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# 2009 Barclays Capital Industrial Select Conference

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Sr. VP, Strategic Initiatives, and Treasurer



**ArvinMeritor**<sup>TM</sup>

[www.arvinmeritor.com](http://www.arvinmeritor.com)

# Forward-Looking Statements

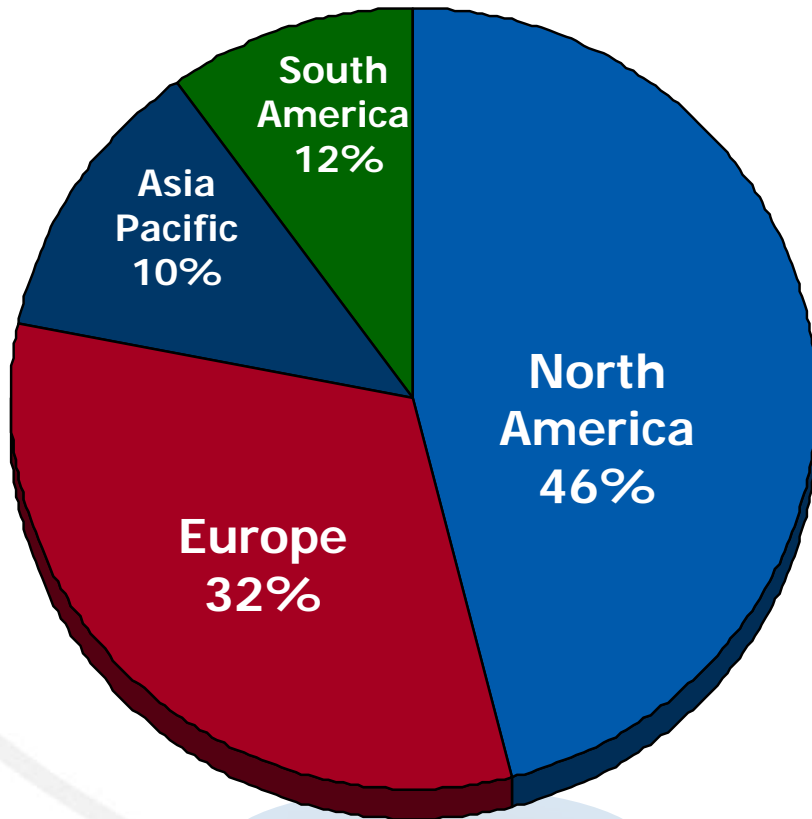
This presentation contains statements relating to future results of the company (including certain projections and business trends) that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "estimate," "should," "are likely to be," "will" and similar expressions. There are risks and uncertainties relating to the planned disposition of the Body Systems and Chassis Systems businesses of ArvinMeritor's LVS business, including the timing and certainty of completion and the terms of any transaction or transactions. In addition, actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to global economic and market cycles and conditions, including the recent global economic crisis; whether our liquidity will continue to be affected by declining vehicle production volumes; the financial condition of the company's suppliers and customers, including potential bankruptcies; possible adverse effects of any future suspension of normal trade credit terms by our suppliers; the ability of the company to continue to comply with covenants in its financing agreements; the ability of the company to access capital markets; credit ratings of the company's debt; continued decline in the price of our common stock on the NYSE; the demand for commercial, specialty and light vehicles for which the company supplies products; risks inherent in operating abroad (including foreign currency exchange rates and potential disruption of production and supply due to terrorist attacks or acts of aggression); availability and sharply rising cost of raw materials, including steel and oil; OEM program delays; demand for and market acceptance of new and existing products; successful development of new products; reliance on major OEM customers; labor relations of the company, its suppliers and customers, including potential disruptions in supply of parts to our facilities or demand for our products due to work stoppages; potential difficulties competing with companies that have avoided their existing contracts in bankruptcy and reorganization proceedings; successful integration of acquired or merged businesses; the ability to achieve the expected annual savings and synergies from past and future business combinations and the ability to achieve the expected benefits of restructuring actions; success and timing of potential divestitures; potential impairment of long-lived assets, including goodwill; potential adjustment of the value of deferred tax assets; competitive product and pricing pressures; the amount of the company's debt; the outcome of existing and any future legal proceedings, including any litigation with respect to environmental or asbestos-related matters; the outcome of actual and potential product liability and warranty and recall claims; rising costs of pension and other post-retirement benefits and possible changes in pension and other accounting rules; as well as other risks and uncertainties, including but not limited to those detailed from time to time in filings of the company with the SEC. These forward-looking statements are made only as of the date hereof, and the company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

