



# Deutsche Bank 2009 Leveraged Finance Conference

September 30, 2009

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NYSE: ARM NYSE: ARM NYSE: ARM NYSE: ARM NYSE: ARM

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# Forward-Looking Statements

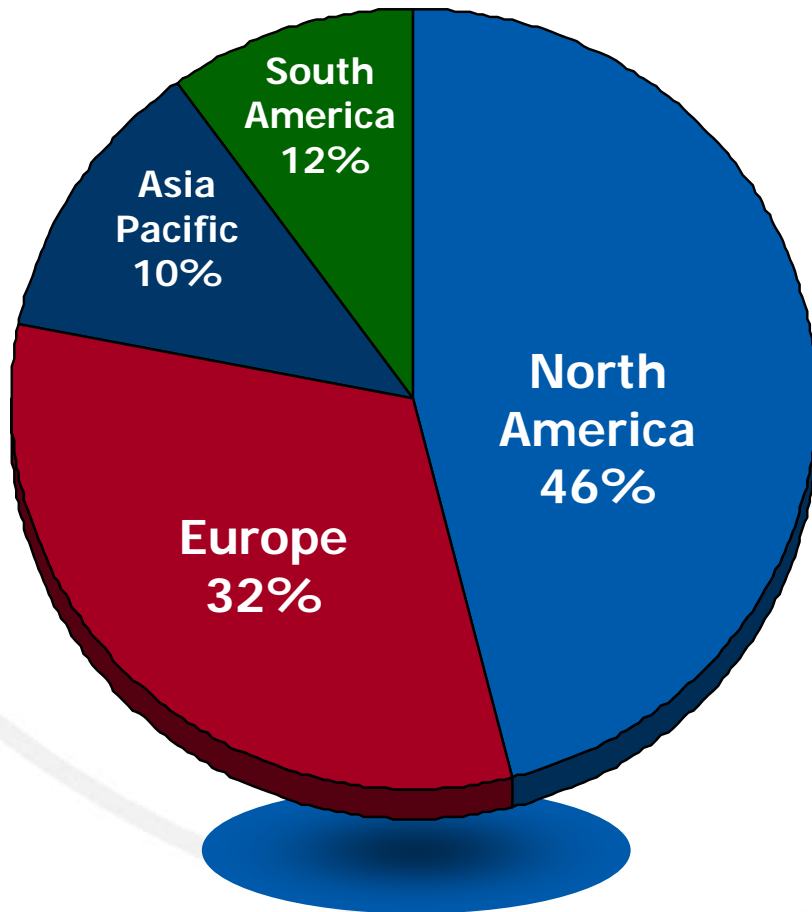
This presentation contains statements relating to future results of the company (including certain projections and business trends) that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or 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 if needed in the future; 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 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.

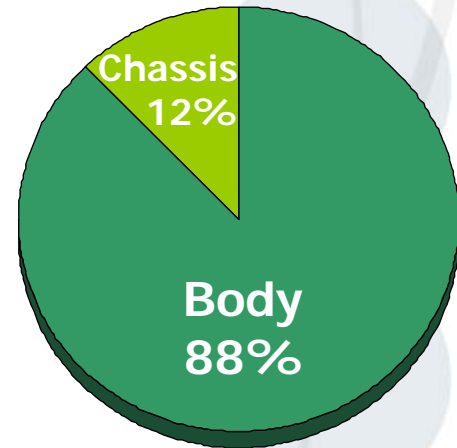
# Diverse Business Portfolio

Based on 2008 Sales

**CVS**  
**\$4.8 Billion**



**Remaining  
LVS**  
**\$1.6 Billion**





**Truck**



**Off-Highway**



**Military**



**Aftermarket**

# Servicing off-highway, bus and coach, fire and rescue, truck, trailer, and aftermarket customers



## Braking Systems

- Cam brakes
- Air disc brakes
- Hydraulic disc brakes
- Parking brakes
- Automatic slack adjusters
- Hubs, drums and rotors
- Steel and Stainless Clad Wheels

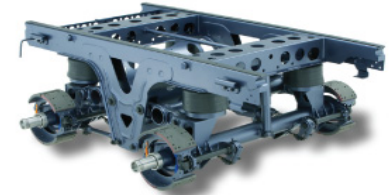


ELSA195 Air Disc Brake



## Trailer Air Suspension Systems

- Air ride suspensions
- Axles and brakes
- Wheel-end systems
- Meritor Tire Inflation System by P.S.I.



