



# **FY 2009 Third Quarter Earnings Presentation**

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**August 4, 2009**

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

# 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 our ability to obtain any needed waiver or amendment to our credit agreement; our ability to finalize the replacement of our U.S. securitization facility in an amount and on terms acceptable to ArvinMeritor; our ability to complete the sale of the Wheels business, including with respect to the competition filings required and other closing conditions; our ability to achieve anticipated or continued cost savings from reduction actions; and our ability to execute the Company’s announced plans for the Body Systems and Chassis Systems businesses of LVS, including the timing and certainty of completion or the terms upon which any sale agreement with respect to any portion of the business may be made and the amount of any exit costs. 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 we will have sufficient liquidity as we 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; 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 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; 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.

## Third Quarter 2009 Highlights

- Total company sales of \$993 million, down 47% from last year
  - Down 42% on a constant-currency basis
- Reported a loss from continuing operations of \$28 million or \$0.39 per share, or \$18 million or \$0.25 per share before special items
- Positive cash flow from operations of \$99 million and free cash flow of \$73 million
  - FCF from continuing operations before restructuring and repayment of off-balance sheet factoring/securitization debt was \$175 million
- \$76 million cash on hand and \$456 million unborrowed under our revolving credit facility
  - Regional cash efficiency actions resulted in a reduction in cash balances
- Complied with Q3 credit line financial covenant with comfortable cushion
  - Revolver usage declined by \$145 million during the quarter
- Signed agreement to sell Wheels unit to Lochpe-Maxion, S. A.
  - Base cash purchase price of \$180 million; actual closing proceeds may vary depending on taxes and the net debt/cash position at closing
- Significant new business wins with truck and specialty customers

# Executing Liquidity-Enhancing Actions

## Third Quarter

### Operating Related

- Positive cash flow from Body Systems
- CVS reduced inventory by \$44 million
- CVS past-due receivables down to best-in-class levels

### Divestiture Related

- Eliminated future cash burn
- Generated dividends
- Freed up letters of credit

### Other

- Improved regional cash efficiency

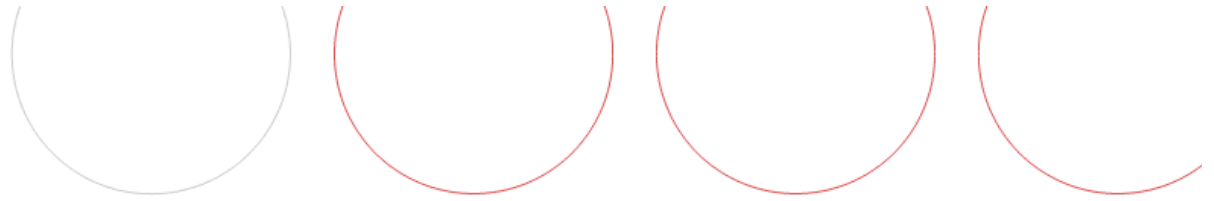
## Fourth Quarter

- Improve further
- A/R falls with customer shutdowns; maintain collections performance

- Also eliminates EBITDA losses upon closing
- Permanent reduction in borrowing
- Flows through
- Proceeds from divestiture of Wheels

- Flows through
- Replace U.S. A/R securitization

**If these actions are completed on time, we expect to be in compliance with financial covenants throughout the next 12 months**



## **Sale of Wheels Business Unit**

- Approached with a strong indication of interest and saw an opportunity to greatly enhance liquidity
- The buyer, lochpe-Maxion, S. A., is a Brazilian producer of wheels and frames for commercial vehicles, railway freight cars and castings
- Signed purchase and sale agreement this week
  - Subject to applicable competition law waiting periods, satisfaction of customary covenants and fulfillment of buyer's committed financing
- Expect to close the transaction before the end of September
- Base cash purchase price is \$180 million; actual proceeds may vary depending on taxes and the net cash or debt position of the business at closing
  - Also subject to working capital true-up and other miscellaneous post-closing adjustments
- Results are included in continuing operations for the third quarter
  - Would expect to reclassify current and past results of Wheels business unit to discontinued operations in Q4