All earnings per share amounts are on a diluted basis. The company's fiscal year ends on the Sunday nearest Sept. 30, and its fiscal quarters end on the Sundays nearest Dec. 31, March 31 and June 30. All year and quarter references relate to the company's fiscal year and fiscal quarters, unless otherwise stated.

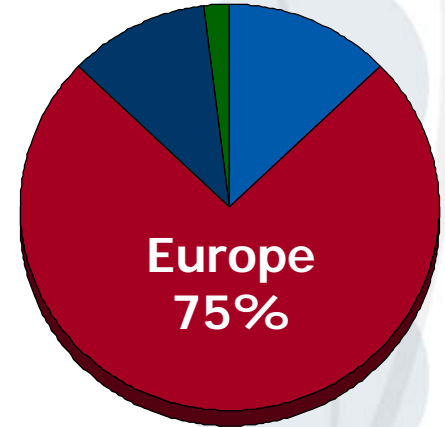
# Globally Diverse Business Portfolio

2008 Sales – \$7.2 Billion

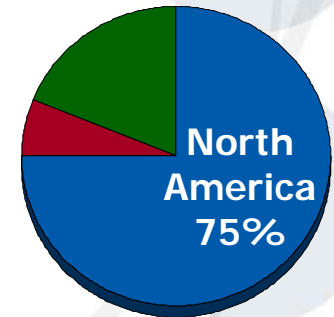
## CVS



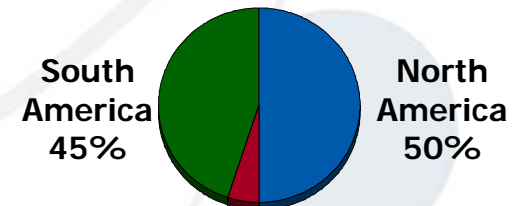
## LVS Body



## LVS Chassis



## Wheels



# Q1 Highlights

- CVS and Wheels met the milestones we indicated in December
- Total company sales of \$1,370 million, down 18%
  - Down 11% on a constant-currency basis
  - CVA and Specialty both posted sales gains
- Reported a loss of \$0.77 per share from continuing operations before special items <sup>(1)</sup>
- GAAP results include non-cash charges:
  - \$665 million valuation reserve for certain deferred tax assets
  - \$279 million LVS goodwill, fixed asset and other impairments
- Cash outflow from operations net of capital expenditures of \$386 million
- Additional cost reductions expected to raise FY 2009 savings to a total of \$165 million for CVS and \$82 million for LVS

(1) GAAP diluted earnings per share from continuing operations were \$(13.71); see Appendix – “Non-GAAP Financial Information”

# First Quarter Income Statement from Continuing Operations – Before Special Items<sup>(1)</sup>

*(in millions, except per share amounts)*

	Three Months Ended December 31,			
	2008	2007	Better/(Worse)	
			\$	%
Sales	\$ 1,370	\$ 1,663	\$ (293)	-18%
Cost of Sales	(1,297)	(1,533)	236	15%
Gross Margin	73	130	(57)	-44%
SG&A and other	(100)	(92)	(8)	-9%
Operating Income (Loss)	(27)	38	(65)	-171%
Equity in Earnings of Affiliates	4	11	(7)	-64%
Interest Expense, Net and Other	(22)	(27)	5	19%
Income (Loss) Before Income Taxes	(45)	22	(67)	-305%
Benefit from/(Provision for) Income Taxes	(8)	(13)	5	38%
Minority Interests	(3)	(3)	-	0%
Income/(Loss) from Continuing Operations	<u>\$ (56)</u>	<u>\$ 6</u>	<u>\$ (62)</u>	<u>-1033%</u>
Diluted Loss Per Share				
Continuing Operations	<u>\$ (0.77)</u>	<u>\$ 0.08</u>	<u>\$ (0.85)</u>	<u>-1063%</u>

