

FINAL TRANSCRIPT

Thomson StreetEventsSM

ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Event Date/Time: Jan. 29. 2008 / 9:00AM ET

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

CORPORATE PARTICIPANTS

Terry Huch

ArvinMeritor, Inc. - Director of IR

Chip McClure

ArvinMeritor, Inc. - Chairman, CEO, President

Jim Donlon

ArvinMeritor, Inc. - CFO

CONFERENCE CALL PARTICIPANTS

Jonathan Steinmetz

Morgan Stanley - Analyst

Brian Johnson

Lehman Brothers - Analyst

Brett Hoselton

KeyBanc Capital Markets - Analyst

David Leiker

Robert W. Baird - Analyst

Douglas Karson

Banc of America - Analyst

Rob Hinchliffe

UBS - Analyst

Peter Nesvold

Bear Stearns - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the first quarter 2008 ArvinMeritor earnings conference call. My name is Lacey, and I will be your coordinator for today. At this time all participants will be in a listen-only mode. We will facilitate a question-and-answer session towards the end of this conference. (OPERATOR INSTRUCTIONS) As a reminder, this conference is being recorded for replay purposes.

I would like to turn the presentation over to our host for today's call, Mr. Terry Huch, Director of Investor Relations. Please proceed.

Terry Huch - *ArvinMeritor, Inc. - Director of IR*

Thank you, Lacey. Good morning, everyone. And welcome to the ArvinMeritor first quarter 2008 earnings conference call. On the call today we have Chip McClure, our Chairman, CEO and President, and Jim Donlon our CFO. The slides accompanying today's call are available at www.arvinmeritor.com. We will refer to the slides in our discussion this morning. The content of this call which we are recording is the property of ArvinMeritor. It is protected by U.S. international copyright law and may not be rebroadcast without the express written consent of ArvinMeritor. We consider your continued participation to be your consent to our recording. Our discussion may contain forward-looking statements as described in the Private Securities and Litigation Reform Act of 1995. Let me refer to you to slide two for a more complete disclosure of the risks that could affect our results. To

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

the extent we refer to any non-GAAP measures in our call, you'll find the reconciliation to GAAP in the slides on our website. Now I would like to turn the call over to Chip.

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Good morning, Terry. And good morning, everyone. Before we turn to the presentation I want to take a minute to talk about the current environment and the conditions under which we are operating. As everyone knows, the North American heavy-duty class 8 truck market continues to be in the midst of a downturn. It's a downturn we anticipated. However conditions are being exacerbated by scheduling fluctuations by our customers. We are fully focused on managing the issues as prudently as we can and we are taking proactive measures to mitigate the impact from a softer market. In times like these, there are often issues that lie outside of our control and we are clearly feeling the effects of these. We are taking aggressive actions to manage the issues we can and focus on improving our operational and financial performance. As I will discuss in greater detail a bit later, while we are expecting some of the trends in the U.S. to continue into the second half of the year, we will move ahead with our global strategies, and our Performance Plus program will help us offset any future impact.

Now let's turn slide three and review some of the highlights in the first quarter. As you read in this morning's news release we earned \$0.08 per share in the first quarter from continuing operation before special items. Our sales from continuing operations were \$1.7 billion, up \$95 million year-over-year despite a weak industry and a slowing U.S. economy. We attribute this growth to strong demand for our commercial vehicle and light vehicle products outside of the U.S., as well as currency exchange rate that favorably impacted our total revenue. As you know we are focusing significant time and resources on our operations globally. These efforts combined with our strength in global management teams will continue to help us buffer the weaknesses we are seeing in the U.S. Despite the commercial vehicle class 8 volumes being down more than 50% in North America, we demonstrated stronger operating performance through a relentless focus on improving our manufacturing capabilities, reducing material costs and improving our pricing with many of our customers. The actions we have implemented, particularly in Europe, are gaining traction and driving improved EBITDA in margins. For example, the margins on our commercial vehicle business are moving in the right direction. CVS EBITDA margins increased to 6.6% from 6% a year ago. We are beginning to see the results of aggressive improvement actions that CVS team has been executing fall to the bottom line.

We have also been successful with our strategy to grow our company in higher margin segments. We have three key opportunities in this area. First, to grow our commercial vehicle aftermarket business. Second, to grow in Asia OEMs around the world. And third, to grow our commercial specialty business. As we look to capitalize in these opportunities we strengthened our CVA business this quarter by announcing the acquisition Mascot Truck Parts, a major Canadian remanufacturer of transmissions, drive axle carriers, steering gears and drive lines. This acquisition not only expands our customer base, logistic centers and distribution networks across North America, but it also brings a strong brand name to our CVA portfolio of products. We have been successful in our efforts to grow our CVA business globally. We are experiencing significant growth in Europe increasing our year-over-year CVA sales by nearly 20%.

And in the first quarter, our CVA business in South America was up 50% compared to the first quarter of last year. As part of our commercial vehicle aftermarket growth strategy, we are announcing today that we will be expanding our presence into Eastern Europe by opening a CVA facility in Moscow this year. As I mentioned earlier we are focused on our strategy to diversify our customer base and grow our presence in Asia and with Asian OEMs. We continue to make progress in this area. Our light vehicle systems business recently won new business awards with Hyundai, which I will cover in more detail later on the call.

In addition to our strategic operational and growth initiatives, we've taken a proactive approach to managing our financial obligations. Over the last couple of years we have been focused on strengthening our balance sheet. We're addressing our pension and health care liabilities. We've retimed our debt terms and have no significant maturities due until 2012, and recently amended our company's senior secured credit facility which offers us greater flexibility and access to increased liquidity. Most important, these actions strengthen our ability to withstand potential weaknesses in some of our global markets. Having

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

sufficient liquidity and being ready for a wide variety of economic scenarios has been and continues to be a high priority for this management team.