# LVS Body and Chassis Update

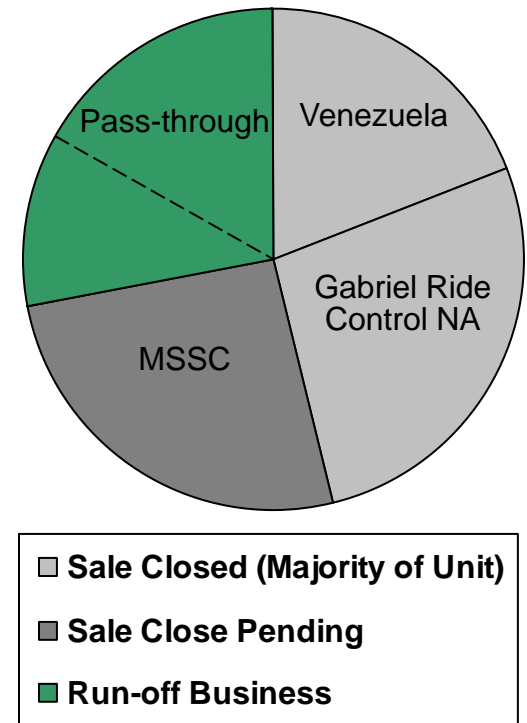
## Chassis

- Sold our stake in Gabriel de Venezuela – transaction closed
- Sold Gabriel Ride Control North America – U.S. portion of transaction closed; Mexico portion expected to close this quarter
- Agreed to sell our stake in joint venture with Mitsubishi Steel (MSSC)– transaction expected to close this quarter
- Transactions solidified our liquidity position
- Sold units represented 72% of total Chassis sales and 87% of value-added sales
- Remaining Chassis businesses operate near breakeven and most will run off over the next two years as vehicle programs end

## Body

- Positive free cash flow in the quarter (slightly negative EBITDA)
- Continue to fix and wait for improved market conditions

Chassis Operations  
(2008 Sales)