5 (1) See Appendix – “Non-GAAP Financial Information”

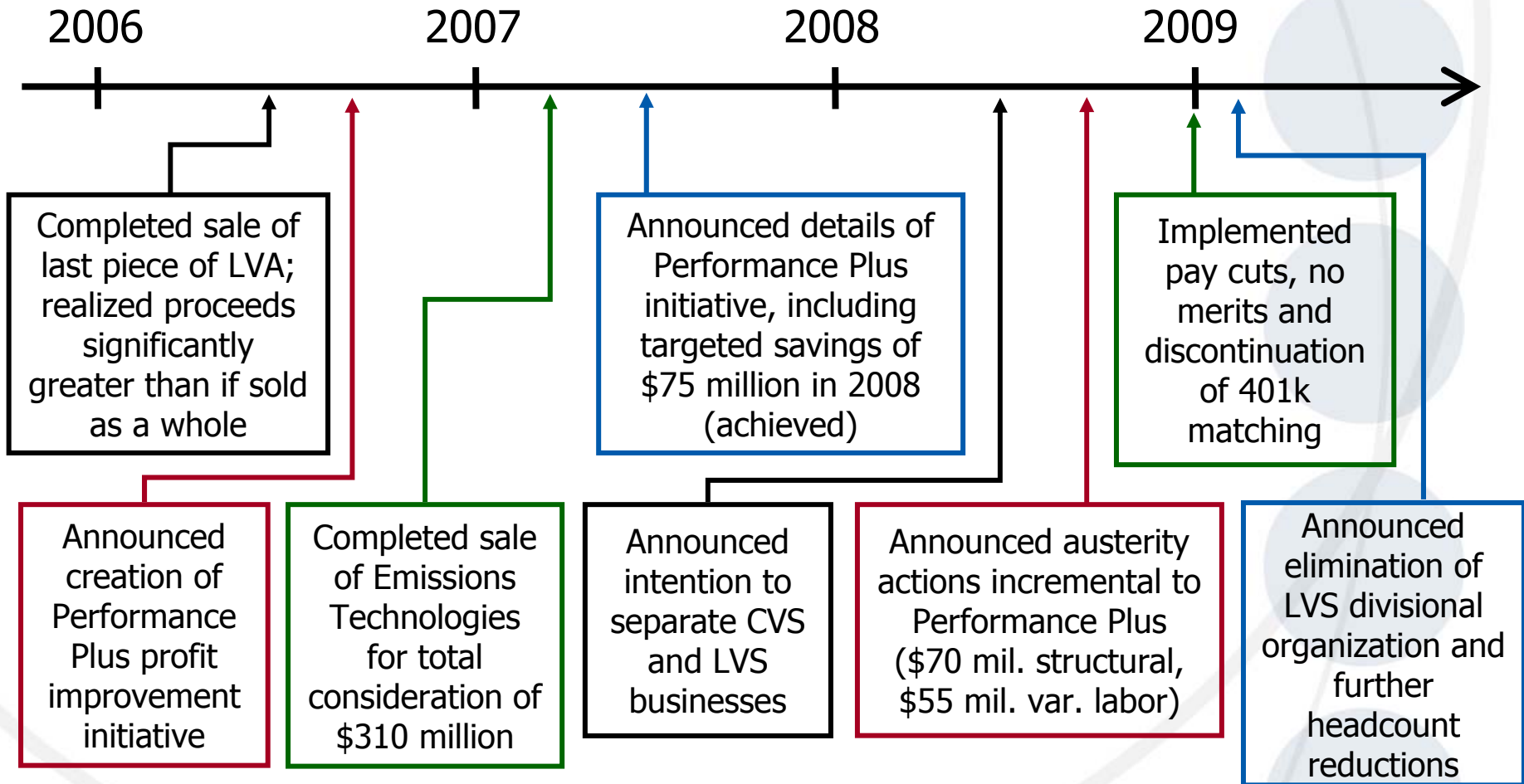
# Q1 Segment EBITDA Before Special Items<sup>(1)</sup>