Now let's turn to slide four to review our outlook for 2008. For the full-year 2008, we anticipate earnings per share of \$1.40 to \$1.08 -- \$1.60 per special items. This guidance is unchanged from what we provided back on December 11 at our analyst day in New York. We are still on track to achieve the Performance Plus cost reductions we promised of \$75 million this year. I will cover this in more detail in a few minutes. Due to continued strong growth in our LVS and CVS businesses outside of the U.S. and favorable foreign exchange movements, we have raised our global sales forecast to the range of \$6.9 billion to \$7.1 billion. We benefited from strong heavy- and medium-duty truck and light vehicle volumes in Europe and South America, and we expect this trend to carry on in the near term.

As you can see global growth has helped support ArvinMeritor during a time when the industry in North America is facing significant challenges. Success in our markets around the world is also critical to our continued success as a company. With that in mind, we made a number of working capital investments to support our growth outside of North America. We also had to make additional investments to support the required growth of our suppliers. As a result, we have revised our full-year 2008 cash flow guidance from slightly positive to a negative \$75 million to \$125 million. Jim will cover this in more detail later in the call.

Now turn to slide five. In our last call I covered some of the actions we have been taking to manage the heavy truck capacity issues we have been experienced in Europe. I am proud to report that the CVS team has stepped up to the challenge. The team has been unyielding in its efforts to turn this situation around and improve the financial performance from its operations. As I mentioned earlier, we are starting to see some traction from the hard work and it is beginning to show in our CVS margins. We are extremely aggressive in our goal to improve our manufacturing capabilities around the world. Since manufacturing is one of our core competencies, it is critical that we become best in class. You can see by the positive movement in the green boxes on this slide that we have made tremendous progress on the actions we have been executing since December 1.

While many challenges remain, we believe the steps we are taking will position us to manage the significant market changes in our industry. We have implemented new systems and processes to improve discipline across the organization. This action also helps enhance our ability to plan and forecast, thereby improving our readiness to manage capacity levels. We made significant progress with our aggressive efforts to drive lean manufacturing initiatives, part of what we call the ArvinMeritor Production System through all of our plants. These efforts have already begun to improve productivity, drive higher efficiency, and improve our overall performance.

As I mentioned earlier, we are investing the necessary capital in our operations. Our goal here is to support the growth, manage the higher capacity levels, and improve our capabilities outside of North America, as well as within North America when the heavy truck market rebounds. We are also proud of the progress to maintain our global talent base. We are confident that we are now obtaining and developing the right people, resources and skill sets to deliver significant operational improvements and a solid return to our shareholders. We have experts focused on improving our operations, purchasing organization, supply chain management program, and manufacturing engineering capabilities. Our global ArvinMeritor team is starting to turn this ship around and we are seeing the results of their efforts hit our bottom line.

On slide six, we have highlighted the progress we are making in our Performance Plus initiatives. We have now completed our first fiscal quarter in year two of our Performance Plus transformation. Based on the actions we have implemented and success we are seeing, we have greater confidence in our ability to achieve the \$75 million in cost savings during this year with the majority coming in the second half of 2008. This chart outlines how we are going to reach our goal. Performance Plus has aggressive internal targets of achieving \$232 million in cost savings actions by the end of fiscal year 2008. By the end of the first quarter, the Performance Plus team has implemented actions that will save \$58 million per year going forward. In addition, in January, we are scheduled to implement more than \$20 million of additional annual savings represented by the white dot on this chart. Given the progress to date, and our current projections, we believe that we can exceed the gross savings target of \$115 million. This will allow us to compensate for known risks and customer pricing and unrecovered raw material economics.

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Now let's turn slide seven. I would like to take a moment to walk you through some of the highlights impacting our CVS margins in the first quarter this year versus the first quarter of last year. While our work isn't done, we are pleased with the overall operating improvements we are seeing in our CVS business in Europe. The actions our CVS team implemented throughout the year contributed to the improvement in EBITDA margins achieving 6.6% in our first quarter, up from 6% from the same period last year. As you know, we were negatively impacted by the North America truck and trailer market downturn. Class 8 alone was down about 50% in the quarter. This lowered our CVS margins by 3.5 percentage points. This was slightly offset by higher class 5-8 volumes in Europe improving the CVS margins by 1.4 percentage points. We also made improvements to and resolved some of the supply and operational issues we were experiencing in Europe, and we are better managing the higher-than-anticipated capacity levels. These improvements increase our CVS EBITDA margin business 2.0 percentage points.

As you can see on this slide, the CVS margins also benefited from the Performance Plus and other cost-savings initiatives we implemented throughout the year including certain changes to several of our employee benefit policies. These initiatives increased EBITDA margins by 1.9 percentage points. Over time, we believe we will see continued margin improvements in our business, especially with the focus our team has on improving the operations, customer pricing, and terms. Based on our view of the industry, we believe the first half of the year is going to continue to be tough for the heavy truck market, especially in North America. We are forecasting an improving trend as we move forward into the rest of the year.

Now let's turn to slide eight to walk through the EBITDA margins for our light vehicle division group, which has decreased from 3.1% in the first quarter 2007 to 2.1% in the first quarter 2008. As many of you know most of our LVS business is outside of the U.S. This geographic diversity and customer mix will help us weather the storm in the North American market. Our LVS business benefited from strong performance in its global markets. In the first quarter, sales in Europe were up 12% and up 35% in South America, compared to the first quarter of last year. This contributed 1.5 percentage points to its EBITDA margin. Performance Plus and other savings added 1.1 percentage points. These savings are primarily from improvements in material costs, lean manufacturing initiatives, and labor and burden improvements. Unfortunately we needed to increase reserves associated with a legal and commercial issue with one of our customers that reduced margins by 1.7 percentage points, and LVS margins were negatively impacted by some other cost such as restructuring. With the aggressive cost reduction and growth initiatives the LVS team is implementing, we believe we will see an improvement to our EBITDA margins by the end of the year.

Let's turn to slide nine. We are continuing to be successful in our strategy to grow in Asia with Asian OEMs. We won three major awards from Hyundai in the last two months. Beginning in 2010, LVS will supply more than four million window regulators motors a year for several of Hyundai's future vehicles worldwide. And for the Hyundai Sonata, LVS recently won two new contracts. They'll supply an innovative plastic door module which will replace the current steel version offering the customer a 25% weight reduction advantage and second, a next generation Hyundai global door latch. Both of these products will be manufactured in North America with an expected annual volume of more than 700,000 units.

