

**MERITOR, INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
(In millions, except per share amounts)

	<b>Year Ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Sales . . . . .	\$ 3,505	\$ 3,766	\$ 3,672
Cost of sales. . . . .	<u>(3,043)</u>	<u>(3,279)</u>	<u>(3,277)</u>
GROSS MARGIN . . . . .	462	487	395
Selling, general and administrative. . . . .	(243)	(258)	(253)
Pension settlement losses. . . . .	(59)	—	(109)
Restructuring costs. . . . .	(16)	(10)	(23)
Goodwill impairment. . . . .	(15)	—	—
Other operating expense, net. . . . .	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
OPERATING INCOME . . . . .	128	217	7
Other income, net. . . . .	5	—	3
Gain on sale of equity investment . . . . .	—	—	125
Equity in earnings of other ZF Meritor . . . . .	—	190	—
Equity in earnings of affiliates . . . . .	39	38	42
Interest expense, net. . . . .	<u>(105)</u>	<u>(130)</u>	<u>(126)</u>
INCOME BEFORE INCOME TAXES. . . . .	67	315	51
Provision for income taxes. . . . .	<u>(1)</u>	<u>(31)</u>	<u>(64)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS . . . . .	66	284	(13)
LOSS FROM DISCONTINUED OPERATIONS, net of tax . . . . .	<u>(1)</u>	<u>(30)</u>	<u>(7)</u>
NET INCOME (LOSS) . . . . .	65	254	(20)
Less: Net income attributable to noncontrolling interests. . . . .	<u>(1)</u>	<u>(5)</u>	<u>(2)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC. . . . .	<u>\$ 64</u>	<u>\$ 249</u>	<u>\$ (22)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.			
Net income (loss) from continuing operations . . . . .	\$ 65	\$ 279	\$ (15)
Loss from discontinued operations. . . . .	<u>(1)</u>	<u>(30)</u>	<u>(7)</u>
Net income (loss) . . . . .	<u>\$ 64</u>	<u>\$ 249</u>	<u>\$ (22)</u>
BASIC EARNINGS (LOSS) PER SHARE			
Continuing operations . . . . .	\$ 0.67	\$ 2.86	\$ (0.15)
Discontinued operations . . . . .	<u>(0.01)</u>	<u>(0.31)</u>	<u>(0.07)</u>
Basic earnings (loss) per share . . . . .	<u>\$ 0.66</u>	<u>\$ 2.55</u>	<u>\$ (0.22)</u>
DILUTED EARNINGS (LOSS) PER SHARE			
Continuing operations . . . . .	\$ 0.65	\$ 2.81	\$ (0.15)
Discontinued operations . . . . .	<u>(0.01)</u>	<u>(0.30)</u>	<u>(0.07)</u>
Diluted earnings (loss) per share . . . . .	<u>\$ 0.64</u>	<u>\$ 2.51</u>	<u>\$ (0.22)</u>
Basic average common shares outstanding . . . . .	<u>96.9</u>	<u>97.5</u>	<u>97.1</u>
Diluted average common shares outstanding . . . . .	<u>100.1</u>	<u>99.2</u>	<u>97.1</u>

*See Notes to Consolidated Financial Statements. In fiscal year 2014, amounts for fiscal year 2013 were recast for discontinued operations.*

**MERITOR, INC.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(In millions)

	<b>Year Ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net income (loss) . . . . .	\$ 65	\$ 254	\$ (20)
Other comprehensive income (loss):			
Foreign currency translation adjustments . . . . .	(97)	(20)	(32)
Pension and other postretirement benefit related adjustments (net of tax of \$5, \$2 and \$12 at September 30, 2015, 2014 and 2013, respectively) . . . . .	84	3	218
Unrealized gain (loss) on investment and foreign exchange contracts . . . . .	(6)	2	(5)
Total comprehensive income . . . . .	46	239	161
Less: Comprehensive income (loss) attributable to noncontrolling interest . . . . .	1	(5)	(2)
Comprehensive income attributable to Meritor, Inc. . . . .	<u>\$ 47</u>	<u>\$ 234</u>	<u>\$ 159</u>

*See Notes to Consolidated Financial Statements.*

**MERITOR, INC.**  
**CONSOLIDATED BALANCE SHEET**  
(In millions)

	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents . . . . .	\$ 193	\$ 247
Receivables, trade and other, net . . . . .	461	610
Inventories . . . . .	338	379
Other current assets . . . . .	50	56
TOTAL CURRENT ASSETS . . . . .	1,042	1,292
NET PROPERTY . . . . .	419	424
GOODWILL . . . . .	402	431
OTHER ASSETS (1) . . . . .	332	338
TOTAL ASSETS . . . . .	\$2,195	\$2,485
<b>LIABILITIES AND EQUITY (DEFICIT)</b>		
CURRENT LIABILITIES:		
Short-term debt . . . . .	\$ 15	\$ 7
Accounts and notes payable . . . . .	574	680
Other current liabilities . . . . .	279	351
TOTAL CURRENT LIABILITIES . . . . .	868	1,038
LONG-TERM DEBT (1) . . . . .	1,036	948
RETIREMENT BENEFITS . . . . .	632	775
OTHER LIABILITIES . . . . .	305	309
TOTAL LIABILITIES . . . . .	2,841	3,070
COMMITMENTS AND CONTINGENCIES (NOTE 23)		
EQUITY (DEFICIT):		
Common stock (September 30, 2015 and 2014, 98.8 and 97.8 shares issued and 94.6 and 97.8 shares outstanding, respectively) . . . . .	99	97
Additional paid-in capital . . . . .	865	918
Accumulated deficit . . . . .	(814)	(878)
Treasury stock, at cost (September 30, 2015 and 2014, 4.2 and 0.0 shares, respectively) . . . . .	(55)	—
Accumulated other comprehensive loss . . . . .	(766)	(749)
Total deficit attributable to Meritor, Inc. . . . .	(671)	(612)
Noncontrolling interests . . . . .	25	27
TOTAL DEFICIT . . . . .	(646)	(585)
TOTAL LIABILITIES AND DEFICIT . . . . .	\$2,195	\$2,485

(1) Prior year amounts have been recast to reflect the early adoption of ASU 2015-03, Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.