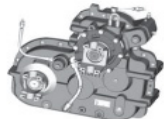
10T lift truck axle

## Axles, Drivelines and Suspensions

- Front steer and drive axles
- All-wheel drive axles
- Single and tandem rear drive axles
- Tag/pusher axles
- Drivelines, universal joints and yokes
- Transfer cases



Meritor® RPL Driveline



Meritor® MTC-4210 Two-Speed Transfer Case



Meritor Tandem Axle



## Alternative Powered Drivetrains

- Hybrid Class 8 – diesel electric
- Alternative powered independent suspension
- Ultra-low floor axles
- Hybrid-specific axles



Battery-Electric Pickup and delivery vehicle

## Aftermarket and Remanufacturing

- Original equipment service parts
- All-makes programs
- Remanufactured parts
  - Mascot Truck Parts
  - Trucktechnic

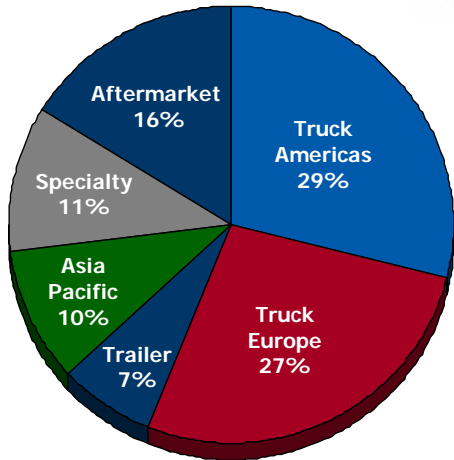
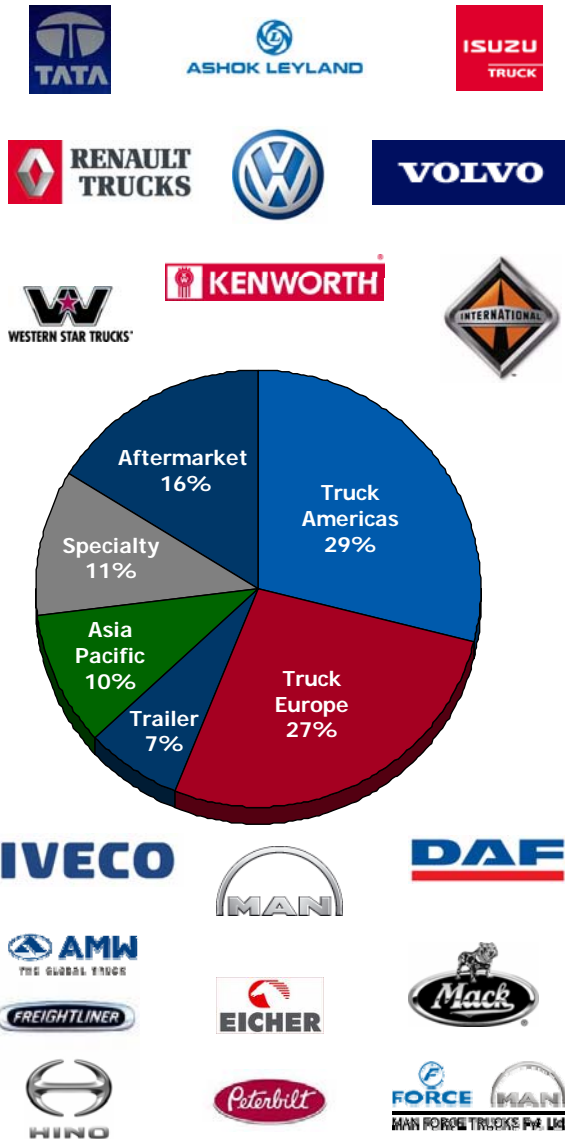


## Stopping and Safety Systems

- Anti-lock braking Systems
- Stability enhancement
- Hydraulic power brake and clutch control systems
- Automatic traction control
- OnGuard collision safety systems