Turning to slide 10, I would like to take a minute to discuss how we are managing our business to best position the Company to drive profitable and sustainable growth. We will continue to take aggressive actions to manage our expenses and invest in our core franchise, but I do not want anyone to underestimate that there are still issues affecting the business that lie outside of our control. We are focused on implementing strategies that will enable ArvinMeritor to come out of the downturn in a stronger position to grow. We have been preparing and are implementing several cost savings initiatives through our Performance Plus program so we remain flexible and can make the necessary adjustments to our business as market conditions change.

As part of our expense management program, we implemented a net hiring freeze, but will continue to recruit talent for critical positions necessary to run our business. We put in place tighter controls on discretionary spending. We're also: accelerating the turnaround action for challenged businesses, consolidating certain administrative and engineering functions to eliminate redundancies and reduce costs, continuing to close and consolidate certain facilities, consolidating our purchasing efforts, negotiating toward new customer agreement that will allow us to share with our customers more of the rising commodity costs we are seeing, working toward labor agreements to improve our competitiveness, delaying the timing and amount of annual merit raises based on the Company's financial performance, and finally addressing the structure of pensions and employee health care.

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

At the same time we continue to invest prudently in the organic growth of our company. Over the past several months we've announced four new plants in leading cost competitive countries, including: China, India, Romania and Mexico. We expanded our off-highway and axle product offerings in China and India; grown in South America through several significant business wins in Venezuela; launched an expanded technical and engineering centers in Asia; made capacity investments to support key customers in Europe; and invested in the growth of our Commercial Vehicle Aftermarket business. As you can see we have a number of initiatives underway. We are also carefully monitoring what the economy is doing. We believe the actions we are taking, coupled with the experienced management team we have in place, will help us manage through the downturn. As everyone prepares for a possible recession, we will continue to manage our business carefully. Now I would like to turn the call over to Jim.

Jim Donlon - ArvinMeritor, Inc. - CFO

Thank you, Chip. Slide 11 shows our income statement for the first quarter before special items. For the first quarter, the only special item is restructuring. This quarter we recorded \$10 million of expense for previously announced restructuring actions. You may also note that there were four nonrecurring items in the quarter which are shown on slide 18, but those amounts have been included in the results we are showing you today. As Chip said earlier sales were up by \$95 million. On a constant currency basis, sales were about flat, with lower sales in North America offset by higher sales in Europe, Asia and South America. In the first quarter, 60% of our sales were outside of North America. Whether you look at gross margin, operating income or EBIT, conversion was better than the same quarter last year. As you saw in the margin walks that we talked -- that we took you through, the improvement in conversion was primarily due to Performance Plus cost reductions and smaller net reductions for nonrecurring items than we experienced last year.

SG&A costs were \$92 million. Last quarter, SG&A was up about \$40 million year-to-year, and we explained that much of the increase related to Performance Plus costs that were being offset in the cost of sales line, as well as cost to meet the exceptional demand we were seeing in Europe. We projected that SG&A in the upcoming quarters would be in the range of \$95 million to \$100 million and trending down. Our costs came in a little lower than we had forecast and about \$20 million lower than the last quarter, but they are still up year-over-year. So we have some more work to do. On balance, though, I would say the extra effort we put into Performance Plus, European operational improvements and growth initiatives is paying off in tangible ways. We just need to find ways to do it more efficiently as we go forward.

Equity in earnings of affiliates were \$11 million compared to \$7 million last year. Chip has emphasized to you in the past the importance of JVs in our global strategy. The improvement in this quarter was due primarily to strength in our JVs in South America. Our income before income taxes was up 47% compared to last year. Our tax rate for the quarter was almost 60% due to nonrecurring charges. We have not adjusted our results for the nonrecurring items this quarter except for restructuring. The high rate this quarter relates to the writedown of deferred tax assets for some jurisdictions that have lowered their tax rates. We had a similar item last quarter for a different jurisdiction. The high rate this quarter also reflects settlement of a tax matter dating back to before the merger of Arvin and Meritor. So our income from continuing operations before special items was \$6 million or \$0.08 per share.

Slide 12 is our segment EBITDA chart. We have already gone through the CVS and LVS margins in detail, so I will just mention one item on this slide. Last year we did not allocate the overhead cost previously carried by the Emission Technologies group to the remaining segments. This year the remaining costs are fully absorbed in the margins of CVS and LVS. Bearing those extra costs and in spite of the lingering downturn in North American volumes, CVS margins were up. LVS margins would have been up as well if not for the reserve related to the legal and commercial issue. In total, I believe the profitability is on track to our plan.

Slide 13 shows that unfortunately cash flow is not on track to the plan we had laid out, which is why we have lowered our guidance to a cash outflow for the year. When you look at slide 13, the issue becomes clear. Working capital is absorbing cash flow. I will dedicate the next slide to working capital. On this slide, I want to indicate that some of the performance working

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

capital increases are addressed with off balance sheet factoring and securitization. Because we have a mismatch between receivables and payables in Europe, we have increased our factoring efforts there, including some programs that our customers sponsored. I would also indicate that the performance working capital and factoring charges over the last six months are just about balanced, and a net change of \$20 million. We have talked in the past about a pending true-up of working capital from the Emissions Technologies transaction. That is not included in this quarter, but has subsequently been completed in January. You will see the positive effect of that true-up in our cash flow next quarter.

Slide 14 talks about the increase in working capital we saw in the quarter. I want to say up front that the increase includes some conscious investments to support growth and it includes some areas where we need to accelerate our efforts in order to earn the right to continue to invest. Inventories on the balance sheet increased by \$28 million during the quarter, but \$11 million of that was due to the acquisition of Mascot. Accounts receivable on the balance sheet changed by only \$10 million, but if you take out the effect of factoring and securitization, they were up by \$104 million. This is largely explained by the regional sales mix with higher sales in Europe where receivable terms are longer. Also at the end of the calendar year, we had some customer issues that were resolved just after the beginning of the new quarter.

