



Jay Craig Named CEO and President; Outlines Priorities for Meritor

Jay Craig told employees that M2016 will continue to be the company's direction for the next 18 months.

"Based on our results, M2016 is working," the new CEO and president said. "The direction remains unchanged."

Craig said Meritor's strong organizational focus, combined with operational execution, is helping overcome headwinds such as volatile global markets, currency fluctuations and U.S. military budget cuts.

Craig said Meritor is planning for the future and will focus on several priorities:

- **Revenue growth.** The leadership is refining strategies for core product lines, introducing new products, strengthening customer alignment and increasing the presence of Meritor products in emerging markets.
- **Expanded margins.** Growth and increased profitability is dependent upon continued



Jay Craig (left), appointed CEO and president in April, visits the Fletcher, North Carolina, United States plant. He wants to build Meritor into one of the world's premiere industrial companies.


improvement in operational excellence and designing products to enhance margin.

- **Building capabilities.** Continued development of employees, growing the leadership bench strength and creating a world-class safety environment are key to aligning the organization and

culture around future growth targets.

"Meritor has reached stability, and now we have to shift to growth," Craig said. "Employees can expect to hear more about the strategy for the three years after M2016 toward the end of this fiscal year."

Twenty key product launches are planned during the next two years.

"I want Meritor to be one of the world's great industrial companies," Craig said. "Getting to that level is driving our planning." 

"I want Meritor be one of the world's great industrial companies."

JAY CRAIG
CEO AND PRESIDENT



NOEL PERRY
FOUNDER,
TRANSPORTATION
ECONOMICS

New Technologies will Change the Industry

Editor's note: Noel Perry is a transportation economist and frequent speaker for FTR Transportation Intelligence. Excerpts from a recent speech are reprinted with permission of Commercial Carrier Journal.

Some short- and long-term challenges facing our industry in the United States include a continuing capacity crisis resulting from a truck driver shortage, the economy and government regulations.

Enforcement of the electronic logging device mandate, which is expected to start in late 2017, will create a long-term driver shortage of 80,000 and structural change in the way drivers are compensated and managed. Still, the North America trucking economy has recovered nicely since 2010. We expect 3.2 percent growth through 2016, but a global debt crisis carries a major risk of drawing the United States into recession within five years.

However, I'm the guy in the industry who quantifies the intangibles, and we're about to be saved sometime in the next 10 years by radical advances in technology.

Trailer tracking and management systems, powertrain integration, new connectivity tools and navigation and advanced safety systems were on the table at the recent 2015 ALK Transportation Technology Summit. Total savings from increased productivity, fuel efficiency, safety and driver costs of new technology advancements will be more than \$1 per mile. 

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Hub Reduction Axle Platform Launches in India