(in millions)

	Three Months Ended December 31, Better/(Worse)			
	2008	2007	\$	%
<b>EBITDA</b>				
Commercial Vehicle Systems	\$ 52	\$ 71	\$ (19)	-27%
Light Vehicle Systems	(41)	12	(53)	-442%
Segment EBITDA	<u>11</u>	<u>83</u>	<u>(72)</u>	<u>-87%</u>
Unallocated Corporate Costs	(1)	(1)	-	0%
Total EBITDA	<u>\$ 10</u>	<u>\$ 82</u>	<u>\$ (72)</u>	<u>-88%</u>
<b>EBITDA Margins</b>				
Commercial Vehicle Systems	5.4%	6.6%	-1.2 pts	
Light Vehicle Systems	-9.9%	2.1%	-12.0 pts	
Segment EBITDA Margins	0.8%	5.0%	-4.2 pts	
Total EBITDA Margins	0.7%	4.9%	-4.2 pts	

(1) See Appendix – “Non-GAAP Financial Information”

# Timeline of Refocusing and Cost Actions



**Constant Purpose and Firm Resolve**

# 2009 Cost Reductions<sup>(1)</sup>

FY 2009 Savings (Millions)	CVS	LVS
Performance Plus	\$ 50	\$ 25
October Austerity Actions		
- Variable Labor	50	6
- Other Actions	30	19
Actions Taken in January	35	32
Total	\$ 165	\$ 82

What has changed to allow ARM to clear covenant levels at lower volumes?  
 This row.

Memo: Total at Annual Run-Rate      \$ 225      \$ 110

(1) Cost reductions represent expected savings based on current information and management's best estimates

# SG&A and Headcount

## SG&A Expense (Millions)

2009  
B/(W)  
2008

LVS Stand-alone Costs \$ (7)

Vacation Policy and  
Other Employee Related (10)

Other CVS & Corporate 9

Total \$ (8)

## FY 2009 Headcount Reduction Actions Taken to Date

CVS N.A. Plants 302

CVS Europe Plants 1,023

Q1 Salaried Reduction  
in Force 135

LVS January Actions 100

Total 1,560

# Free Cash Flow<sup>(1)</sup>

(In millions)

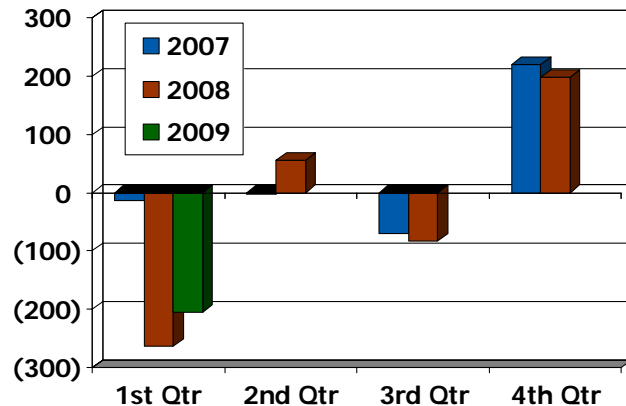
	Quarter Ended December 31,	
	2008	2007
Pretax Income (Loss) from Continuing Operations	\$ (356)	\$ 12
Impairments	279	-
Net Spending (D&A less Capital Expenditures)	(16)	(2)
Pension and Retiree Medical Net of Expense	1	4
USW Settlement	(28)	-
Customer Settlement	(25)	-
Performance Working Capital <sup>(2)</sup>	(185)	(352)
Off Balance Sheet Securitization and Factoring	(4)	115
Other, including Restructuring	(51)	(78)
<b>Free Cash Flow from Continuing Ops.</b>	<b>\$ (385)</b>	<b>(301)</b>
Discontinued Operations	(1)	(4)
<b>Free Cash Flow</b>	<b>\$ (386)</b>	<b>\$ (305)</b>

(1) See Appendix – “Non-GAAP Financial Information”