Accounts payable decreased by \$226 million. In the quarter, we paid some vendors more expeditiously than we had in the past, trying to balance our needs with theirs. In some cases, we made early payments to support distressed vendors, because we found it was more cost effective than the alternative. These factors are on top of normal seasonality in our payables. Our plants stopped receiving materials around in the middle of the month, but we keep paying bills from prior months. Slide 15 shows our financial guidance for the year, which we are maintaining at the \$1.40 to \$1.60 per share for continuing operations before special items. We have raised our sales forecast range by \$150 million compared to our last report. A portion of this is currency related. Regrettably, it doesn't translate into higher EBITDA, as our profitability is not evenly balanced among the regions. Despite our unusually high tax rate in the first quarter, we are holding the full-year effective tax rate at a range of 20% to 24%, as we expect some compensating items in later quarters.

At the bottom of this chart, we show our new cash flow guidance of negative \$75 million to \$125 million. At the midpoint, this is down more than \$100 million from our previous guidance. We have lowered it due to higher sales outside of North America and in recognition of our more precise vendor payment patterns going forward. Over the longer term, there are big gains to be achieved in working capital as our performance criteria have a long way to go to accomplish top quartile or best-in-class levels. In the near term, however, our focus is toward the initiatives that Chip discussed earlier and other operational metrics such as quality, delivery and plant productivity.

On slide 16, I would just like to briefly reiterate the planning assumptions that we have reviewed with you at the auto show conference in Dearborn. For GDP growth, we tie the consensus estimates. In this case the Blue Chip consensus was published on January 10th, and calls for growth of 2.2% in the U.S. and 1.9% in Western Europe. We know there are dissenting views on this, and we believe there is some real risks to our business associated with weaker economic growth. But industry production forecasts have some insulating factors that may provide some support.

In North America, the light vehicle OEMs have shown a propensity to sustain production levels through incentives, which has dampened variability over the last decade. Our sales forecast is already down more than a half a million units from 2007. With slower growth or even a mild recession, sales may not have that much further to fall. On the heavy truck side, there are some signs that conditions are firming. Freight tonnage as reported by ATA rose by 1.4% year-over-year in December, after rising 3.5% in November. The December reading was the highest since January of 2006. Recently, other market participants have reiterated production forecasts in line with ours. Many of the fleets who have sat out the last year are finding that it is time to replace their oldest trucks in order to keep operating costs down.

Several of you may have seen December trailer orders released yesterday by ACT. They were very weak at 12,400. If orders do not accelerate soon, then we will revise our trailer forecast lower for the calendar year. And in Europe, our commercial truck OE customers believe that they -- that there was unmet demand in 2007 that could offset a mild decline in economic growth. Light vehicle production in Europe may be more of a risk, particularly considering that we have a higher share there. If the U.S. economy

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

slips into recession, we will also face the risk that Commercial Vehicle Aftermarket sales could decline. We are pleased to report that our global aftermarket sales continued to grow last quarter and we continue to do all we can to position our CVA business for further profitable growth. On balance, this page contains more risks than opportunities. We are making contingency plans in case these risks materialize. We're also creating some of our own opportunities through execution of Performance Plus, tighter controls of discretionary costs and other strategies that Chip took you through. Now let's take some questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) And our first question will come from the line of Jonathan Steinmetz with Morgan Stanley. Please proceed.

Jonathan Steinmetz - *Morgan Stanley - Analyst*

Great. Thanks. Good morning, everyone.

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Good morning, Jonathan.

Jonathan Steinmetz - *Morgan Stanley - Analyst*

Just a few follow-up questions here on the cash flow, specifically on the payables on slide 14. Could you go into a little bit more detail? You listed four factors here. Which was the largest in terms of the drain? And can you be a little more specific on some of these payments to distressed suppliers cost you?

Jim Donlon - *ArvinMeritor, Inc. - CFO*

Well, I would -- I would just mostly say that the biggest factor overall, Jonathan is -- is more expeditious rate of -- of dealing with our payables than was our previous practice. We have been working on some service centers and some collection of various activities from individual plants into a better servicing center. And as we have done that, we find that we are paying at a more expeditious rate than we previously had before.

Jonathan Steinmetz - *Morgan Stanley - Analyst*

And the reason you made that change and was...? Is that desirable?

Jim Donlon - *ArvinMeritor, Inc. - CFO*

It is difficult from a cash flow standpoint, but it is appropriate for interaction with our suppliers and our vendors and over the term, we will get to a better cost situation with ArvinMeritor with the bringing together of our efforts from individual plants into service centers.

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Jonathan Steinmetz - Morgan Stanley - Analyst

Okay. Do you get better terms in term of pricing for doing that then?

Jim Donlon - ArvinMeritor, Inc. - CFO

As we would reduce variability with the supply community over time that may be possible, but in the short term that is not something that is an immediate driving factor.

Jonathan Steinmetz - Morgan Stanley - Analyst

Okay. And do you have any specific number on what the payments to the distressed suppliers cost you?

Jim Donlon - ArvinMeritor, Inc. - CFO

We won't say. It is a significant double-digit number, but we won't go into a specific number. It was significant.

Jonathan Steinmetz - Morgan Stanley - Analyst

Okay. Two other quick questions. One, how much did you give the walk on the LVS side from a point and a half from Europe and South America as a benefit? Can you just comment between those two regions with South America especially important? And then secondly on the LVS, you also talked about a legal or commercial dispute. Can you just clarify those? About \$10 million. What exactly was that?

Chip McClure - ArvinMeritor, Inc. - Chairman, CEO, President

Yes, let me kind of walk through the second one and then I'll let Jim kind of go through the mix in a moment. But if you look at the customer dispute, it was actually one that -- one of our customers back in 2006 decided to go forward with a field service campaign which affected 750,000 vehicles. They actually did file a suit and we actually booked to reserve of \$11 million back in 2006. And again as we move forward to look to solve this legal and commercial basis, went ahead and booked an additional \$9 million reserve, which takes it up to \$20 million for this situation.