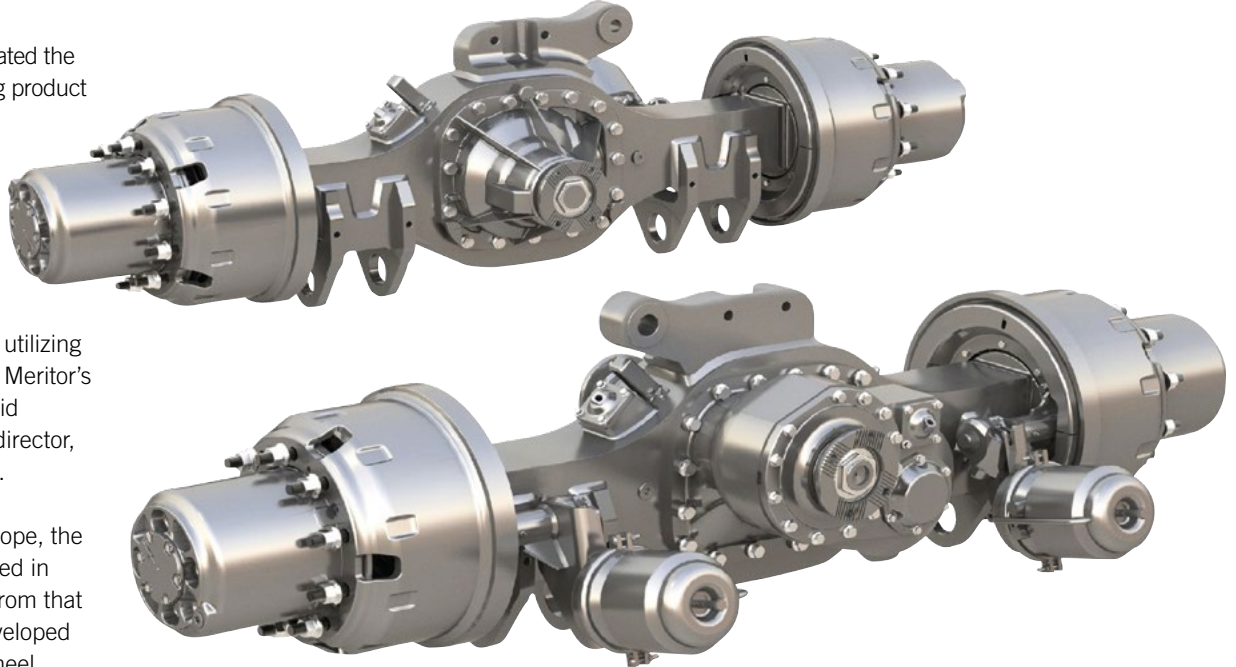
Meritor India has demonstrated the value of applying an existing product platform to local needs by adapting the hub reduction axle to military, specialty and commercial applications.

“A completely new product was conceived by utilizing many existing pieces from Meritor’s library of components,” said Kamaljeeth Nandkeolyar, director, Defense & Specialty, India.

Originally designed for Europe, the hub reduction axle launched in North America last year. From that platform, Meritor India developed two variants — a single-wheel version for military and specialty applications and a twin-wheel version for commercial vehicles. Each version requires different internal components.

In adapting the axles for use on a local 8x8 military vehicle, Meritor India’s challenge was to replace an existing axle with the hub reduction axle. To do this, the facility had to reduce component weight considerably to improve vehicle efficiency. Engineering teams in Troy, Michigan, United States and Lyon, France worked with Meritor India to optimize weight. They developed new housings to produce an axle with a higher rating and at competitive prices, Nandkeolyar said.

“Military vehicles are tactical and strategic for any country, so their reliability and high performance in severe terrain and extreme environments is essential,” Nandkeolyar said. “India’s version of the hub reduction axle for the



The hub reduction axle series, which is available in tandem and tridem configurations, launches in India this month. It was introduced in March 2014 in North America for heavy-haul, oil field, logging and mining applications. It is also available in South America and China.

customer’s vehicle supports each of those requirements completely.”

And because performance requirements were high, Meritor had to maintain a very high level of communication with the customer.

“The development of parts was completed in a short time, and prototypes were delivered to the customer to give them a feel of the product and confidence in our ability to develop the axle locally,” Nandkeolyar said.

In addition to military applications, India’s hub reduction axle is available in domestic and export versions for airport tarmac coaches, truck-mounted cranes and other construction vehicles as well as mining and waste-haulage trucks.

For the domestic market, the hub reduction axle is attractive because it is economical, manufactured

“The hub reduction axle truly is a global product, and our team in India has modified it successfully to suit regional customer and market needs.”

JOHN BENNETT

GENERAL MANAGER, GLOBAL PRODUCT STRATEGY

locally and sold in India rupees rather than a foreign currency, Nandkeolyar said.

Indian customers also benefit from a short supply chain and quick development of product variants. Technological solutions for CTIS have been a hallmark of this product, he added. It is manufactured in 4x4, 6x6, 8x8 and 10x10 versions in Mysore.

Customers in Europe and Japan are also expressing interest in India’s version of the hub reduction axle, Nandkeolyar said.

“The hub reduction axle truly is a global product, and our team in India has modified it successfully to suit regional customer and market needs,” said John Bennett, general manager, Global Product Strategy. “Their work supports our strategy of applying global product platforms locally.”