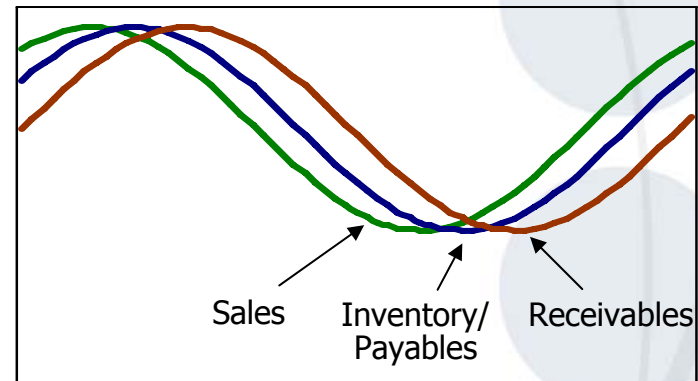
(2) Change in payables less changes in receivables, inventory and customer tooling

# Cash Flow and Working Capital

## Working Capital Seasonality



## Receivables Lag Payables



## Inventory

- In addition to a normal lag effect, inventory was affected by very late changes to production schedules
- As a result, we were unable to plan inventory effectively at the end of the quarter

## Off-Bal. Sheet Rec. Sales

- The majority of CVS Europe receivables have been sold without recourse
- As sales fall, there is no benefit to free cash flow (as defined by the company) for these sold receivables
- Net of off-balance sheet securitization, working capital will not be a source of cash in fiscal Q2
- However, balances in off-balance sheet securitization will fall

## Vehicle Production Scenarios<sup>(1)</sup> (2009 FY)

Commercial Vehicle	(000)	YOY Percent Change	Light Vehicle	(Millions)	YOY Percent Change
North America Class 8	140	(27)%	North America	9.2	(32)%
Europe Medium & Heavy	305	(46)%	Total Europe	16.5	(26)%
South America Medium & Heavy	115	(27)%	South America	3.5	(12)%





- Managing the company to these levels
- At these levels, expect to have adequate liquidity to be in compliance with all debt covenants

(1) Production levels are provided for the purposes of this example only and are not intended to represent the Company's production assumptions. The Company is unable to estimate full-year industry production at this time.

## New in the Q

- Valuation allowances against deferred tax assets were for wholly-owned operations in the U.S., France, Germany and Sweden
- Cash restructuring was \$12 million in the quarter and is expected to be \$65 million for the year
  - Restructuring reserves were \$42 million at Dec. 31
- Weighted average borrowing rate on U.S. securitization program was 4.9% at Dec. 31
- Securitization costs were \$4 million in the quarter