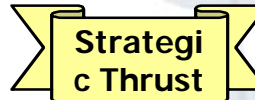






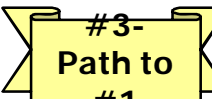
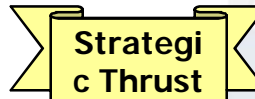
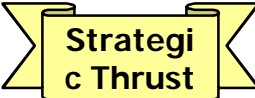
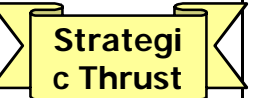


# Global Truck Markets and Customers



## Top Ten Truck Customers

	NA	EU	SA	AP
Volvo	✓	✓	✓	✓
Daimler	✓	✓	✓	
Navistar	✓			
Iveco		✓	✓	
Ashok Leyland				✓
Volkswagen (MAN)			✓	
TATA				✓
PACCAR	✓	✓		✓
Ford		✓	✓	
Hino	✓			

# CVS Leadership Positions (including JVs) <sup>(1)</sup>

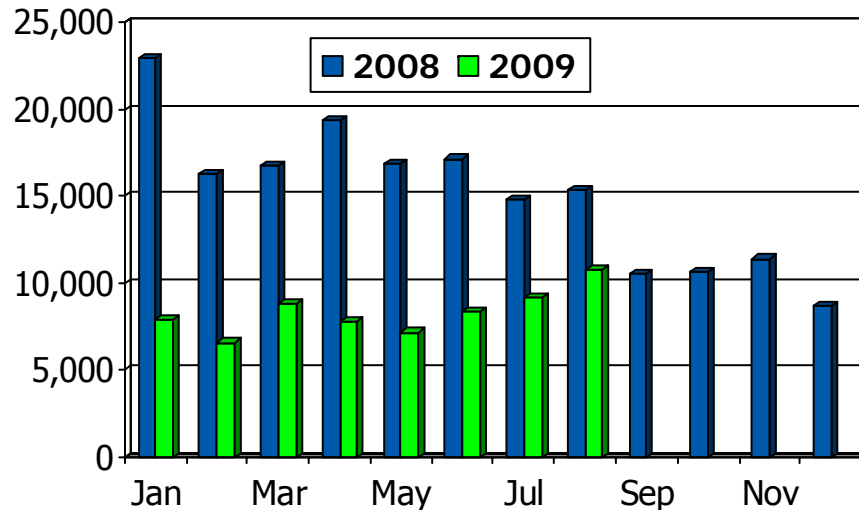
Category	North America	Europe	Other Regions
Independent truck drive axle	#1 	#1 	#1 in S.A., India 
Truck driveline supplier	#2 		Strategic Thrust 
Truck air brake supplier	#1 	#2 	Strategic Thrust 
Trailer axle supplier	#1 		#1 in S. America 
Commercial vehicle aftermarket - Products in which we participate	#1 	#3- Path to #1 	Strategic Thrust 
Off-highway axle	Strategic Thrust 	Strategic Thrust 	#1 in China 
Military wheeled vehicle drivetrain, suspension and brakes	#1 		

**#1 or #2 in many key segments**

7 (1) Based on market data and management estimates

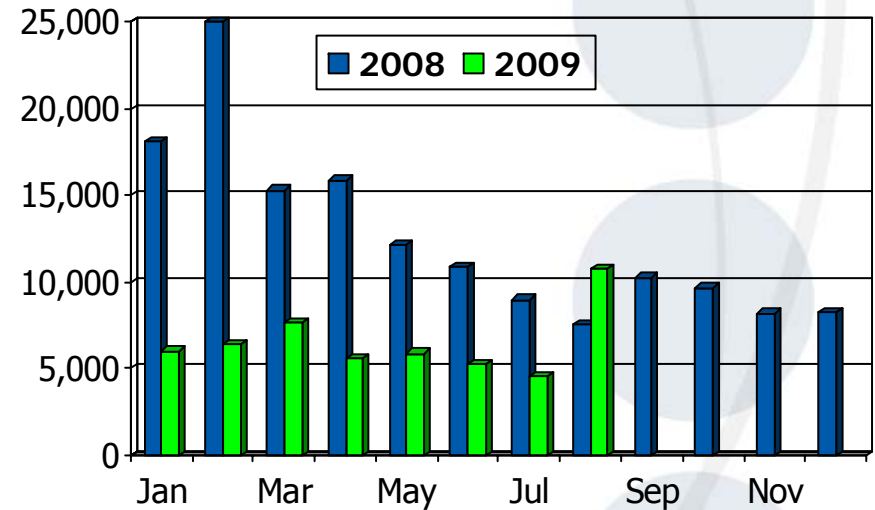
# Truck Net Orders by Month North America