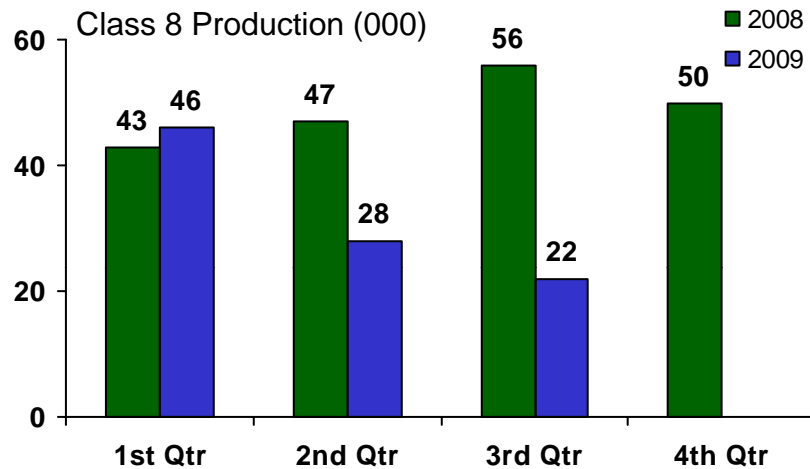


**Chassis divestiture essentially complete**

# Commercial Vehicle Markets

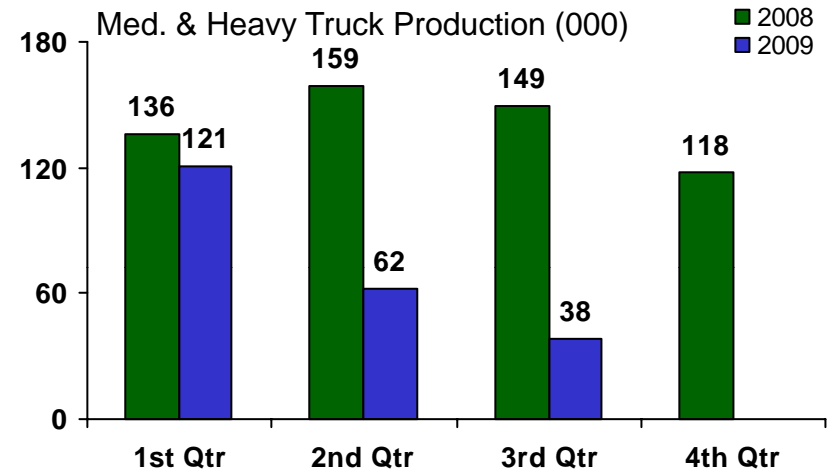
## Fiscal Quarters

### North America



- Q3 production slightly lower than expected
- Orders show a gradual rising trend
- Freight somewhat firmer, but still weak

### Europe



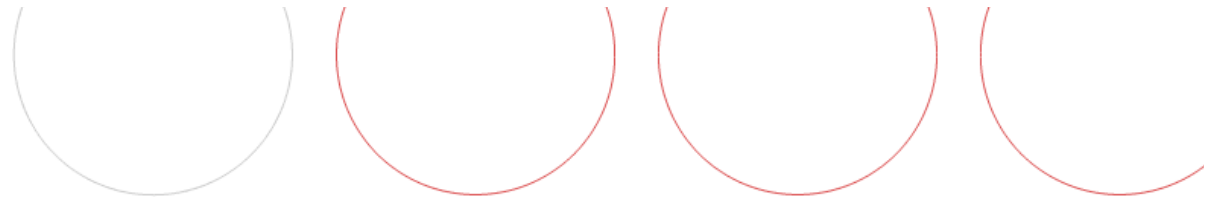
- Production down 74% year-over-year and 39% sequentially
- More down time scheduled for fiscal Q4

### South America

- Production down 36% year-over-year, but up 9% sequentially
- Could see further small increases in upcoming quarters

### Asia Pacific

- Production down 27% year-over-year, but up 33% sequentially
- Same industry trends hold for India and China specifically



# New Business Wins – Truck Americas

- Awarded long-term supply contract with Navistar expanding our relationship and standard positions

	Segment	Prior Position	New Position
Heavy (Cl. 8)	Long Haul	Standard	Standard
	Regional Haul	Optional	Standard
	Severe Service	Optional	Standard
MD (4-7)	Medium Truck		Standard
	Bus		Standard



- Executed multi-year agreement with Daimler Trucks North America
  - Reaffirms strong existing relationship
  - Ongoing supply of complete product line
    - Axles, brakes and driveline

**Focus on selectively growing the commercial vehicle business**

## New Business Wins – Specialty

- Signed a strategic supply agreement with Yutong Group Co., Ltd. to supply drivetrain components for buses and coaches in China
- Launched 70,000 pound heavy-duty terminal tractor axle, marking our official return to the North America off-highway market



- Began production of Navistar MXT for British Ministry of Defense
  - First production launch of TACTX, new independent suspension with adaptive damping
  - ARM is leader in military independent suspensions

Finding opportunities to expand in the specialty markets

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

(in millions, except per share amounts)

	Three Months Ended June 30,			
	2009	2008	Better/(Worse)	
			\$	%
Sales	\$ 993	\$ 1,877	\$ (884)	-47%
Cost of Sales	(916)	(1,697)	781	46%
Gross Margin	77	180	(103)	-57%
SG&A and other	(68)	(117)	49	42%
Operating Income	9	63	(54)	-86%
Equity in Earnings of Affiliates	7	12	(5)	-42%
Interest Expense, Net	(22)	(19)	(3)	-16%
Income (Loss) Before Income Taxes	(6)	56	(62)	-111%
Provision for Income Taxes	(9)	1	(10)	-100%
Minority Interests	(3)	(3)	-	0%
Income (Loss) from Continuing Operations	\$ (18)	\$ 54	\$ (72)	-133%
Diluted Income (Loss) Per Share from Continuing Operations	\$ (0.25)	\$ 0.74	\$ (0.99)	-134%
GAAP Income (Loss) from Con. Operations	\$ (28)	\$ 48	\$ (76)	-158%