# Factoring and Securitization Balances

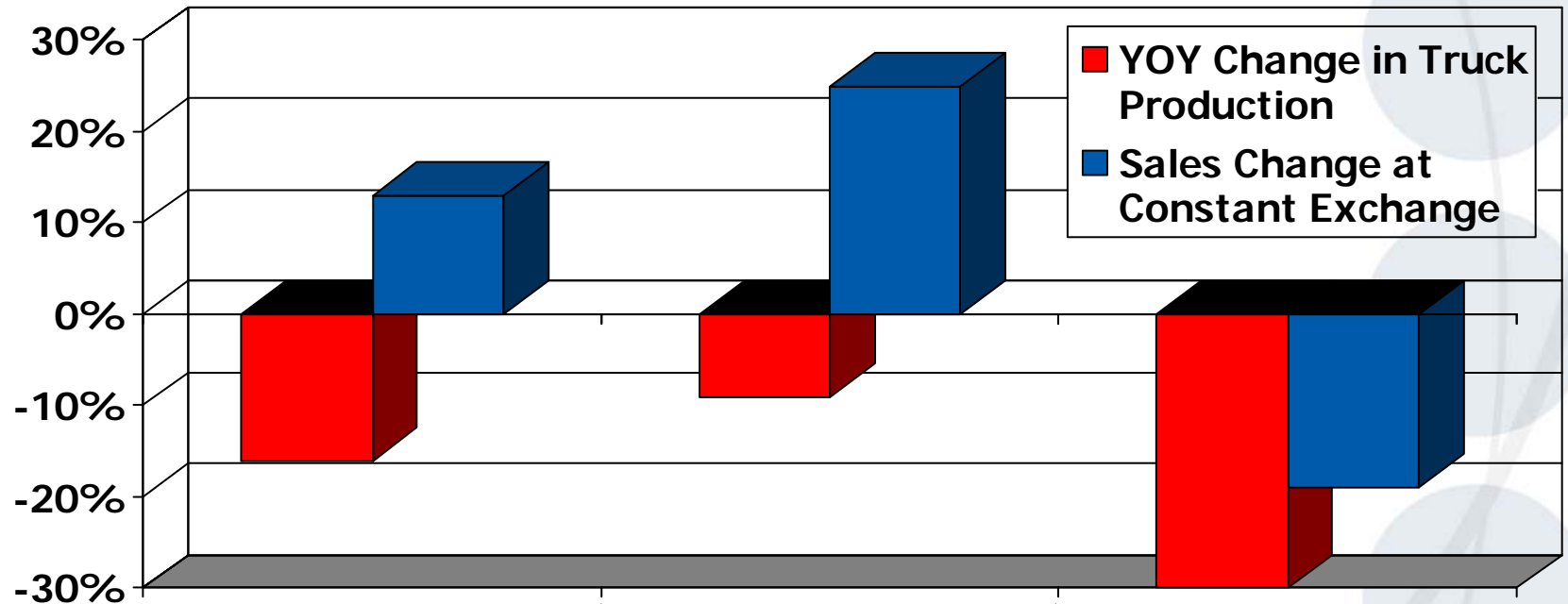
On-Balance Sheet	Committed (1)	Uncommitted (1)	Used	Likely Direction
U.S. Facility	\$ 175	\$ -	\$ 93	
Off-Balance Sheet	Committed (1)	Uncommitted (1)	Used	Likely Direction
Swedish Facility	\$ 175	\$ -	\$ 168	
French Facility	175	-	152	
Other	-	206	86	
Total	\$ 350	\$ 206	\$ 406	

(1) Constrained by eligible receivables

# CVS Regional Sales

FY 2009 Q1	Sales (\$million)	Change	Change at constant Exchange	Medium & Heavy Truck Production
North America	\$ 517	12 %	13 %	(16) %
Europe	277	(32)%	(19)%	(30) %
South America	95	7 %	25 %	(9) %
Asia-Pacific	67	(45)%	(36)%	N/A
Total	\$ 956	(11)%	(4)%	

# CVS Sales Decline in Q1 Less than Industry



**North America**

**South America**

**Europe**

How?

- Aftermarket
- Military
- Steel recoveries

- Share
- Content per vehicle

- Aftermarket
- Steel recoveries

# LVS Regional Sales

FY 2009 Q1	Sales (\$million)	Change	Change at constant Exchange	Light Vehicle Production
North America	\$ 145	(29)%	(25)%	(24) %
Europe	174	(32)%	(23)%	(25) %
South America	71	(20)%	(17)%	(20) %
Asia-Pacific	24	(33)%	(42)%	N/A
Total	\$ 414	(29)%	(24)%	

# LVS Divestiture Update

- Executed January cost reductions with a 2009 FY impact of \$32 million
  - 100 positions eliminated in January
  - Eliminated LVS divisional organization
  - Resizing and flattening Body and Chassis organizations
- Execute Body strategy
  - Demonstrate cost efficiencies
  - Pursue a sale when acceptable returns for shareholders can be achieved
- Execute Chassis strategy
  - Demonstrate cost efficiencies
  - Pursuing multiple actions to divest on a timely basis

# Frequently Asked Questions

- Why treat Body and Chassis differently?
- Why not just close LVS?
- Why are steel prices suddenly a problem for LVS?
- Do you expect federal bail-out funds for suppliers?
- What will your cash taxes be?
- What are your intentions for the debt maturity next week?