Jonathan Steinmetz - Morgan Stanley - Analyst

What was the part that that related to, or the type of component at least?

Chip McClure - ArvinMeritor, Inc. - Chairman, CEO, President

I don't think we really gave out the details on that, Jonathan, but it was, as you can tell it was on the light vehicle side.

Jonathan Steinmetz - Morgan Stanley - Analyst

Okay, and on the South America?

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Jim Donlon - *ArvinMeritor, Inc. - CFO*

On South America, what I would share with you is that volumes were up about 20% in South America, and on Europe, things were up about 10%. So we had a big pickup in both regions. Our business in Europe is, of course, much more significant than in South America, so on balance, about evenly split with one being a higher volume -- a higher percentage increase and the other being on a larger base.

Jonathan Steinmetz - *Morgan Stanley - Analyst*

Thank you very much.

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Thank you, Jonathan.

Operator

And our next question will come from the line Brian Johnson with Lehman Brothers. Please proceed.

Brian Johnson - *Lehman Brothers - Analyst*

Yes, could you give us color on Aftermarket and its contribution to CVS in the quarter in terms of revenue growth? And in particular, what kind of revenue did Mascot bring in?

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Well actually, I will start in reverse order and let Jim give you a little bit more detail. Mascot was an acquisition that we just completed in December. So it really is just a very small -- really very negligible as you look at the fiscal quarter. Obviously on a go-forward basis, we see that, as a bolt-on acquisition I think that's really going to help us in the remanufacturing as I kind of indicated. The remanufacturing is one of the cornerstones on the commercial vehicle aftermarket and do envision that will help to better position us, not only in remanufacturing in general, but as I indicated the Mascot name is a well-recognized name in that arena so I think it will help us as we look to continue to grow our Commercial Vehicle Aftermarket business.

Brian Johnson - *Lehman Brothers - Analyst*

Okay --

Jim Donlon - *ArvinMeritor, Inc. - CFO*

Overall for Aftermarket, I would just comment that, here in North America, the sales levels were about even with last year, but what we are finding is some big opportunities as we go out to Europe and out into Asia and South America. So our growth profile is out on the world markets while the North American market held about steady.

Brian Johnson - *Lehman Brothers - Analyst*

And of the 29% of segment revenue from presentation pie chart, that is Specialty and Aftermarket, what is roughly the geographic split within that slice of the pie?

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Jim Donlon - *ArvinMeritor, Inc. - CFO*

That is mostly a North American piece of the pie. Most of our Specialty business is here in North America, and at this point, most of our Aftermarket business is North America. We are looking to grow both of them globally, but at this point it is mostly a North American slice of pie.

Brian Johnson - *Lehman Brothers - Analyst*

Okay. Thanks.

Operator

And our next question will come from the line of Brett Hoselton with KeyBanc Capital Markets. Please proceed.

Brett Hoselton - *KeyBanc Capital Markets - Analyst*

Good morning, gentlemen. How are you today?

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Very good. Yourself, Brett?

Brett Hoselton - *KeyBanc Capital Markets - Analyst*

I am doing great. Yes, I've got to go back to Jonathan's question here, because I am asking myself, Jim, you are one of the sharpest CFOs -- well, let's just say the automotive industry, and we will leave it at that, I think it could go beyond. But what is the return on investment capital for this decision or is there not one?

Jim Donlon - *ArvinMeritor, Inc. - CFO*

There will be one out over time, Brett. I guess you are referring to the one of investing into working capital?

Brett Hoselton - *KeyBanc Capital Markets - Analyst*

Yes, you're smoothing out payment terms and so on and so forth.

Jim Donlon - *ArvinMeritor, Inc. - CFO*

And what we are looking at is that -- is that as we can work through and get into a better steady pattern with the -- with our suppliers and our vendors, that can open the door for us out over time for some new commercial arrangements with them. And so it's -- it's an investment that we are making now that we believe will bring a return at a later point in time, and this is a particularly tough time where in the supply community, where by working with our suppliers right now, it is particularly important for them, and it will bring us some -- some good features for the future.

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Brett Hoselton - KeyBanc Capital Markets - Analyst

Okay, so, placing that into my universal translator, I am hearing you say that you think you can win more business in the future by treating your suppliers better today?

Jim Donlon - ArvinMeritor, Inc. - CFO

More business, better terms, better arrangements with them, just a -- an overall better supply -- supply customer relationship that will -- if we're -- if we address this at this point in time.

Brett Hoselton - KeyBanc Capital Markets - Analyst

Yes. Is this kind of a one-time hit in the quarter? Or are we going to see the same thing in the second, third, fourth quarter? Obviously this is all imbedded in your cash flow guidance, correct?

Jim Donlon - ArvinMeritor, Inc. - CFO

Yes. We are seeing -- we are seeing the biggest effect right now and what we believe is that, as we go out through the year, as you can tell, we did not adjust the guidance by this amount, so we believe that there can be some adjustments as we go out through the year. We will be continuing to pay in a more expeditious rate, but there is also some benefits that we can achieve out later in the year. I would also comment to you that there has been some development of new suppliers that have gone on in Europe and in Asia, and this -- this will bring us better prices and better terms out over time.

Brett Hoselton - KeyBanc Capital Markets - Analyst

Okay. The Performance Plus initiatives, Chip, if you can talk about the -- I see your chart here that says we are pretty much on target, so on and so forth. What I am wondering is, in my mind restructuring initiatives, the stuff you are spending cash on and the non-restructuring stuff. I was wondering, can you give me a sense of if you were to break this chart into restructuring and non-restructuring would you be essentially on track on both of them? Would you be a little bit ahead on one, a little bit behind in the other? How should I think about that?

