

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

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
<b>Sales</b>	\$ 728	\$ 853	\$ 3,199	\$ 3,505
<b>Cost of sales</b>	(644)	(745)	(2,763)	(3,043)
<b>GROSS MARGIN</b>	84	108	436	462
Selling, general and administrative	(38)	(56)	(213)	(243)
Pension settlement losses	—	(59)	—	(59)
Restructuring costs	(7)	(1)	(16)	(16)
Goodwill impairment	—	(15)	—	(15)
Other operating expense, net	—	(3)	(3)	(1)
<b>OPERATING INCOME (LOSS)</b>	39	(26)	204	128
Other income (expense), net	—	2	(1)	5
Equity in earnings of affiliates	10	11	36	39
Interest expense, net	(21)	(27)	(84)	(105)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	28	(40)	155	67
Benefit (provision) for income taxes	424	18	402	(1)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	452	(22)	557	66
<b>LOSS FROM DISCONTINUED OPERATIONS, net of tax</b>	—	—	(4)	(1)
<b>NET INCOME (LOSS)</b>	452	(22)	553	65
Less: Net (income) loss attributable to noncontrolling interests	—	1	(2)	(1)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.</b>	\$ 452	\$ (21)	\$ 551	\$ 64
<b>NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.</b>				
Net income (loss) from continuing operations	\$ 452	\$ (21)	\$ 555	\$ 65
Loss from discontinued operations	—	—	(4)	(1)
Net income (loss)	\$ 452	\$ (21)	\$ 551	\$ 64
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>				
Continuing operations	\$ 5.10	\$ (0.22)	\$ 6.03	\$ 0.65
Discontinued operations	—	—	(0.04)	(0.01)
Diluted earnings (loss) per share	\$ 5.10	\$ (0.22)	\$ 5.99	\$ 0.64
<b>Diluted average common shares outstanding</b>	88.7	95.1	92.0	100.1

**MERITOR, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(Unaudited, in millions)

	September 30, 2016	September 30, 2015
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 160	\$ 193
Receivables, trade and other, net	396	461
Inventories	316	338
Other current assets	32	50
<b>TOTAL CURRENT ASSETS</b>	<b>904</b>	<b>1,042</b>
Net property	439	419
Goodwill	390	402
Other assets	738	332
<b>TOTAL ASSETS</b>	<b>\$ 2,471</b>	<b>\$ 2,195</b>
<b>LIABILITIES AND EQUITY (DEFICIT):</b>		
Short-term debt	\$ 14	\$ 15
Accounts and notes payable	475	574
Other current liabilities	268	279
<b>TOTAL CURRENT LIABILITIES</b>	<b>757</b>	<b>868</b>
Long-term debt	982	1,036
Retirement benefits	703	632
Other liabilities	238	305
Total deficit attributable to Meritor, Inc.	(234)	(671)
Noncontrolling interests	25	25
<b>TOTAL DEFICIT</b>	<b>(209)</b>	<b>(646)</b>
<b>TOTAL LIABILITIES AND DEFICIT</b>	<b>\$ 2,471</b>	<b>\$ 2,195</b>

**MERITOR, INC.**  
**ADJUSTED EBITDA-RECONCILIATION**  
**Non-GAAP**  
**AND**  
**CONSOLIDATED BUSINESS SEGMENT INFORMATION**  
**(Unaudited)**  
**(in millions, except per share amounts)**

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to Meritor, Inc.	\$ 452	\$ (21)	\$ 551	\$ 64
Loss from Discontinued Operations, net of tax, attributable to Meritor, Inc.	—	—	4	1
Income (loss) from Continuing Operations, net of tax, attributable to Meritor, Inc.	452	(21)	555	65
Interest expense, net	21	27	84	105
Provision (benefit) for income taxes	(424)	(18)	(402)	1
Depreciation and amortization	19	16	67	65
Noncontrolling interests	—	(1)	2	1
Loss on sale of receivables	(1)	1	5	5
Restructuring costs	7	1	16	16
Pension settlement losses	—	59	—	59
Goodwill and asset impairment	—	17	—	17
<b>Adjusted EBITDA</b>	<b>\$ 74</b>	<b>\$ 81</b>	<b>\$ 327</b>	<b>\$ 334</b>
<b>Sales:</b>				
Commercial Truck & Industrial	\$ 541	\$ 650	\$ 2,445	\$ 2,739
Aftermarket & Trailer	212	231	860	884
Intersegment Sales	(25)	(28)	(106)	(118)
<b>Total sales</b>	<b>\$ 728</b>	<b>\$ 853</b>	<b>\$ 3,199</b>	<b>\$ 3,505</b>
<b>Segment EBITDA:</b>				
Commercial Truck & Industrial	\$ 39	\$ 45	\$ 208	\$ 216
Aftermarket & Trailer	29	37	115	123
<b>Segment EBITDA</b>	<b>68</b>	<b>82</b>	<b>323</b>	<b>339</b>
Unallocated legacy and corporate costs, net	6	(1)	4	(5)
<b>Adjusted EBITDA</b>	<b>74</b>	<b>81</b>	<b>327</b>	<b>334</b>
<b>Adjusted EBITDA Margin <sup>(1)</sup></b>	<b>10.2%</b>	<b>9.5%</b>	<b>10.2%</b>	<b>9.5%</b>

<sup>(1)</sup> Adjusted EBITDA Margin equals Adjusted EBITDA divided by consolidated sales from continuing operations.

