005, among ArvinMeritor Receivables Corporation and the Originators named therein, filed as Exhibit 10b to the current report on form 8-K filed on August 13, 2008 is incorporated herein by reference.

\*10-n Employment agreement between the company and Charles G. McClure, Jr., filed as Exhibit 10-s to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 3, 2004 (File No. 1-15983), is incorporated by reference.

\*10-o Employment agreement between the company and James D. Donlon, III, filed as Exhibit 10 to ArvinMeritor's Current Report on Form 8-K, dated April 12, 2005 and filed on April 13, 2005 (File No. 1-15983), is incorporated by reference.

\*10-p Employment agreement, dated August 23, 2006, between ArvinMeritor and Philip R. Martens, filed as Exhibit 10.3 to ArvinMeritor's Current Report on Form 8-K, dated August 24, 2006 and filed on August 28, 2006 (File No. 1-15983), is incorporated by reference.

\*10-q Employment agreement, dated August 23, 2006, between ArvinMeritor and Carsten J. Reinhardt, filed as Exhibit 10.4 to ArvinMeritor's Current Report on Form 8-K, dated August 24, 2006 and filed on August 28, 2006 (File No. 1-15983), is incorporated by reference.

\*10-r Employment agreement, dated March 22, 2006, between ArvinMeritor and Jeffrey A. Craig is incorporated by reference to Exhibit 10-r of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.

- \*10-s Form of employment letter between ArvinMeritor and its executives, filed as Exhibit 10-a to ArvinMeritor's Current Report on Form 8-K, dated October 27, 2004 and filed on December 21, 2004 (File No. 1-15983), is incorporated by reference.
- 10-t Receivables Purchase Agreement dated November 19, 2007 between ArvinMeritor CVS Axles France and Viking Asset Purchaser and CitiCorp Trustee Company Limited is incorporated by reference to Exhibit 10-t of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.
- 10-u Receivables Purchase Agreement dated March 13, 2006 between Meritor HVS AB and Nordic Finance Limited and CitiCorp Trustee Company Limited is incorporated by reference to Exhibit 10-u of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.
- 10-v 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 is incorporated by reference to Exhibit 10-v of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.
- 12 Computation of ratio of earnings to fixed charges is incorporated by reference to Exhibit 12 of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.
- 21 List of subsidiaries of ArvinMeritor is incorporated by reference to Exhibit 21 of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.
- 23-a Consent of Vernon G. Baker, II, Esq., Senior Vice President and General Counsel of ArvinMeritor is incorporated by reference to Exhibit 23-a of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.
- 23-b Consent of Deloitte & Touche LLP, independent registered public accounting firm is incorporated by reference to Exhibit 23-b of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.
- 23-c Consent of Bates White LLC is incorporated by reference to Exhibit 23-c of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.
- 23-d Consent of Deloitte & Touche LLP is incorporated by reference to Exhibit 23-d of Amendment No. 2 on Form 10-K/A to the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.
- 23-e Consent of Deloitte Touche Tohmatsu Auditores Independentes.

Edgar Filing: ARVINMERITOR INC - Form 10-K/A

Power of Attorney authorizing certain persons to sign this Annual Report on Form 10-K on behalf of certain directors and officers of ArvinMeritor is incorporated by reference to Exhibit 24 of the Annual Report on Form 10-K for the fiscal year ended September 28, 2008.

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.

---

\*Management contract or compensatory plan or arrangement.



**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.

ARVINMERITOR, INC.

By: /s/ Jeffrey A. Craig

Jeffrey A. Craig

Senior Vice President and Chief Financial Officer

Date: June 30, 2009