Chip McClure - ArvinMeritor, Inc. - Chairman, CEO, President

Well, actually, if you go back to when we first rolled this out, if you remember there was six pillars of Performance Plus. And as I look at that, the ones that are the longer ones will be the restructuring ones. So those I wouldn't expect as much of those to be in this year. Some of those I think we've indicated don't even complete until 2010, '11 and '12. The ones that are the more immediate ones would be in the area of overhead and would be in the material side of that, and that is clearly what you are seeing a lot there. That is not to say there aren't several of restructuring ones that we did announce such as the Brussels one last year and recently Frankfurt, Germany, that are being rolled into there now. So there is some on the restructuring side in this chart that we presented today, but obviously more of it as far as the more immediate payback would be in the area of overhead and material optimization and material cost reduction.

Brett Hoselton - KeyBanc Capital Markets - Analyst

Remanufacturing. Got a lousy reputation on the street. Why are you guys getting into it?

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Well, actually when you look at those who have been very successful at it, if you can manage it right -- and remanufacturing is a unique industry. And you have got to understand things like core inventories and those types of things. But those who do well are very successful at it. I think what you are referring to there has been historically a lot of the ma and pa type shops and as we see this consolidation in that, I think it was probably best demonstrated in the engine remanufacturing side for years, we have had a very successful remanufacturing business in Plainfield, Indiana, on the brakes and drive line remanufacturing. So we have had good success at it. Those who have focused on it as I'd indicated on the engine side has been successful at it.

There's obviously some others that have had difficulties, but in our case we are successful at it with a facility in Plainfield, Indiana, and do envision that as part of the cornerstone for the growth in Commercial Vehicle Aftermarket is remanufacturing. And we do see a lot of opportunities there. I will tell you as you look at it, primarily in the commercial vehicle, I should also mention, primarily in the commercial vehicle side, in the commercial vehicle side the second, third and sometimes fourth owners, remanufacturing products become a very important pipeline of aftermarket parts for them. So we see that both from our experience in our one facility and watching in the industry, see it as a good opportunity.

Brett Hoselton - *KeyBanc Capital Markets - Analyst*

The legal and commercial hit, 1.7% reduction, so on and so forth, the \$9 million. Is that a one-time or do you think you've got it covered at this point in time?

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Well, we feel -- obviously, we are in discussion with the customer at this time and feel it is resolvable, so I think we have booked what we feel is appropriate reserves at this point and feel that we can go forward and get this resolved. But I need to call that out.

Brett Hoselton - *KeyBanc Capital Markets - Analyst*

Okay. And one more and I will let it go. European CVS -- feel free to pass on this Chip, how do I as an outsider interpret how much of a price increase you got from your customers in Europe?

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Well, actually when you look at, it is difficult to kind of segment that out. Let me just kind of give you as I've kind of indicated in previous discussions, there's really several different parts. One is going to be material cost. Second is premium cost as we've indicated that we are doing to support that. And third is just a base cost. So really beside -- beyond that I can't go into a lot of detail, but as I can tell with you a number of different customers, as we continue to look at it in those categories and kind of referring it that way now. Part of it you also got to look at -- there are a lot of different customers. Not just truck customers for axles but a lot of trailer customers, and quite frankly as I've kind of indicated in my comments we're growing in the aftermarket side albeit still a smaller segment over there. So when you look at it kind of in a broader sense, you've got to kind of look at not just the truck OEMs, the trailer OEMs, but also the aftermarket side. Now obviously overlaid on that, and I think we -- I think Carsten back at our Analyst Day kind of indicated some of that. You've also got the operational improvements that are -- we're starting to see flow through on the lean side. So in addition to it is not all pricing, obviously, our obligation is we've obviously got to make sure we're improving our cost and as we kind of indicated with some of the metrics we use, we've got our plants and indicated at the Analyst Day, we are seeing better margins as a result of our focus in lean and the overall ArvinMeritor production system.

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Brett Hoselton - *KeyBanc Capital Markets - Analyst*

Thank you very much, gentlemen

Operator

And our next question will come from the line from David Leiker with Robert W. Baird. Please proceed.

David Leiker - *Robert W. Baird - Analyst*

Good morning.

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Good morning, David.

David Leiker - *Robert W. Baird - Analyst*

As we -- this working capital item. I mean, what should we expect going forward on a normal level? Is this kind of a transition to something that we should expect next several years to be normal? Or is this a temporary thing that over -- gets some folks over the hump?

Jim Donlon - *ArvinMeritor, Inc. - CFO*

This is more of a -- of a temporary thing we are getting over here and now it will flow into a normal pattern as we go forward. As a matter of fact, I would say, because of some of the difficulties of this quarter, this quarter might be even a little bit more than what we would see in the normal situation. So we've made some adjustments. Those will now stay with us. We will go forward with them. And if anything, some of the -- some of the special items we did this quarter will -- will work back in our favor as we go out through the rest of the year, so it is transitional.

David Leiker - *Robert W. Baird - Analyst*

Okay. Can you -- I don't think I have heard you quantify the size of this order that you have from Hyundai across these various products. Can you put a number on that?

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Actually, I don't think we do that except for the volumes looking at that, and really all I can do is give you the number of units we are looking at this point.

David Leiker - *Robert W. Baird - Analyst*

Okay. What -- what was the number, Jim, at the end of the quarter of the sold and factored receivables, the balance at the end of the quarter?

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Jim Donlon - *ArvinMeritor, Inc. - CFO*

Just one second. I am pulling that up here. The -- the increase that we had during the quarter was -- was about \$115 million, but I -- I don't have the -- the level that that brought it too. I am getting that. Just one second. About \$400 million.

David Leiker - *Robert W. Baird - Analyst*

\$400 million? Okay, great. And if we look up the Performance Plus, it seems -- it seems as though if you finish this \$20 million in actions on an annualized run rate you are pushing \$80 million. You have got more than half the year left to go through that. Is there a timing issue that the actions going forward are going to be less than what we have seen here at the beginning? Or are you running ahead of a \$75 million number for this year?