This year, the axle earned U.S.-based Heavy Duty Trucking magazine’s 2015 Top 20 Product Award. In India, the 8x8 military axle received Commercial Vehicle Component of the Year in the Apollo CV Awards.



JLTV Contract Decision Due in Late Summer

Three manufacturers have submitted proposals for the Joint Light Tactical Vehicle (JLTV) to the Department of Defense. The sole-source contract will be awarded in late summer 2015 for a base quantity of 16,900 vehicles during nine years of production.

Three OEMs — Lockheed Martin, Oshkosh Truck and the incumbent HMMWV manufacturer AM General — are competing for the JLTV contract award. Meritor has partnered with Lockheed Martin to supply the ProTec™ Series 30 high-mobility independent suspension, transfer case, drivelines and SmartFlow™ Central Tire Inflation System.

The Defense Department received proposals from the three manufacturers in early February, and a source selection board composed of uniformed and civilian Defense

Department officials will be evaluating them over the next several months. The selection process is completely confidential with virtually no possibility of advance word on selection of a contractor, according to David Damian, director, Sales and Business Development, Defense.

“The source selection board is completely sequestered and is in total lockdown at a remote location,” he said. “You might hear a lot of rumors as we get closer to August, but we won’t have official notification until the government announces the award.”


Damian said military requests for proposal (RFPs) can be thousands of pages long in printed volumes several inches thick. Meritor’s portion of the Lockheed Martin RFP contained 3,000 lines of information on performance and durability, parts quality, technical data and pricing.



Meritor parts on Lockheed Martin’s JLTV proposal are key to delivering performance over rugged terrain and keeping military personnel safe.

Meritor began working closely with Lockheed Martin to craft a response to the RFP almost a year ago. Meritor’s ProTec suspension, which can raise the vehicle height during off-road operation to keep its armored hull away from improvised explosive devices and improve ground clearance, is critical to the Lockheed Martin JLTV’s

performance, Damian added. The SmartFlow central tire inflation system will deliver superior mobility to soldiers and Marines operating in challenging terrains.

“Our systems deliver a significant portion of the performance requirements on Lockheed Martin’s JLTV,” Damian said. 

Cameri and Lindesberg Retool for 17X EVO Launch in Europe

Plants in Cameri, Italy and Lindesberg, Sweden are retooling for the launch of the 17X EVO, a new carrier that will deliver greater value to customers.

Cameri is upgrading its assembly line with a \$1.4 million investment to accommodate differences between the 17X and the new 17X EVO. Because the offset between the pinion and gear is different, the plant must upgrade the line to accommodate the 17X EVO’s dimensions.

“Today, the line is used mainly for the 17X, but with the upgrade, we’ll be able to assemble additional products,” said Domenico Martucci, program manager. “We can use the same line to build the 17X EVO and

a bigger carrier, the 18X.”

Most of the work has already been completed while the line continues to assemble 17X axles. Final work will be completed during the summer shutdown in August.


The new carrier will be assembled on lines in Cameri and Lindesberg. Gear sets for 17X EVO axles manufactured in Sweden are now built in Cameri and shipped to Lindesberg for final assembly. A \$375,000 upgrade of the gear set line in Lindesberg will allow the plant to provide full domestic production of gear sets for the 17X EVO, which will streamline production efficiencies to more quickly meet local market needs.



Supervisors Patricia Jansson (left) and Bengt Eriksson work with new equipment in Lindesberg that produces the 17X EVO.

The more efficient 17X EVO can carry heavier payloads — up to 50 tons in some applications — and offers substantial reductions in fuel consumption. Testing in Cameri has validated its performance with 0.5 percent increase in efficiency and reduced power loss, Martucci said.

The 17X EVO has faster ratios to accommodate market trends for linehaul vehicles with smaller tires, low chassis and fuel-efficient drivelines.

Customer demand for greater fuel efficiency is helping to drive the need for the new axle. 