(1) See Appendix – “Non-GAAP Financial Information” and “Results of Discontinued Operations”

# Effects of Chassis Divestitures

## Accounting Treatment

- All divested Chassis businesses reclassified to discontinued operations in current & prior periods
- Remaining Chassis businesses (primarily module assembly) will be in continuing operations during run-off phase
- Memo: Wheels unit in continuing operations for the third quarter

### Results of Discontinued Operations (in millions)

	Q3
Sales	\$ 78
Operating and Other Losses	(12)
Loss on Divestitures and Impairments	(83)
Indemnity Charge	(28)
Restructuring Expense	(1)
Interest Expense	(1)
Loss Before Income Taxes	<u>\$ (125)</u>
Provision for Income Taxes	(9)
Net Loss	<u><u>\$ (134)</u></u>

## Liquidity

- Enhanced liquidity directly
  - Received dividends
  - Released letters of credit
  - Stopped cash burn and EBITDA losses
  - Exited JVs where difficult to recapture cash
- Reduced liquidity risk
  - Avoided future restructurings
  - Reduced off-balance sheet securitization
  - Exited Venezuela

## Cash Balances

(in millions)	Q3	Q2
Wholly-Owned Operations	\$ 47	\$ 89
Joint Ventures	29	76
Total	<u>\$ 76</u>	<u>\$165</u>

- \$47 million reduction in cash at JVs due to dividends (used to repay revolver) and divestitures (no longer consolidated)

# Q3 Segment EBITDA Before Special Items<sup>(1)</sup>

(in millions)

	Three Months Ended June 30,			
	2009	2008	Better/(Worse)	
			\$	%
<b>EBITDA</b>				
Commercial Vehicle Systems	\$ 35	\$ 101	\$ (66)	-65%
Light Vehicle Systems	-	17	(17)	-100%
Segment EBITDA	<u>35</u>	<u>118</u>	<u>(83)</u>	<u>-70%</u>
Unallocated Corporate Costs	(2)	(6)	4	67%
Total EBITDA	<u>\$ 33</u>	<u>\$ 112</u>	<u>\$ (79)</u>	<u>-71%</u>
<b>EBITDA Margins</b>				
Commercial Vehicle Systems	5.1%	7.4%	(2.3) pts	
Light Vehicle Systems	0.0%	3.3%	(3.3) pts	
Segment EBITDA Margins	<u>3.5%</u>	<u>6.3%</u>	<u>(2.8) pts</u>	
Total EBITDA Margins	<u>3.3%</u>	<u>6.0%</u>	<u>(2.7) pts</u>	

(1) Continuing Operations Before Special Items. See Appendix – “Non-GAAP Financial Information.”

# CVS Margins vs. Prior Year

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

	Segment EBITDA Margin
<b>FY 2008 Q3</b>	<b>7.4 %</b>
<b>OE Production Volume</b>	
<b>Europe Medium &amp; Heavy Truck</b>	<b>(4.1)</b>
<b>North America Class 5-8 Truck</b>	<b>(2.7)</b>
<b>Asia/Pacific Production Volume</b>	<b>(0.6)</b>
<b>South America Production Volume</b>	<b>(0.8)</b>
<b>All Other Volume and Mix</b>	<b>(1.4)</b>
<b>Performance Plus and Other Cost Savings</b>	<b>6.4</b>
<b>Pension and Warranty Expense</b>	<b>1.2</b>
<b>Foreign Currency and Other</b>	<b>(0.3)</b>
<b>FY 2009 Q3</b>	<b>5.1 %</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.