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

I think it is safe to say a bit more the latter and obviously as we have laid out in the chart, we have given you both our internal targets. What we have got, implementation plans from what we refer to as idea generation all the way through implementation, it's \$197 million with a run rate -- need a run rate of \$115 million. So clearly what we want to try and do is to continue to give you visibility to that and as you indicated you are right, David, four months into it we feel good about the progress at this point, and obviously want to accept the external target of \$75 million. As you can see from the chart, there is opportunity above that?

David Leiker - *Robert W. Baird - Analyst*

Right.

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

But as I also indicated we need to also recognize that part of that needs to be there if you will to offset the uncertainties in the market and material economic pressures and price downs too. So we are trying to factor that all in there. So, yes, I look at it in a gross number, your statement is correct, we are quite frankly on track or feel good about the progress, but we can't ignore the items or issues that occur in our industry such as material economics, price downs, etc. We are looking to do that and clearly want to make sure we can meet or exceed that target.

David Leiker - *Robert W. Baird - Analyst*

Should I read into that that you are willing to use some of the Performance Plus savings to offset these other items that you traditionally find ways to run the business offset?

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Well, the answer is, yes. What we look to do -- as you know in this business in the LVS and CVS side, the expectations from customers continue to be cost competitive on a global basis. And as we indicated when we rolled this out, Performance Plus is a transformational program that we are going through, and as part of that, we do look for the Performance Plus to indeed help offset some of that.

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

David Leiker - Robert W. Baird - Analyst

Okay. And then the last thing here, just curious if you have done any sensitivity analysis on your guidance. You're looking at 2.2% GDP number for the year to get to your number. If that was off by 50 basis points, how much of an impact on EPS do you think that might have, with everything else equal?

Jim Donlon - ArvinMeritor, Inc. - CFO

We have showed at a prior point in time here -- let me pull that up here, some work that we did about the sensitivity, and I am believing it was back at our Analyst Day where we showed if truck volumes came in down a bit, then there would be a \$12 million impact. Class 8, if it came in at 198,000 would be a \$12 million impact. Medium-duty and trailer and aftermarket would be another \$12 million impact. We also showed at that time various efforts that we had underway to try to be able to compensate so that we could still hit within our range. So I think the answer is, we've -- we've done our sensitivities and they would show that we could have a downward slide of \$25 million or thereabouts, and we have our eyeball set on some things that we would try to do to try to compensate and still come back in the range.

David Leiker - Robert W. Baird - Analyst

Great. Thanks. We'll go take that out of your analyst -- your slides from that day. But thank you very much.

Jim Donlon - ArvinMeritor, Inc. - CFO

Okay.

Operator

And our next question will come from the line of Douglas Karson with Banc of America. Please proceed.

Douglas Karson - Banc of America - Analyst

Great, guys, thanks. My first question is on slide seven. Your Class 5 of production helped EBITDA by 1.4 percentage points. Can we interpret that the European business is capturing the volume and fixed some of the capacity constraints is there? And I guess how far along are you in improvement in capacity there, knowing it was a big problem.

Chip McClure - ArvinMeritor, Inc. - Chairman, CEO, President

The answer is, yes, and I think it does reflect it that way. And if you could go back to slide five for a moment and then I will come back to answer it in more detail. Slide five kind of indicates a lot of the things we have been doing in Europe to address that. We kind of presented this at the December 11th Analyst Day. And you can tell with the lighter green, it shows the improvements kind of across the board that we are seeing to address that. If you can go back to slide seven, yes, if you look at that -- I think that a lot of the issues -- now I will tell you not all the issues. We are continuing to still have some premium cost, but far less premium costs than we have had historically or last year. So I think we are bringing that down.

The other thing that we had indicated back in December is that we were also making additional capacity investment in Europe. A lot of that doesn't come online until the second half of this fiscal year. So as you look at it from slide five, you can see the details we've done -- as far as lean manufacturing, etc. Coming into slide seven, says, yes, we are seeing the improvement with you having some premium costs to make sure we support our customers. And then finally, as we look at it, the second half of

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

this year, a lot of the additional capacity that we may begin making investments on at the end of the year will start coming on line to further address or to be able to support the customers in Europe.

Douglas Karson - *Banc of America - Analyst*

Does the cash flow look, now that it is lower, have any impact on the capacity you are looking to do in the second half? Do you have enough cash for that?

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Yes, we do. Yes, we do.

Jim Donlon - *ArvinMeritor, Inc. - CFO*

We've -- we are, of course, we are scrutinizing our CapEx plans very carefully. But at this point, our liquidity position is excellent, and we have the funds of which to invest if the projects are good payouts.

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

And I should mention all these CapEx that I have indicated have already been factored into some of this as we look at the guidance going forward.

Douglas Karson - *Banc of America - Analyst*

Okay. And then a quick follow-up on this Emission Technologies true-up which will be a working capital item next quarter. I don't think you gave a size on that. Is that meaningful?

Jim Donlon - *ArvinMeritor, Inc. - CFO*

It is significant. It is on the order of -- it is just under \$30 million.

Douglas Karson - *Banc of America - Analyst*

Okay. Finally, you addressed this in Detroit. There were some questions around an OPEB deal and you're looking at various alternatives, one of them being some type of VEBA? Is there any more discussion on that? Any more update there?

Jim Donlon - *ArvinMeritor, Inc. - CFO*

I would say that we are continuing to work on that. We would like to accomplish something there. And we are establishing the -- the baseline material from which we can -- we can go forward. It would be a -- a good deal for ArvinMeritor and a good deal for -- for the counterparty, UAW. So we are working toward accomplishing that when we can.

Douglas Karson - *Banc of America - Analyst*

Great, thanks, guys. I appreciate it.

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Operator

And we have time for one more question. Our last question will come from the line of Rob Hinchliffe with UBS. Please proceed.

Rob Hinchliffe - UBS - Analyst

Thanks. Good morning.

Chip McClure - ArvinMeritor, Inc. - Chairman, CEO, President

Good morning, Rob.

