

2010

## ArvinMeritor's Transformation: Weathering the Storm

### 2004: LAUNCHED 3R STRATEGY

**Rationalize:** combine facilities, close plants, right size organization

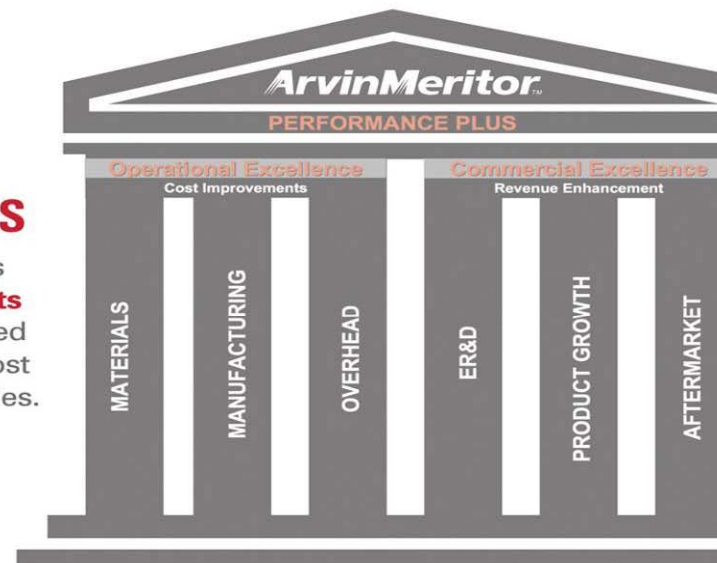
**Refocus:** consolidate and divest non-core, low-margin businesses

**Regenerate:** expand, diversify, invest, grow

### 2006: LAUNCHED PERFORMANCE PLUS

Implemented Performance Plus for proactive **cost improvements** and **revenue growth**. Established teams to significantly reduce cost and identify growth opportunities.

**Results:** \$75M in savings in 08,  
\$75M more in 09



ArvinMeritor™

# PREPARE FOR RISK, FOR OPPORTUNITY, AND, ABOVE ALL, FOR CHANGE

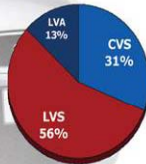


## REFOCUS ON PROFITABILITY

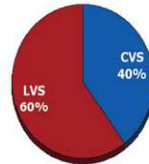
- Sold LVA (\$200M)
- Sold Emissions (\$310M)
- Sold Chassis
- Sold Wheels (\$180M)

Light Vehicle Systems

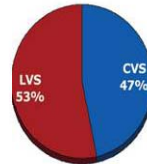
FY 2003  
\$7.8 Billion



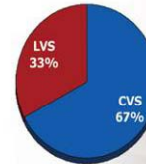
FY 2004  
\$8.0 Billion



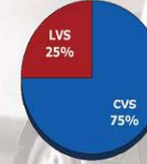
FY 2006  
\$9.2 Billion



FY 2008  
\$7.2 Billion



FY 2009E



Future



Commercial Vehicle Systems

## 2009: HEADWINDS

The global economic crash hits the automotive and trucking industries hard.

### Commercial Vehicle Sales



### Light Vehicles Sales



### Economic Headlines

- Reuters "Housing starts and permits hit record lows in Dec"
- CNBC "Lehman Bros. files for bankruptcy and scrambles to sell key businesses"
- WSJ "Broader unemployment rate hits 16.8% in August"

More than 150 automotive parts and components companies have filed for bankruptcy since 2006.

## ADAPTIVE ACTIONS

- Workforce reductions
- Implemented pay cuts (10% / 5%), reinstated 11/09
- No merits, reinstated 6/2010
- Discontinuation of 401K matching
- Eliminated all non-essential discretionary spending
- Initiated supplier risk process
- Announced sale of LVS (cut 100 executive staff)

### Eye of the Needle

- Daily review of cash - 6 days a week
- Monthly board calls
- Bi-weekly review of CapEx
- Weekly report on sales
- Review mission-critical positions

### Incentive Comp

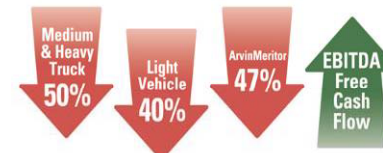
- FROM: Feast or famine
  - EPS
  - 72 individual goals
- TO: Closer alignment to shareholder return
  - EBITDA
  - Free Cash Flow

## RESULTS

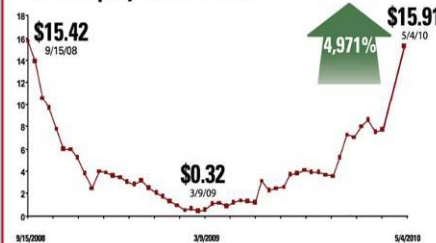
2009 Results			
Core Business FY 2009 Savings <sup>(1)</sup> (Millions)	Q4	FY	Run Rate
Structural Cost Reductions	\$34	\$97	\$136
Temporary Cost Reductions	\$13	\$48	\$52
Variable Labor (Volume Related)	\$18	\$50	\$72
Total	\$65	\$195	\$260

- New financing and sale of wheels boosted liquidity

### Sales Worse, Results Better (3rd Qtr 09)



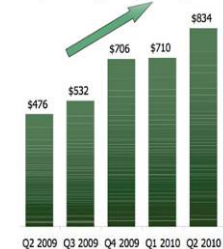
### ARM Equity Performance



## FINANCIAL STRENGTH

- Reduced cost
- Improved balance sheet
- Improved liquidity
- Generated strong cash flow
- Lowered debt