## Class 8



- **August 2009 : 10,740**
  - Highest heavy truck net orders in nine months
  - 17% above July '09
  - 30% below August '08
  - Credit concerns and low freight traffic continue to hold orders down at low levels
- **Fiscal YTD average: 8,860**
  - 52% below FY08 period; seasonally adjusted rate of 104,800

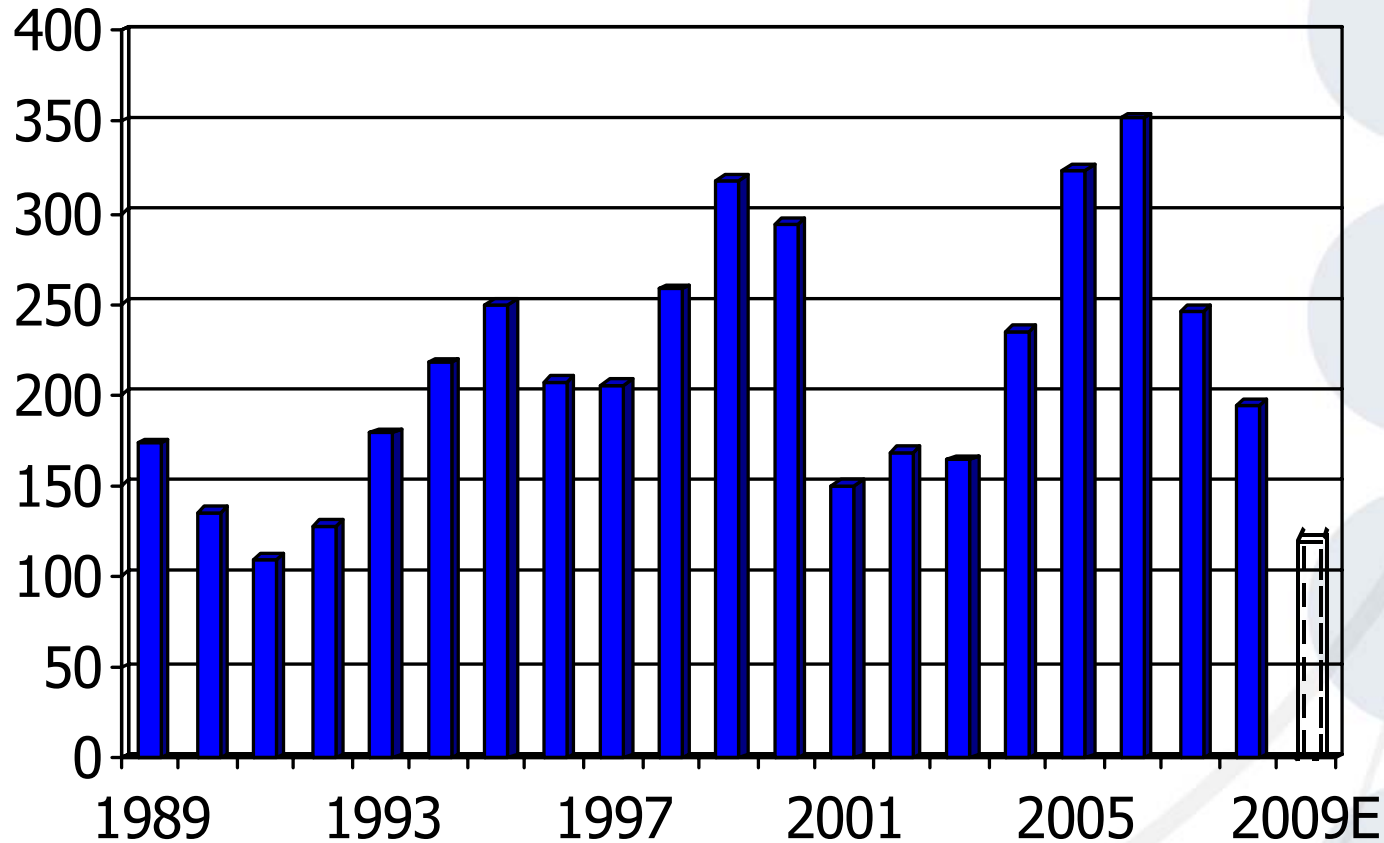
## Class 5-7



- **August 2009 : 10,810**
  - August net orders high due to school bus orders
  - June and July were distorted due to GM exiting the market
- **Fiscal YTD average: 7,120**
  - 54% below FY08 period; seasonally adjusted rate of 84,300

# Historical Class 8 Production North America

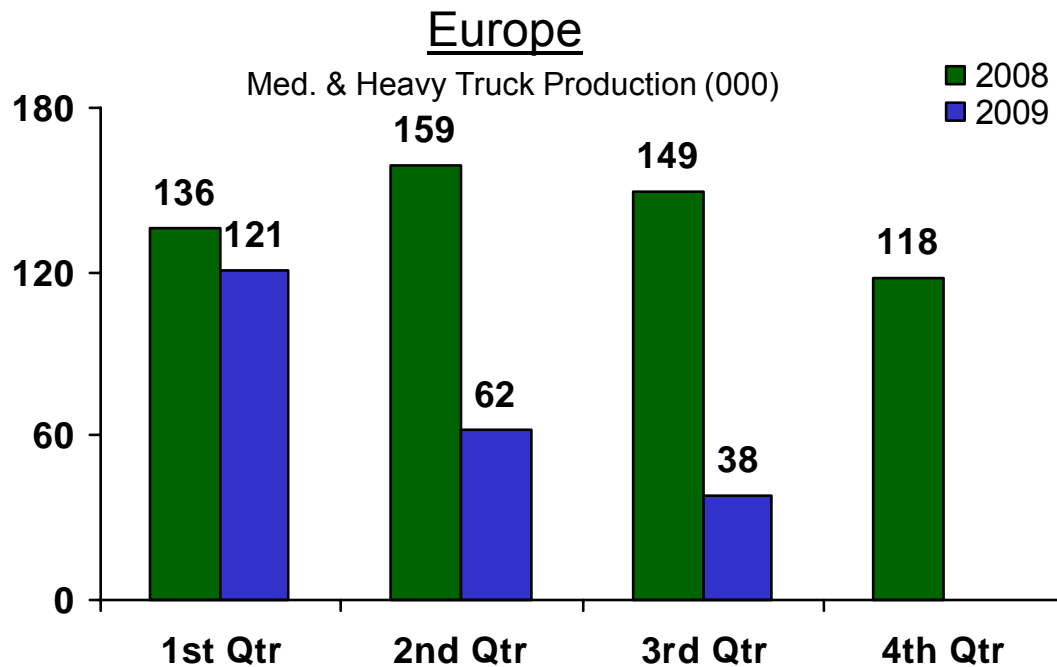
Units (000)



**In bottom of trough and preparing for the upturn**

# Commercial Vehicle Markets - ROW

## Fiscal Quarters



- Q3 production down 74% year-over-year and down 39% from Q2
- More down time in fiscal Q4

### South America

- Q3 production down 36% year-over-year, but up 9% from Q2
- Could see further small increases in upcoming quarters

### Asia Pacific

- Q3 production down 27% year-over-year, but up 33% from Q2
- Same industry trends hold for India and China specifically

# Strategic Priorities

1. **Ensure adequate liquidity while minimizing cost**
  - Clear covenants
  - Benefit from current favorable credit agreement
2. **Continued restructuring and other cost reductions**
  - Resist workforce and cost increases as volume returns
  - Tight controls on discretionary spending
  - Performance Plus Wave II
3. **Continue operational performance improvement**
  - Improve global capacity flexibility
  - Drive inventory turns improvements
  - Manage the upturn
4. **Complete LVS separation**
5. **Continue to grow high-margin product categories**
  - Commercial Vehicle Aftermarket and Specialty
6. **Innovate and strengthen product development and technology**
  - Hybrid commercial vehicles, new axle launch, fuel efficient and high quality products