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

<b>FY 2009 Savings (Millions)</b>	<b>CVS</b>	<b>Memo: Total Company at Prior Business Mix</b>
Performance Plus	\$ 50	\$ 75
October Actions		
- Variable Labor	50	56
- Other Actions	30	49
January Actions	35	67
February/March Actions	27	64
<b>Total</b>	<b>\$ 192</b>	<b>\$ 311</b>

<b>CVS FY 2009 Savings (Millions)</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>
Structural Cost Reduction	\$ 14	\$ 40	\$ 44	\$ 46	\$ 144
Variable Labor (Volume Related)	7	10	15	16	49
<b>Total</b>	<b>\$ 21</b>	<b>\$ 50</b>	<b>\$ 59</b>	<b>\$ 62</b>	<b>\$ 192</b>

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

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

(In millions)

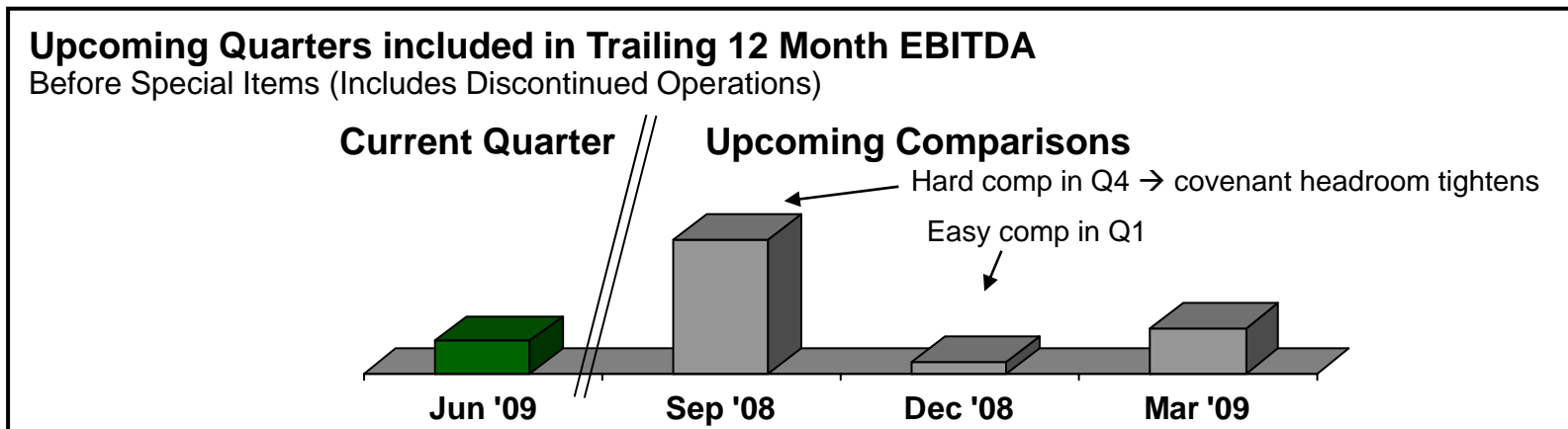
	Quarter Ended June 30,	
	2009	2008
Pretax Income (Loss) from Continuing Operations	\$ (13)	\$ 48
Net Spending (D&A less Capital Expenditures)	(7)	(12)
Pension and Retiree Medical Net of Expense	(2)	6
Performance Working Capital <sup>(2)</sup>	178	(68)
Other	19	98
Sub-Total from Operations	<u>175</u>	<u>72</u>
Off Balance Sheet Securitization and Factoring	(73)	7
Restructuring Payments	(11)	(4)
Free Cash Flow from Continuing Ops.	<u>\$ 91</u>	<u>75</u>
Discontinued Operations	(18)	(16)
Free Cash Flow	<u><u>\$ 73</u></u>	<u><u>\$ 59</u></u>
<b>Memo: Cash Flow Provided by Continuing Operations</b>	<b>\$ 117</b>	<b>\$ 121</b>

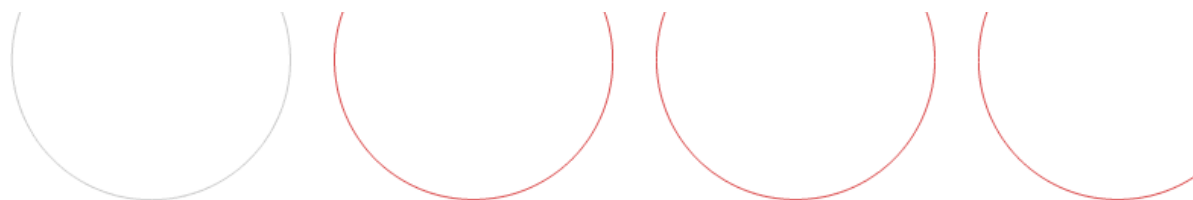
(1) See Appendix – “Non-GAAP Financial Information”