### Improving Liquidity



### Declining Debt

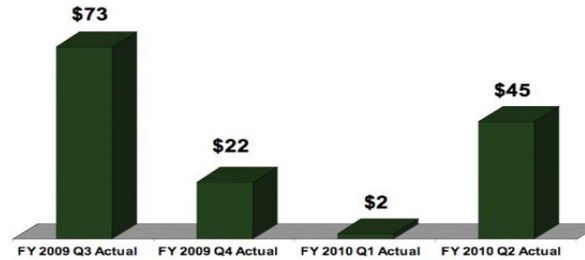


# MOVING FORWARD

## ENSURE LONG-TERM SUSTAINABILITY

### FOUR CONSECUTIVE QUARTERS OF POSITIVE FREE CASH FLOW

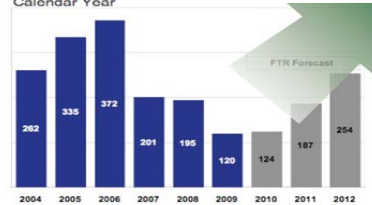
First time since 2002



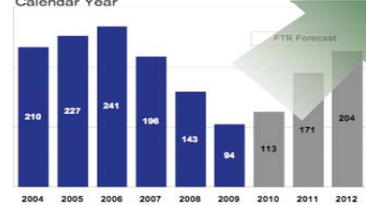
### PREPARED FOR MARKET REBOUND

Commercial Truck Production

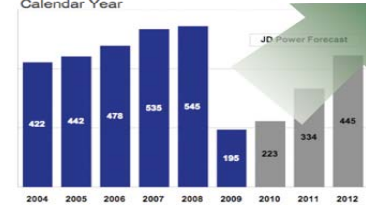
**North America**  
Class 8 Production (000)  
Calendar Year



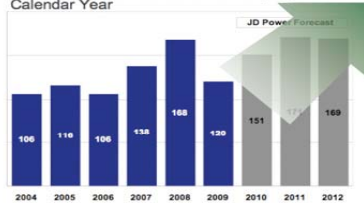
**North America**  
Class 4-7 Production (000)  
Calendar Year



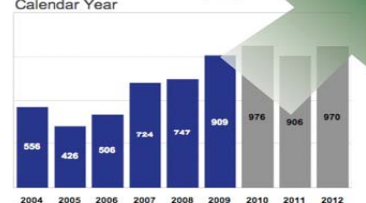
**Western Europe**  
Med. & Heavy Production GVW>6t (000)  
Calendar Year



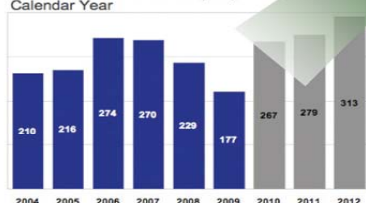
**South America**  
Med. & Heavy Production GVW>6t (000)  
Calendar Year



**China**  
Truck Production GVW>6t (000)  
Calendar Year



**India**  
Truck Production GVW>6t (000)  
Calendar Year

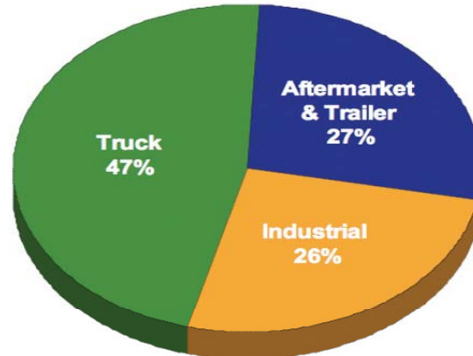
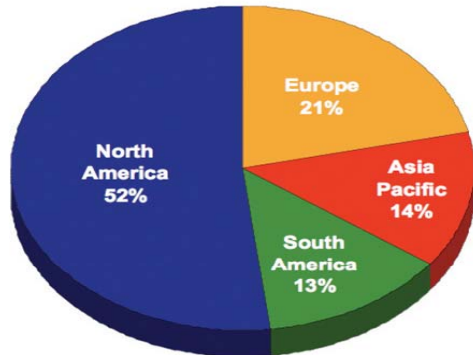


# TRANSFORMING THE BUSINESS

FOCUSED ON CORE STRENGTH

## DIVERSIFICATION STRATEGY:

- **PRODUCT**
- **BUSINESS SEGMENT**
- **GEOGRAPHIC MIX**



**Core Business  
First Half FY2010**

### Commercial Truck

- Drivetrain systems and components including axles, drivelines, braking and suspension systems
- Medium and heavy duty trucks in NA, SA and Europe

### Industrial

- Drivetrain systems including axles, brakes, drivelines and suspensions
- Off-highway, military, construction, bus and coach, fire and emergency and other industrial
- On- and off-highway activities in Asia Pacific

### Aftermarket & Trailer

- Axles, brakes, suspension and transmissions to commercial vehicle aftermarket customers
- Remanufacturing growth globally
- Wide variety of undercarriage products and systems for trailer applications

## PRIORITIES GOING FORWARD

- Focus on costs to improve operating leverage
- Continue transformation to focus on commercial and industrial markets
- Accelerate new products and advanced fuel efficient technologies
- Maintain focus on sustainable profitable growth
- Successfully execute as global markets recover
- Continue focus on balance sheet management



## INVEST IN THE FUTURE



### Manufacturing Processes

- Improvements in North America, Mexico, Europe, Brazil, China
- State-of-the-art gear cutting process

### Engineering Research and Development

- Fuel Efficiency
- Safety
- Reliability

### Product Development

- High-Efficiency Drive Axles
- Hybrid Powertrains
- Brake and Safety Systems
- All-Wheel Drive Systems
- High Mobility Independent Suspensions
- Smart Systems