Remanufacturing Would Benefit from U.S. Legislation

The U.S. Congress is considering legislation that would encourage the use of remanufactured parts on government fleets to reduce costs and deliver environmental benefits.

For Meritor, the bipartisan legislation would expand opportunities to sell remanufactured brakes, differential carriers and other parts to government agencies. Specific applications include the U.S. Postal Service's long-haul tractor/trailer carriers.

"A lot of parts on government vehicles are similar to commercial products, so we're well-placed to expand our remanufactured offerings into the government space," said Tim Bauer, director, Remanufacturing. "As taxpayers, we'll help the government spend money more wisely."

With remanufacturing, customers return existing parts, called cores, to manufacturers for disassembly,

cleaning, component inspection and reassembly. The advanced recycling or reuse of these components contributes to environmental sustainability because it prevents the waste of highly formed materials. The process also reduces energy use and greenhouse gas emissions. In North America, Meritor remanufactures parts in Plainfield, Indiana.

"When Meritor remanufactures parts, we go through the same processes used for OEM first-fit products — these are high-quality parts," Bauer said. "From a quality standpoint, lifetime and longevity are comparable to new OEM products."

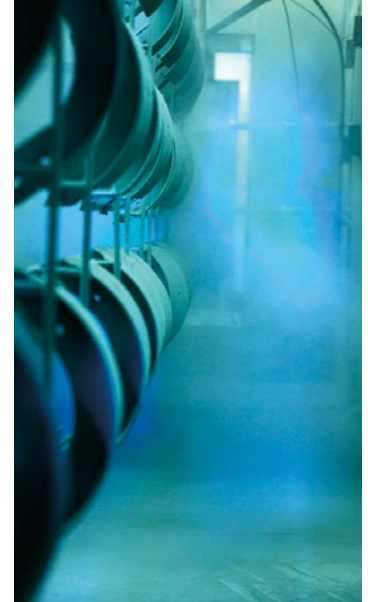
The legislation is rooted in Michigan, said John Chalifoux, president and chief operating officer, Motor & Equipment Remanufacturers Association. In 2011, Gov. Rick Snyder signed a budget bill that prioritizes remanufactured parts for the maintenance and repair of

state-owned vehicles.

"Meritor played a major role in helping that legislation become law in Michigan," Chalifoux said. "On the national level, bills have been sponsored by Democrats and Republicans in the Senate and House of Representatives. It's common-sense legislation, and both parties are coming together on something that's good for our country."

If the legislation is signed into law, Meritor is uniquely positioned to capture the government market for remanufactured parts. While Meritor faces heavy aftermarket competition on the component side, few other companies have the same level of industry relationships and expertise for the remanufacture of brakes and other products, Bauer said.

"Historically, we haven't sold remanufactured aftermarket parts to



Remanufactured brake shoes are prepared for PlatinumShield brake coating in Plainfield, Indiana, United States.

the government, but we have the distribution channels to get our value proposition to the right government decision-makers," he added.

Meritor Wants Fleets to 'Think Miles Ahead'

Meritor's "Think Miles Ahead" campaign seeks to preserve the company's leadership by highlighting the advantages of its products, service and support.

As more manufacturers build components in-house, the campaign targets the top 70 fleets in North America with an overarching campaign explaining why they should specify Meritor products when ordering trucks from OEMs.

"We're saying to fleets that our solutions save money not only today but in the future," said Ryan Obert, senior manager, Product Marketing. "We want them to

understand that our lighter-weight products are longer-lasting and more fuel-efficient and come with a wide service network, easy parts availability and training opportunities."

"Think Miles Ahead" is a multimedia campaign designed for industry events and includes promotional materials for fleet and dealer customers.

Advertisements have been placed in major industry publications, including Heavy Duty Trucking and Fleet Equipment magazines, which together reach almost 364,000 people in their print editions and online.

The company also produced a video for social media channels and the recent Mid-America Trucking Show.

The campaign includes a weekly

eblast campaign, branded giveaways and plant tours for large fleet customers.

The campaign will continue throughout the year.