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

## Credit Line Covenant Compliance

- In compliance as of quarter-end despite covenant step-down
  - Improved free cash flow and regional cash efficiency were primary contributors to \$145 million reduction in revolver usage
  - Enhanced accessible liquidity through divestitures, affiliate dividends, working capital improvements and other actions
- Have identified actions needed to clear covenants at September measurement and working to implement them
  - Sale of Wheels business unit with proceeds to change hands in September
  - U.S. securitization program replacement – on track to finalize this month
  - Working capital management and other liquidity enhancing actions
- If initiatives are not completed in time, we are confident we can get an amendment or waiver as a bridging action



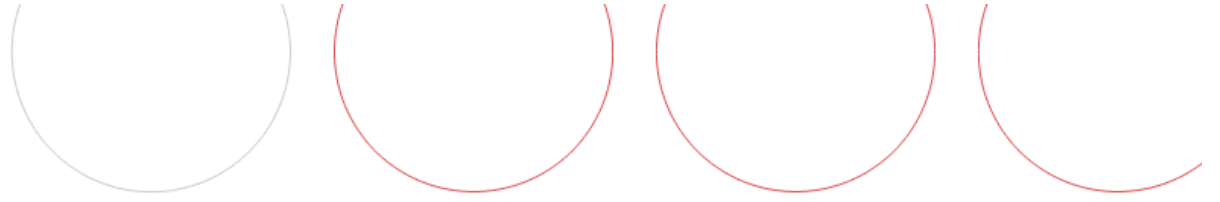


## Fourth Quarter Outlook<sup>(1)</sup>

	<b>FY 2009 Q3 Actual<sup>(2)</sup></b>	<b>FY 2009 Q4 Outlook</b>
Sales	\$993 million	Slightly Lower
EPS BSI	\$(0.25)	Larger Loss
FCF before Factoring and Restructuring	\$175 million	Slightly Negative
FCF	\$73 million	Negative

(1) Based on management's current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. Please see slide 2, "Forward Looking Statements."

(2) See Appendix – "Non-GAAP Financial Information" for a reconciliation to GAAP



# Appendix

## 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.

## Discontinued Operations Reclassified by Quarter, Before Special Items

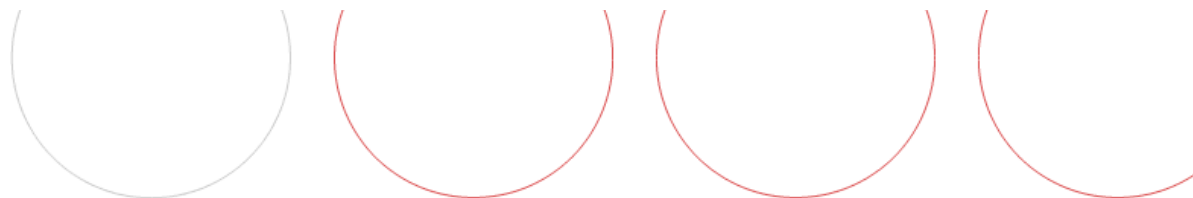
	Three Months Ended December 31, 2008		
	Continuing Operations Reported	Discontinued Operations Reclassification	Continuing Operations Restated
Sales	\$ 1,370	\$ 97	\$ 1,273
Loss from continuing operations	(56)	(12)	(44)
EBITDA	10	(10)	20

	Three Months Ended March 31, 2009		
	Continuing Operations Reported	Discontinued Operations Reclassification	Continuing Operations Restated
Sales	\$ 1,110	\$ 96	\$ 1,014
Loss from continuing operations	(9)	(3)	(6)
EBITDA	36	(3)	39