*See Notes to Consolidated Financial Statements.*

**MERITOR, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In millions)

	<b>Year Ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
OPERATING ACTIVITIES			
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES (see Note 26) . . . . .	\$ 97	\$ 215	\$ (96)
INVESTING ACTIVITIES			
Capital expenditures . . . . .	(79)	(77)	(54)
Proceeds from sale of equity investment . . . . .	—	—	182
Proceeds from sale of property . . . . .	4	—	—
Cash paid for acquisition of Morganton . . . . .	(16)	—	—
Other investing activities . . . . .	—	—	3
Net investing cash flows provided by (used for) continuing operations . . . . .	(91)	(77)	131
Net investing cash flows provided by discontinued operations . . . . .	4	7	6
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES . . . . .	(87)	(70)	137
FINANCING ACTIVITIES			
Proceeds from debt issuances . . . . .	225	225	500
Repayment of notes and term loan . . . . .	(199)	(439)	(475)
Repurchase of common stock . . . . .	(55)	—	—
Other financing activities . . . . .	(9)	12	11
Net change in debt . . . . .	(38)	(202)	36
Debt issuance costs . . . . .	(4)	(10)	(12)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES . . . . .	(42)	(212)	24
EFFECT OF CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS . . . . .	(22)	(4)	(4)
CHANGE IN CASH AND CASH EQUIVALENTS . . . . .	(54)	(71)	61
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR . . . . .	247	318	257
CASH AND CASH EQUIVALENTS AT END OF YEAR . . . . .	<u>\$ 193</u>	<u>\$ 247</u>	<u>\$ 318</u>

*See Notes to Consolidated Financial Statements. In fiscal year 2014, amounts for fiscal year 2013 were recast for discontinued operations.*

**MERITOR, INC.**  
**CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)**  
(In millions)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total Deficit Attributable to Meritor, Inc.	Non- controlling Interests	Total
<i>Beginning balance at September 30, 2014 . . .</i>	\$97	\$918	\$ (878)	\$—	\$(749)	\$ (612)	\$27	\$(585)
Comprehensive income (loss) . . . . .	—	—	64	—	(17)	47	(1)	46
Vesting of restricted stock . . . . .	2	(2)	—	—	—	—	—	—
Repurchase of convertible notes . . . . .	—	(62)	—	—	—	(62)	—	(62)
Equity based compensation expense . . . . .	—	10	—	—	—	10	—	10
Repurchase of common stock . . . . .	—	—	—	(55)	—	(55)	—	(55)
Non-controlling interest dividends . . . . .	—	—	—	—	—	—	(1)	(1)
Other . . . . .	—	1	—	—	—	1	—	1
<i>Ending balance at September 30, 2015 . . . . .</i>	<u>\$99</u>	<u>\$865</u>	<u>\$ (814)</u>	<u>\$(55)</u>	<u>\$(766)</u>	<u>\$ (671)</u>	<u>\$25</u>	<u>\$(646)</u>
<i>Beginning balance at September 30, 2013 . . .</i>	\$97	\$914	\$(1,127)	\$—	\$(734)	\$ (850)	\$28	\$(822)
Comprehensive income (loss) . . . . .	—	—	249	—	(15)	234	5	239
Repurchase of convertible notes . . . . .	—	(4)	—	—	—	(4)	—	(4)
Equity based compensation expense . . . . .	—	8	—	—	—	8	—	8
Non-controlling interest dividends . . . . .	—	—	—	—	—	—	(6)	(6)
<i>Ending balance at September 30, 2014 . . . . .</i>	<u>\$97</u>	<u>\$918</u>	<u>\$ (878)</u>	<u>\$—</u>	<u>\$(749)</u>	<u>\$ (612)</u>	<u>\$27</u>	<u>\$(585)</u>
<i>Beginning balance at September 30, 2012 . . .</i>	\$96	\$901	\$(1,105)	\$—	\$(915)	\$(1,023)	\$41	\$(982)
Comprehensive income (loss) . . . . .	—	—	(22)	—	181	159	2	161
Vesting of restricted stock . . . . .	1	(1)	—	—	—	—	—	—
Repurchase of convertible notes . . . . .	—	(2)	—	—	—	(2)	—	(2)
Issuance of convertible notes . . . . .	—	9	—	—	—	9	—	9
Equity based compensation expense . . . . .	—	5	—	—	—	5	—	5
Non-controlling interest dividends . . . . .	—	—	—	—	—	—	(15)	(15)
Other . . . . .	—	2	—	—	—	2	—	2
<i>Ending balance at September 30, 2013 . . . . .</i>	<u>\$97</u>	<u>\$914</u>	<u>\$(1,127)</u>	<u>\$—</u>	<u>\$(734)</u>	<u>\$ (850)</u>	<u>\$28</u>	<u>\$(822)</u>

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