THINK LIFECYCLE COST SAVINGS.

THINK MILES AHEAD.

WE CALL IT YOUR RELIABILITY. LAST MILE. LAST MILE. LAST MILE.

WE'RE REMINDING YOU ALL THE WAY.

STOP WITH THE LEADER.



Driving Excellence in Manufacturing

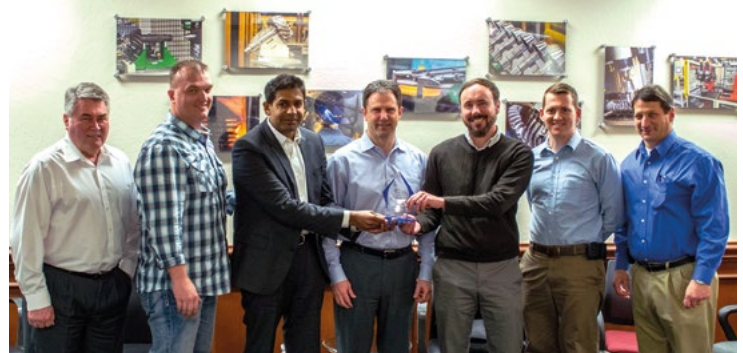
Several North America manufacturing facilities earned awards recently for operational excellence. Site awards were selected based on FY14 results for key performance metrics. Team and individual awards were selected based on site nominations and key results criteria. Each award was reviewed and approved by North America Operations leadership, including Wayne Watson, Richard Robinson, Mike Ho and Chip Long.

Fletcher, North Carolina, United States

Plant Award: Best Implementation of Meritor Production System

Fletcher earned the Best Implementation of Meritor Production System award based on:

- Generating 3.6 suggestions per employee, surpassing M2016 suggestion goals
- Saving Meritor \$744,000 by holding 17 process improvement events (PIE) events
- Saving \$640,000 through eight Six Sigma projects
- Forming 21 employee involvement teams, including nine daily operator maintenance teams
- Increasing educational initiatives on manufacturing excellence through leadership lunch-and-learn sessions



Wayne Watson (left), general manager, Operations, Americas; Chris Villavarayan (third from left), president, Americas; and Ken Hogan (center), general manager, Rear Drivetrain, present the Best Implementation of Meritor Production System award to Fletcher, North Carolina, United States employees Brian Williams, Continuous Improvement leader; Luke Barratt, manager, Lean Manufacturing; Ryan Fogarty, leader, Continuous Improvement; and Brian Cavagnini, site manager.



Chris Villavarayan (left), president, Americas, presents the Silver Award, Best Six Sigma Project, to Jim Gant, process engineer, Fletcher, North Carolina, United States.

Individual and Team Awards: Silver Award, Best Six Sigma Project

Jim Gant, process engineer, housings, earned the silver award for his Six Sigma project, “C-Line Eitel Cycle Time Reduction.” His solution resulted in a 20 percent increase in throughput and \$110,000 in annual savings.

Individual and Team Awards: Best Process Improvement Event (PIE)

The team implemented a gearing material flow solution that increased productivity from 76 percent to 82 percent with K-level WIP reduction of 60 percent, resulting in savings of \$133,000 annually. The team accomplished this by converting material flow from a traditional push system to a level-load pull system. Team members were Richard Reece, manufacturing manager; Richard Robinson, project manager, Lean Systems Design; Chris Bartlett, support facilitator; Lee Dalton, materials technician; Angie Wright, project manager; David Wheatcraft, supply chain manager; Alan Dean, lead facilitator; Joe Roberts, facilitator; Mike Atkinson, facilitator; and Brian Stepp, CI implementer.



Wayne Watson (left), general manager, Operations, Americas; Chris Villavarayan (third from left), president, Americas; and Ken Hogan (center), present the Best Process Improvement Event (PIE) award to Fletcher, North Carolina, United States employees Angela Wright, project manager; Richard Reece, manager, Manufacturing; Lee Dalton, materials technician; Chris Bartlett, support facilitator; Joe Roberts, facilitator; and Alan Dean, lead facilitator.