MERITOR, INC.  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited, in millions)

	Twelve Months Ended September 30,	
	2016	2015
<b>OPERATING ACTIVITIES</b>		
Income from continuing operations	\$ 557	\$ 66
Adjustments to income from continuing operations to arrive at cash provided by (used for) operating activities:		
Depreciation and amortization	67	65
Deferred income tax benefit	(382)	(24)
Restructuring costs	16	16
Loss on debt extinguishment	—	25
Gain on sale of property	(2)	(3)
Equity in earnings of affiliates	(36)	(39)
Goodwill and asset impairment	—	17
Pension and retiree medical expense	20	82
Other adjustments to income from continuing operations	11	12
Dividends received from equity method investments	37	32
Pension and retiree medical contributions	(42)	(141)
Restructuring payments	(11)	(16)
Changes in off-balance sheet accounts receivable factoring	(31)	39
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, foreign currency adjustments and discontinued operations	5	(24)
Operating cash flows provided by continuing operations	209	107
Operating cash flows used for discontinued operations	(5)	(10)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>204</b>	<b>97</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(93)	(79)
Proceeds from sale of property	4	4
Cash paid for acquisition of Morganton	—	(16)
Other investing activities	(1)	—
Net investing cash flows provided by discontinued operations	4	4
<b>CASH USED FOR INVESTING ACTIVITIES</b>	<b>(86)</b>	<b>(87)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of notes and term loan	(55)	(199)
Proceeds from debt issuance	—	225
Debt issuance costs	—	(4)
Other financing activities	(16)	(9)
Net change in debt	(71)	13
Repurchase of common stock	(81)	(55)
<b>CASH USED FOR FINANCING ACTIVITIES</b>	<b>(152)</b>	<b>(42)</b>
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	1	(22)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(33)</b>	<b>(54)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	193	247
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 160</b>	<b>\$ 193</b>

MERITOR, INC.  
**ADJUSTED INCOME AND EARNINGS PER SHARE — RECONCILIATION**  
Non-GAAP  
(Unaudited)  
(in millions, except per share amounts)

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015 <sup>(1)</sup>	2016	2015 <sup>(1)</sup>
Income (loss) from continuing operations attributable to Meritor, Inc.	\$ 452	\$ (21)	\$ 555	\$ 65
<b>Adjustments:</b>				
Pension settlement losses	—	59	—	59
Loss on debt extinguishment	—	5	—	24
Restructuring costs	7	1	16	16
Goodwill and asset impairment	—	17	—	17
Tax valuation allowance reversal, net and other <sup>(2)</sup>	(432)	(16)	(432)	(16)
Non-cash tax expense <sup>(3)</sup>	3	1	13	4
Income tax benefits	—	(8)	(1)	(10)
Adjusted income from continuing operations attributable to Meritor, Inc.	\$ 30	\$ 38	\$ 151	\$ 159
Diluted earnings (loss) per share from continuing operations	\$ 5.10	\$ (0.22)	\$ 6.03	\$ 0.65
Impact of adjustments on diluted earnings per share	(4.76)	0.62	(4.39)	0.94
Adjusted diluted earnings per share from continuing operations	\$ 0.34	\$ 0.40	\$ 1.64	\$ 1.59
Diluted average common shares outstanding	88.7	95.1	92.0	100.1

<sup>(1)</sup> The three and twelve months ended September 30, 2015 have been recast to reflect non-cash tax expense.

<sup>(2)</sup> Includes non-cash income tax benefit (expense) of \$405 million related to the partial reversal of the U.S. valuation allowance, (\$9) million related to the establishment of a valuation allowance in Brazil and \$36 million related to other correlated tax relief.

<sup>(3)</sup> Represents tax expense related to the use of deferred tax assets in jurisdictions with net operating loss carry forwards.

**MERITOR, INC.**  
**FREE CASH FLOW — RECONCILIATION**  
**Non-GAAP**  
**(Unaudited, in millions)**

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
Cash provided by (used for) operating activities	\$ 60	\$ (25)	\$ 204	\$ 97
Capital expenditures	(27)	(34)	(93)	(79)
Free cash flow	\$ 33	\$ (59)	\$ 111	\$ 18

MERITOR, INC.  
OUTLOOK FOR FISCAL YEAR 2017— RECONCILIATIONS  
Non-GAAP  
(Unaudited)  
(in millions, except per share amounts)

	Fiscal Year 2017 Outlook <sup>(1)</sup>
Net income attributable to Meritor, Inc.	\$80-85
Loss from Discontinued Operations, net of tax, attributable to Meritor, Inc.	—
Income from Continuing Operations, net of tax, attributable to Meritor, Inc.	\$80-85
Interest expense, net	~80
Provision for income taxes	50-60
Depreciation and amortization	65-70
Restructuring	~5
Other (noncontrolling interests, loss on sale of receivables, etc.)	~10
<b>Adjusted EBITDA</b>	<b>\$290-310</b>
Sales	\$3,000-3,100
Adjusted EBITDA Margin <sup>(2)</sup>	9.6%-10.0%
Diluted earnings per share from continuing operations	\$0.90-0.95
Adjustments:	
Restructuring costs	~\$0.05
Non-cash tax expense <sup>(3)</sup>	0.30-0.40
Adjusted diluted earnings per share from continuing operations	\$1.25-1.40
Diluted average common shares outstanding	~89
Cash provided by operating activities	\$140-\$160
Capital expenditures	~(\$90)
Free cash flow	\$50-\$70

<sup>(1)</sup> Amounts are approximate.

<sup>(2)</sup> Adjusted EBITDA Margin equals Adjusted EBITDA divided by consolidated sales from continuing operations.

<sup>(3)</sup> Represents tax expense related to the use of deferred tax assets in jurisdictions with net operating loss carry forwards.

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