# New Business Wins – Military Vehicles

- Nov. 12: BAE awarded 8,400 more FMTVs (Family of Medium Tactical Vehicles)
- Dec. 11: Navistar Defense awarded 400 more MaxxPro Dash vehicles for U.S. in addition to 822 previously awarded and delivered by end-January
- Jan. 9: Navistar Defense awarded 1,300 Medium Support Vehicles for Canadian military
- Jan. 15: Navistar Defense awarded 600 WorkStar variants for U.S. forces in Iraq

## Upcoming Opportunities

- MRAP All-Terrain Vehicle
  - Large program with award expected in April/May
  - Existing MRAP suppliers well positioned
- Joint Light Tactical Vehicle
  - On two of the three bids initially chosen to advance (pending GAO review)

# CVS Margins vs. Prior Year

## EBITDA Margin Before Special Items<sup>(1)</sup>

	Segment EBITDA Margin
<b>FY 2008 Q1</b>	<b>6.6%</b>
Europe medium & heavy truck production volume	(1.8)
Asia/Pacific production volume	(0.7)
Specialty and Aftermarket volume and mix	1.2
All other volume and mix	(0.6)
Performance Plus and other cost savings	1.5
2008 benefit for vacation policy change	(0.9)
Other	0.1
<b>FY 2009 Q1</b>	<b>5.4%</b>

(1) ArvinMeritor uses EBITDA as the primary basis for the chief operating decision maker to evaluate the performance of each of the company's reportable segments. See slide 12 and the appendix for consolidation and comparison to GAAP measures. EBITDA margin equals EBITDA divided by sales.

# LVS Margins vs. Prior Year

## EBITDA Margin Before Special Items<sup>(1)</sup>

	Segment EBITDA Margin
FY 2008 Q1	2.1%
Lower global production volume	(5.7)
Stand-alone corporate costs put in place for planned spin	(1.7)
Performance Plus and other cost savings	1.2
Steel and other raw material economics, net of pass-thru	(2.9)
Foreign exchange	(1.0)
Other	(1.9)
FY 2009 Q1	(9.9)%

(1) ArvinMeritor uses EBITDA as the primary basis for the chief operating decision maker to evaluate the performance of each of the company's reportable segments. See slide 12 and the appendix for consolidation and comparison to GAAP measures. EBITDA margin equals EBITDA divided by sales.

# Recent Actions to Strengthen Liquidity

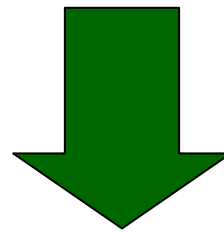
- Renewed on- and off-balance sheet receivables securitization facilities
- Increased ability to repatriate cash to the U.S. and Europe
- Implemented cash-friendly cost saving actions
  - Negotiated needed savings for at-risk plants
  - Reduced salaries and benefits
  - Significantly reduced discretionary spending
  - Implemented capital expenditure restrictions
- Suspended quarterly dividends on common stock

# Revolving Credit Line Covenants

- Senior secured debt to TTM EBITDA  $\leq$  Limit



Revolver borrowings only



**TTM Adj. EBITDA as Reported**

- Include U.S. Securitization Interest
- Include Off-Balance Sheet Factoring and Securitization Costs
- Include cash special items



- 2.5x through Mar. 31, 2009
- 2.0x thereafter
- Measured only once per quarter

- Capital expenditures  $\leq$  \$210 million annually

# Use of Non-GAAP Financial Information

In addition to the results reported in accordance with accounting principles generally accepted in the United States ("GAAP") included throughout this presentation, the Company has provided information regarding income from continuing operations and diluted earnings per share before special items, which are non-GAAP financial measures. These non-GAAP measures are defined as reported income or loss from continuing operations and reported diluted earnings or loss per share from continuing operations plus or minus special items. Other non-GAAP financial measures include "EBITDA" and "free cash flow". EBITDA before special items is defined as earnings before interest, taxes, depreciation and amortization, and losses on sales of receivables, plus or minus special items. Free cash flow represents net cash provided by operating activities less capital expenditures.

Management believes that the non-GAAP financial measures used in this presentation are useful to both management and investors in their analysis of the Company's financial position and results of operations. In particular, management believes that free cash flow is useful in analyzing the Company's ability to service and repay its debt. EBITDA is a meaningful measure of performance commonly used by management, the investment community and banking institutions to analyze operating performance and entity valuation. Further, management uses these non-GAAP measures for planning and forecasting in future periods. The company uses EBITDA as the primary basis for the chief operating decision maker to evaluate the performance of each of the company's reportable segments.