DRIVE OPERATIONAL EXCELLENCE



Best Site for Manufacturing Excellence Award went to the Forest City, North Carolina, United States team.

Forest City, North Carolina, United States

Plant Award: Best Site for Manufacturing Excellence

- Achieved first in labor performance, beating AOP by \$900,000, and in the number of employee suggestions
- Finished second in burden performance, beating AOP by \$200,000
- Attained actual inventory turns of 51.8 against AOP of 40 turns
- Recorded lowest absentee rate of 0.26 percent
- Tied for best safety record, with zero recordable injuries

York, South Carolina, United States

Individual Awards: Bronze Award, Best Six Sigma Project

Lisa Bishop, manager, Materials, York and Chandrea Kowalski, manager, Quality, York, earned the bronze award for their Six Sigma project, “Brake Kitting Error Reduction.” The project identified causes of kitting errors shipped to Manning and implemented controls, resulting in:

- Increased quality by reducing errors by 90 percent through implementation of error-proofing controls
- Saved \$70,000 by reducing need for additional inspections



Two York, South Carolina, United States employees received individual awards from Meritor leaders. Pictured are Scott Walters (left) site manager, York; Chris Villavarayan, president, Americas; Lisa Bishop, manager, Materials, York; Chandrea Kowalski, manager, Quality, York; Ken Hogan, general manager, Rear Drivetrain; and Wayne Watson, general manager, Operations, Americas.



Chip Long, project manager, Lean Systems Design, presents the Best Six Sigma Program award to Lucille Gartman, site manager, Franklin, Kentucky, United States, while employees watch.

Franklin, Kentucky, United States

Plant Award: Best Six Sigma Program

The site trained 54 percent of the staff in Six Sigma methodology, resulting in:

- All green belts completing projects in FY14
- Annual savings of \$274,000 (\$91,000 per project)

Individual Award: Gold Award for Best Six Sigma Project

Jenna Griffith, Environment, Health and Safety coordinator, used Six Sigma methodology to complete the project, “771 Drum Conversion to 544 Drum,” resulting in:

- Conversion of 771 unusable model brake drums to 544 saleable aftermarket drums
- \$173,000 annual savings



Chip Long, project manager, Lean Systems Design, presents the Best Six Sigma Project – Gold Award to Jenna Griffith (center), coordinator, Environment, Health and Safety, Franklin, and to Lucille Gartman, site manager.



Meritor Helps Bring Truck Racing Back to United States

The excitement of big-rig racing returned to the United States in April when Nashville-based Mack technician Mike Morgan won the first Meritor ChampTruck World Series® at New Jersey Motorsports Park.

It was the first of 10 races at iconic racetracks across the United States, many of which host major NASCAR and IndyCar events. Meritor is the executive title sponsor in 2015.



Fans enjoyed big-rig racing and met with drivers at the first Meritor ChampTruck World Series® at New Jersey Motorsports Park in April. Meritor's DriveForce team showcased Meritor and Meritor WABCO products.

Meritor ChampTruck World Series is the brainchild of John Condren, who has been involved in motorsports for more than 40 years as a driver, design engineer, team owner and track owner. He owns and operates three racing series internationally.

Truck racing is popular in Europe and other parts of the world, including South America and Australia. Truck racing has become the second-most popular motorsport in Europe, surpassed only by Formula One. Each year, truck races draw up to 150,000 spectators to various events, including the famous Nürburgring motorsports facility near Cologne, Germany, according to Condren.

“Yes, it’s really that popular. It’s exciting, it’s different, it’s something that hasn’t happened

in the United States for more than 20 years, and we want to share truck racing with the American racing fan,” Condren said.

Condren has worked with racing industry partners Fabien Calvet, Disa Gilbride and Mike Ryan for more than three years to define, develop and build the ChampTruck World Series. They agreed from the start to invite Meritor to be executive title sponsor, based largely on the company’s sponsorship of European truck racing programs.