# Non-GAAP Financial Information

## Income Statement Special Items Walk 3Q 2009

	3 Months Ended 6/30/09	Restructuring	LVS Separation Costs	Income Tax Charges	Before Special Items 6/30/09
Sales	\$ 993	\$ -	\$ -	\$ -	\$ 993
Gross Margin	77	-	-	-	77
Operating Income	2	6	1	-	9
Income (Loss) From Continuing Operations	(28)	6	1	3	(18)
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>					
Continuing Operations	\$ (0.39)	\$ 0.09	\$ 0.01	\$ 0.04	\$ (0.25)
<b>EBITDA</b>					
Commercial Vehicle Systems	\$ 30	\$ 5	\$ -	\$ -	\$ 35
Light Vehicle Systems	(1)	1	-	-	-
Segment EBITDA	29	6	-	-	35
Unallocated Corporate Costs	(3)	-	1	-	(2)
Total EBITDA	\$ 26	\$ 6	\$ 1	\$ -	\$ 33



# Non-GAAP Financial Information

## Income Statement Special Items Walk 3Q 2008

	3 Months Ended 6/30/08	Restructuring	LVS Separation Costs	Before Special Items 6/30/08
Sales	\$ 1,877	\$ -	\$ -	\$ 1,877
Gross Margin	180	-	-	180
Operating Income	55	2	6	63
Income From Continuing Operations	48	2	4	54
<b>DILUTED EARNINGS PER SHARE</b>				
Continuing Operations	\$ 0.66	\$ 0.02	\$ 0.06	\$ 0.74
<b>EBITDA</b>				
Commercial Vehicle Systems	\$ 101	\$ -	\$ -	\$ 101
Light Vehicle Systems	16	1	-	17
Segment EBITDA	117	1	-	118
Unallocated Corporate Costs	(13)	1	6	(6)
Total EBITDA	\$ 104	\$ 2	\$ 6	\$ 112

# Non-GAAP Financial Information

## EBITDA Reconciliation

	Three Months Ended June 30, 2009	Three Months Ended March 31, 2009	Three Months Ended December 31, 2008	Three Months Ended June 30, 2008
Total EBITDA - Before Special Items	\$ 33	\$ 39	\$ 20	\$ 112
Asset Impairment Charges, (1)	-	-	(223)	-
Restructuring Costs	(6)	(47)	(25)	(2)
LVS Separation Costs	(1)	(2)	(6)	(6)
Loss on Sale of Receivables	(1)	(2)	(4)	(6)
Depreciation and Amortization	(19)	(19)	(28)	(34)
Interest Expense, Net	(22)	(22)	(21)	(19)
Benefit (Provision) for Income Taxes	(12)	9	(662)	3
Income (Loss) From Continuing Operations	<u>\$ (28)</u>	<u>\$ (44)</u>	<u>\$ (949)</u>	<u>\$ 48</u>

(1) Net of minority interests.

# Non-GAAP Financial Information

## Free Cash Flow

(in millions)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Cash flows provided by (used for) continuing operations	\$ 117	\$ 121	\$ (269)	\$ 70
Capital expenditures - conops	(26)	(46)	(103)	(99)
Free cash flows provided by (used for) continuing operations	<u>91</u>	<u>75</u>	<u>(372)</u>	<u>(29)</u>
Cash flows used for discontinued operations	(18)	(7)	(72)	(64)
Capital expenditures - discops	-	(9)	(7)	(19)
Free cash flows used for discontinued operations	<u>(18)</u>	<u>(16)</u>	<u>(79)</u>	<u>(83)</u>
Free cash flow - full company	<u>\$ 73</u>	<u>\$ 59</u>	<u>\$ (451)</u>	<u>\$ (112)</u>
Free cash flows provided by (used for) continuing operations	\$ 91			
Changes in receivables securitization and factoring	73			
Restructuring payments	<u>11</u>			
Free cash flows from continuing operations before restructuring and repayment of off-balance sheet factoring and securitization	<u>\$ 175</u>			



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