## Credit Line Covenant Compliance

- Completed identified actions needed to clear covenants at September measurement
  - New, two-year U.S. receivables financing arrangement completed on September 8, 2009
    - Total commitment under the facility is \$125 million after additional lender participation
    - Daily borrowing availability under the New Facility exceeds availability under the facility it replaced
  - Sale of Wheels business unit was completed on September 21, 2009 with receipt of proceeds in September FY 2009
    - Used net proceeds of \$169 million from the sale to reduce outstanding balances on the revolving credit facility
- We believe that we are in compliance with all covenants in our revolving credit facility, including the covenant related to the ratio of senior secured debt to EBITDA, as of the end of Q4 2009

# Light Vehicle Systems

## Chassis

- Chassis divestitures
  - Gabriel de Venezuela
  - Gabriel Ride Control North America
  - JV Mitsubishi Steel (MSSC)
- Remaining Chassis business expected to operate near break-even; modules will run off over two years as vehicle programs end

## Wheels

- Closed sale of Wheels to lochpe-Maxion S.A. on September 21, 2009
- Received \$169 million of net proceeds

## Body

- Working to minimize cash requirements
- Divest as business and market conditions allow

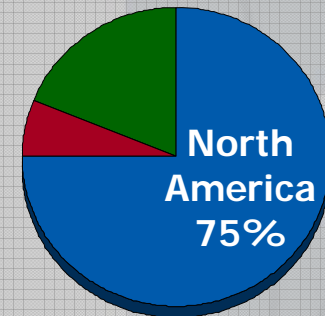


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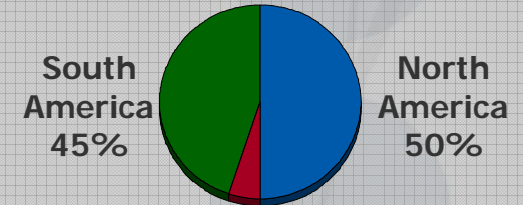
## Q4 Discontinued Operations

Based on 2008 Sales

**LVS Chassis**  
**\$0.5 Billion**



**Wheels**  
**\$0.3 Billion**



# Product Highlights

- Meritor® TACTX™ High Mobility Independent Suspension in production with British TSV program
  - Semi-active damping shocks
  - Meritor® Air Suspension Height Control
  - Lightweight aluminum carrier assemblies
- Expanding ELSA Disc Brake Platform into North America and Asia Pacific markets
  - Best-in-class reliability and performance
- Participating in DOE SuperTruck competition with Meritor® Dual Mode Class 8 Hybrid
- Meritor® MT-14X Tandem Axle
  - Superior design addresses customer needs for reduced weight, improved efficiency and wider ratio coverage



Expected launch at MATS in 2010

## Investment Case

- Strategic repositioning nearing completion
- Aggressively lowered breakeven levels with the goal of being cash flow neutral at current industry size
- Well-positioned to benefit from a rebound in the commercial vehicle industry
  - Current North American industry about 50% below cycle average
- Sustainable competitive position
- Strong growth in most profitable product categories
  - Aftermarket and Specialty

**Franchise value we can sustain and grow**

## Frequently Asked Questions

1. Will you be negatively impacted by the FMTV award to Oshkosh?
2. What is the status of your French Factoring and Swedish Securitization programs?
3. With the fourth quarter covenant issue behind you, are you planning any changes to your capital structure?
4. What exposure do you have to higher steel prices?
5. Do you have any targets on where your profitability could go relative to past cycles?

## FAQ #1: Will you be negatively impacted by the FMTV award to Oshkosh?

- Oshkosh will fundamentally build the same FMTV vehicles as BAE Systems to maintain continuity in the military's vehicle fleet
  - Award currently under protest by BAE Systems and Navistar
- We expect to supply the same components regardless of manufacturer