“Meritor is an extremely strong name in the industry — anyone involved in the trucking business understands Meritor’s product line,” Condren said. “Our affiliation with Meritor will add recognition for

our series and reinforce branding at all the races.”

Any truck older than 5 years can race in the Meritor ChampTruck World Series. For the 2015 season, that means 2010 models or older, Condren said. Drivers compete in 35-minute sprint or heat races, each averaging 18 to 20 laps on various length road course tracks with between eight to 20 turns. In each six-heat race, drivers earn and accumulate points for the championship event in October at Las Vegas Motor Speedway.

No major truck racing events have been held in the United States since 1993 because operators had to pay up to \$1 million per season for equipment and promotions, according to Condren. A fully

prepared truck can be purchased for less than \$60,000, he said. Operators who already have a truck and can do the work themselves can race a competitive truck for less than \$20,000.

Meritor is offering customers hospitality, training and product information at each event. Ninety customers and their families attended the first event.

“Our company will be visible to thousands of spectators and customers who attend ChampTruck World Series events at tracks around the country,” said Krista Sohm, vice president, Marketing & Communications. “As the executive title sponsor, we’ll have interactions with top customers in a venue no competitor can provide.”

Portal Supports Employee Development

Meritor’s [Employee Development Portal](#) on Imagine contains training information and other resources to further employees’ skills and career goals.

The site contains training course descriptions and dates, links and contact information designed to assist employees with their learning needs.

Employees can also use the site to learn about performance management, mentoring programs and internal job openings. The site also has competency self-assessment tools.

The portal supports the M2016 pillar of Investing in a High Performing Team by encouraging continuous learning and skills development to grow and sustain Meritor’s business.



Profile: Marco Ariza, Regional Manager, HR, Monterrey

You and your son, Marco Jr., recently earned degrees from Mexico Valley University. How did this happen?

Thirty years ago, I earned a bachelor's degree in business administration. I always wanted to take on the challenge of continuing my studies and earning an MBA, but never made the time. When my son said he was going to begin college, I decided the moment was also right for me. So, both of us enrolled. We graduated together in December 2014.

Did you study together?

Yes, both at home and in the car. We would drive to and from the university together — he would drive and I would study and share information. It was very beneficial for both of us. We were even in all classes together.

What was that like?

For me, studying is always a positive challenge, but to be in the same classroom with my son with the same instructor and the same presentations — wow, it was perfect. During discussions, the instructor would call out and say “Marco,” but then have to say “Marco Jr.” or “Marco Sr.” It was very funny.

Tell us about your son and his area of study.

Marco Jr. is 23 years old. He earned an international bachelor's degree in business administration and culinary arts. He's very entrepreneurial — he and three other guys have developed a company that offers restaurant management services. Marco wants to become a successful businessman and leave a positive mark for generations to come.



Marco Ariza (left), regional manager, Human Resources, Monterrey, Mexico, and his son, Marco Ariza Jr., both graduated from Mexico Valley University, often attending the same classes.

Will an MBA help you in your job?

Yes. I wanted to gain a better understanding of all business areas. The curriculum was global in nature, covering marketing, finance, leadership and related areas. Now, I have a better vision of the business and am more integrated across different functions.

How did you come to work for Meritor?

I started at Meritor more than seven years ago after several years as HR manager for another company. When I came to Meritor, the company was new to Monterrey. We were only two people and had to develop all the processes and support systems. It

was up to us to staff and build the operation.

What do you like about working in HR?

Really, the relationships with people. I enjoy speaking with employees and resolving issues. Connecting with people every day is really good therapy.

You work full time. What motivated you to further your education?

It's really for my family. I want to set a positive example for them. I'm 55 years old, and have come away from the experience feeling very positive about my family's future and how I can contribute to

the company's success.

What's next for you?

I'm working on a second degree — a master's on direction of talent. It's a fantastic program with current information on HR issues. I'll graduate in August.

What do you do when you're not working or studying?

I read books. “Hundred Years of Solitude” by Gabriel Garcia Marquez is one of my favorites. It's about the magical world of a Colombian family set in the last century. 🦋