These non-GAAP measures should not be considered a substitute for the reported results prepared in accordance with GAAP. Free cash flow should not be considered substitutes for cash provided by operating activities or other balance sheet or cash flow statement data prepared in accordance with GAAP or as a measure of financial position or liquidity. In addition, the calculation of free cash flow does not reflect cash used to service debt and thus, does not reflect funds available for investment or other discretionary uses. EBITDA should not be considered an alternative to operating income as an indicator of operating performance or to cash flows as a measure of liquidity. These non-GAAP financial measures, as determined and presented by the Company, may not be comparable to related or similarly titled measures reported by other companies.

Set forth on the following slides are reconciliations of these non-GAAP financial measures, if applicable, to the most directly comparable financial measures calculated and presented in accordance with GAAP.

In addition, financial data may be provided on a "trailing twelve month basis," which equates to the sum of the measure in question for the four most recent quarters.

# Non-GAAP Financial Information

## Income Statement Special Items Walk 1Q 2009

<i>(in millions)</i>	GAAP Q1 2009	Restructuring	Impairments	LVS Separation Costs	Income Tax Charges	Before Special Items Q1 2009
Sales	\$ 1,370	\$ -	\$ -	\$ -	\$ -	\$ 1,370
Gross Margin	73	-	-	-	-	73
Operating Income (Loss)	(338)	26	279	6	-	(27)
Loss From Continuing Operations	(991)	26	238	6	665	(56)
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>						
Continuing Operations	\$ (13.71)	\$ 0.36	\$ 3.29	\$ 0.08	\$ 9.21	\$ (0.77)
<b>EBITDA</b>						
Commercial Vehicle Systems	\$ 36	\$ 8	\$ 8	\$ -	\$ -	\$ 52
Light Vehicle Systems	(308)	15	252	-	-	(41)
Segment EBITDA	(272)	23	260	-	-	11
Unallocated Corporate Costs	(16)	3	6	6	-	(1)
Total EBITDA	<u>\$ (288)</u>	<u>\$ 26</u>	<u>\$ 266</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 10</u>

# Non-GAAP Financial Information

## Income Statement Special Items Walk 1Q 2008

<i>(in millions)</i>	GAAP Q1 2008	Restructuring	Income Taxes	Before Special Items Q1 2008
Sales	\$ 1,663	\$ -	\$ -	\$ 1,663
Gross Margin	130	-	-	130
Operating Income	28	10	-	38
Income (Loss) From Continuing Operations	(1)	6	1	6
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>				
Continuing Operations	\$ (0.01)	\$ 0.08	\$ 0.01	\$ 0.08
<b>EBITDA</b>				
Commercial Vehicle Systems	\$ 71	\$ -	\$ -	\$ 71
Light Vehicle Systems	<u>2</u>	<u>10</u>	<u>-</u>	<u>12</u>
Segment EBITDA	73	10	-	83
Unallocated Corporate Costs	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Total EBITDA	<u>\$ 72</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 82</u>

# Non-GAAP Financial Information

## EBITDA Reconciliation

	Three Months Ended December 31,	
	2008	2007
Total EBITDA - Before Special Items	\$ 10	\$ 82
Asset Impairment Charges, (1)	(266)	-
Restructuring Costs	(26)	(10)
LVS Separation Costs	(6)	-
Loss on Sale of Receivables	(4)	(4)
Depreciation and Amortization	(32)	(32)
Interest Expense, Net and other	(22)	(27)
Provision for Income Taxes	(645)	(10)
Loss From Continuing Operations	<u>\$ (991)</u>	<u>\$ (1)</u>

(1) Net of minority interests.

# Non-GAAP Financial Information

## Free Cash Flow

(in millions)

	Three Months Ended December 31,	
	2008	2007
Cash flows used for continuing operations	\$ (337)	\$ (267)
Cash flows used for discontinued operations	(1)	(4)
Cash expenditures	<u>(48)</u>	<u>(34)</u>
Free cash flow - full company	<u>\$ (386)</u>	<u>\$ (305)</u>