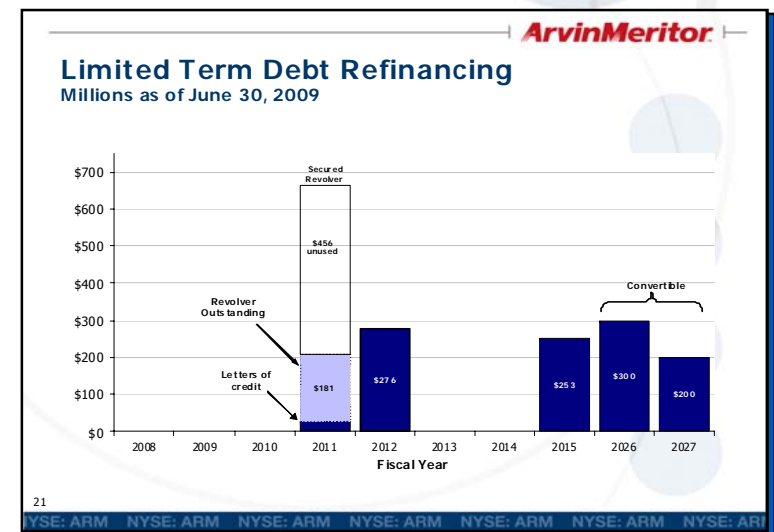


## FAQ #2: What is the status of your French Factoring and Swedish Securitization programs?

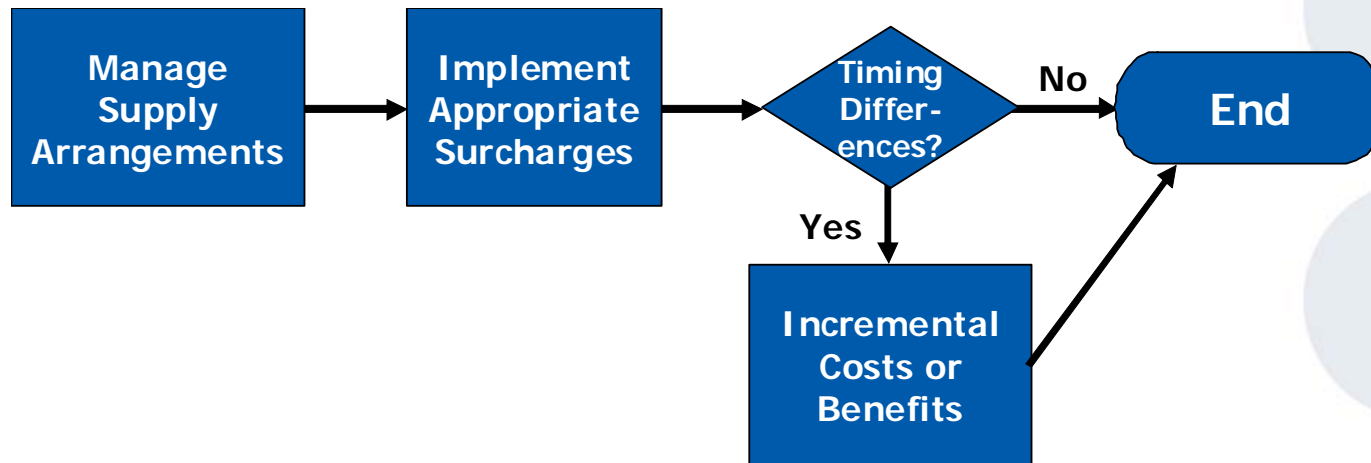
- Both facilities backed by 364-day liquidity commitments from Nordea Bank
  - renewed through mid-October 2009
- We expect renewal of the two facilities based on verbal communication with Nordea

## FAQ #3: With the fourth quarter covenant issue behind you, are you planning any changes to your capital structure?

- We continue to look at available options to address the balance sheet, including
  - Renewing the 2011 revolver
  - Addressing the 2012 unsecured notes
  - Progressing towards investment grade statistics



## FAQ #4: What exposure do you have to higher steel prices?



- We do not expect to experience any significant impact from increasing steel prices
  - Contractually recover/refund steel price differences from/to our customers
  - Similar to prior periods of rising steel prices
- Surcharges will increase/decrease in parallel with costs
- Commodity movements not viewed as cost or profit making opportunity

## FAQ #5: Do you have any targets on where your profitability could go relative to past cycles? <sup>(1)</sup>

- We have a long-term Return on Equity target in the mid teens or higher
- Therefore, we have a long-term EBITDA margin target of 10% average through the cycle
- We believe becoming exclusively a commercial vehicle and industrial company allows us to achieve that more rapidly

(1) Based on management's current long-term planning assumptions. Please see slide 2, "Forward-Looking Statements".



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