Rob Hinchliffe - UBS - Analyst

Hey. A few questions. In CVS, there is a 3.5% negative margin impact from lower North America volume. I guess without that implies margins would have been over 10%. So a couple of questions there. One, is there anything structurally different that would prevent you from recapturing that 3.5% when volumes return? And then also, is that margin impact based on using the Mexican plant -- the new Mexican plant that you're building? Or is it based on the costs associated with your U.S. plants, one of which is targeted for closure?

Chip McClure - ArvinMeritor, Inc. - Chairman, CEO, President

Well let me take on the first part, then I'll let Jim kind of address the second one. But as you look at the production volumes, actually the production volume decrease in North America really pertains to both truck and trailer, and as Jim had indicated, we continue to follow both. I think as we had indicated at the -- at the Analyst Day meeting in Dearborn a couple of weeks ago that Class 8 orders had, again, another month in December above 20,000 units. So we are guardedly optimistic, but obviously you've got to look at the timing of the orders of the Class 8 trucks when they occur, but start to see a little bit of a turn there. Obviously on the other side we are watching very closely what happens with the trailer side on that. So as you look at that minus 3.5 percentage points, that really is looking at production volume reductions in both the truck and trailer side.

Rob Hinchliffe - UBS - Analyst

Could you break it, Chip, into the impact from each?

Chip McClure - ArvinMeritor, Inc. - Chairman, CEO, President

We have not. No. It is just on a geographic basis.

Rob Hinchliffe - UBS - Analyst

Okay.

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Jim Donlon - *ArvinMeritor, Inc. - CFO*

And overall I will say that this has been based on our current operating pattern that -- that does not include the -- the Mexican plant at this point. It is something that will come online and help us in 2009, but in this -- in this figure and in this calculation it is working with our current operations.

Rob Hinchliffe - *UBS - Analyst*

Okay. And then can you talk -- you mentioned on one of the slides you talked about working with customers on commodity prices. Can you talk about what the impact -- what the incremental impact in '08 looks to be as a result of higher commodity costs?

Jim Donlon - *ArvinMeritor, Inc. - CFO*

Rob, it is kind of difficult. We have individual arrangements with each of our different customers about this, and I think it is probably better that I not go into too much detail here. Maybe another time we could cover something, but at this point in time as we cover this with our individual customers, it is a pretty sensitive topic.

Rob Hinchliffe - *UBS - Analyst*

Okay. And then just one real quick housekeeping one. These items of nonrecurring nature that are included in the results. The \$1.40 to \$1.60 includes the change in the employee benefit policy and the legal issue and all that. Right?

Jim Donlon - *ArvinMeritor, Inc. - CFO*

Yes, it does.

Rob Hinchliffe - *UBS - Analyst*

Okay. Okay. Thanks, everybody.

Jim Donlon - *ArvinMeritor, Inc. - CFO*

Thank you, Rob

Operator

Ladies and gentlemen, it looks like we have time for one last question, that is going to come from the line of Peter Nesvold. Please proceed.

Peter Nesvold - *Bear Stearns - Analyst*

Thanks for slipping me in there at the end. A quick question also on slide seven. When I look at the North America OE production volume being at 3.5% headwind year-over-year, I mean I guess I do have to scratch my head sometimes when companies have declining cash flow and improving GAAP results, but I am really struck with the fact that your CVS EBITDA margins are 60 basis points higher year-over-year, despite a 30% decline in class 8 builds. And so what I want to understand is the 3.5 percentage point headwind, as we progress through the year and ACT numbers which are lower than yours, but even based on ACT's, we're

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

growing by calendar third quarter. So is it fair to expect that as we exit calendar '08 that that -- that 3.5 percentage point headwind is at least zero if not slightly positive?

Jim Donlon - *ArvinMeritor, Inc. - CFO*

The only thing I'd comment on, Peter, is this was an analysis done on first quarter of this year compared to first quarter of last year, and last year the volume rack-up was almost 90,000 for the class 8. So I think as we go through this year, I don't think with ACT we get back up to a 90,000 quarter. So, I don't think we will recapture all of this 3.5 as we go through this year, but we will get some part of it. And then at some future point if volumes were to be at 90,000 again, then we would have a good shot at that 3.5.

Peter Nesvold - *Bear Stearns - Analyst*

But I seem to remember last year, at 90,000 units you don't really make a lot of money on the incremental volume.

Jim Donlon - *ArvinMeritor, Inc. - CFO*

That is good memory. We did have a lot of costs, what we called high volume penalties. And Carsten and his team has been working for nearly a year now on the preparation toward being able to handle the next upturn without all those high-volume penalties. One item that will help, of course, is the new Mexico plant but -- so we think for the future we can recover better than what we had the last time around.

Peter Nesvold - *Bear Stearns - Analyst*

Okay. And then last quick question on the slide and then I am done. If I look at the European improvement and look at slide seven versus slide five, it looks like a lot of the European improvement by the time we exited the quarter was in place -- a little bit to go still, but most in place at the end of the quarter. I'm curious, how much of it actually impacted the quarterly result itself? So how much momentum do you have going into fiscal second quarter? Might I see even more improvement in fiscal second quarter in Europe versus what you show here on slide seven?

Jim Donlon - *ArvinMeritor, Inc. - CFO*

I would say that we picked up some of it during the quarter, and, therefore, the run rate by the end of the quarter would be an improvement, and we would expect that we would get that for the full amount of the second quarter. There is still some significant amount of expediting cost that are going on to try to keep up with the production. And as Chip pointed out, the capacity actions don't really come on until later in the year. So I would say something slightly better than our first quarter for the second quarter because of the actions that occurred during the quarter, but the big pickup doesn't -- the big rest of it doesn't come until out into the second half of the year.

Peter Nesvold - *Bear Stearns - Analyst*

Great. Thanks again for the time.

Chip McClure - *ArvinMeritor, Inc. - Chairman, CEO, President*

Thank you and have a good day.

Jan. 29. 2008 / 9:00AM, ARM - Q1 2008 ArvinMeritor, Inc. Earnings Conference Call

Operator

Thank you for your participation in today's conference. This concludes your presentation. You may now disconnect. Good day.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.