

TENNECO INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2017	2016	2015
	(Millions Except Share and Per Share Amounts)		
Revenues			
Net sales and operating revenues	\$ 9,274	\$ 8,599	\$ 8,181
Costs and expenses			
Cost of sales (exclusive of depreciation and amortization shown below)	7,812	7,123	6,828
Goodwill impairment charge	11	—	—
Engineering, research, and development	158	154	146
Selling, general, and administrative	648	589	491
Depreciation and amortization of other intangibles	224	212	203
	8,853	8,078	7,668
Other income (expense)			
Loss on sale of receivables	(5)	(5)	(4)
Other income (expense)	1	—	(1)
	(4)	(5)	(5)
Earnings before interest expense, income taxes, and noncontrolling interests	417	516	508
Interest expense	73	92	67
Earnings before income taxes and noncontrolling interests	344	424	441
Income tax expense	70	—	146
Net income	274	424	295
Less: Net income attributable to noncontrolling interests	67	68	54
Net income attributable to Tenneco Inc.	\$ 207	\$ 356	\$ 241
Earnings per share			
Weighted average shares of common stock outstanding —			
Basic	52,796,184	55,939,135	59,678,309
Diluted	53,026,911	56,407,436	60,193,150
Basic earnings per share of common stock	\$ 3.93	\$ 6.36	\$ 4.05
Diluted earnings per share of common stock	\$ 3.91	\$ 6.31	\$ 4.01
Cash dividends declared	\$ 1.00	\$ —	\$ —

The accompanying notes to consolidated financial statements are an integral part of these statements of income.

TENNECO INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
	(Millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 315	\$ 347
Restricted cash	3	2
Receivables —		
Customer notes and accounts, net	1,294	1,272
Other	27	22
Inventories	869	730
Prepayments and other	291	229
Total current assets	2,799	2,602
Other assets:		
Long-term receivables, net	9	9
Goodwill	49	57
Intangibles, net	22	19
Deferred income taxes	204	199
Other	144	103
	428	387
Plant, property, and equipment, at cost	4,008	3,548
Less — Accumulated depreciation and amortization	(2,393)	(2,191)
	1,615	1,357
Total Assets	\$ 4,842	\$ 4,346
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (including current maturities of long-term debt)	\$ 83	\$ 90
Accounts payable	1,705	1,501
Accrued taxes	45	39
Accrued interest	14	15
Accrued liabilities	287	285
Other	132	43
Total current liabilities	2,266	1,973
Long-term debt	1,358	1,294
Deferred income taxes	11	7
Pension and postretirement benefits	268	273
Deferred credits and other liabilities	155	139
Commitments and contingencies		
Total liabilities	4,058	3,686
Redeemable noncontrolling interests	42	40
Tenneco Inc. Shareholders' equity:		
Common stock	1	1
Premium on common stock and other capital surplus	3,112	3,098
Accumulated other comprehensive loss	(541)	(665)
Retained earnings (accumulated deficit)	(946)	(1,100)
	1,626	1,334
Less — Shares held as treasury stock, at cost	930	761
Total Tenneco Inc. shareholders' equity	696	573
Noncontrolling interests	46	47
Total equity	742	620

TENNECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
	(Millions)		
Operating Activities			
Net income	\$ 274	\$ 424	\$ 295
Adjustments to reconcile net income to cash provided by operating activities —			
Goodwill impairment charge	11	—	—
Depreciation and amortization of other intangibles	224	212	203
Deferred income taxes	(10)	(80)	(2)
Stock-based compensation	14	14	15
Loss on sale of assets	5	4	4
Changes in components of working capital —			
(Increase) decrease in receivables	31	(215)	(90)
(Increase) decrease in inventories	(96)	(57)	(36)
(Increase) decrease in prepayments and other current assets	(39)	(8)	37
Increase (decrease) in payables	129	114	90
Increase (decrease) in accrued taxes	4	2	(1)
Increase (decrease) in accrued interest	(2)	12	1
Increase (decrease) in other current liabilities	68	26	(10)
Change in long-term assets	(22)	6	3
Change in long-term liabilities	34	33	8
Other	4	(3)	11
Net cash provided by operating activities	629	484	528
Investing Activities			
Proceeds from sale of assets	8	6	4
Proceeds from sale of equity interest	9	—	—
Cash payments for plant, property, and equipment	(394)	(325)	(286)
Cash payments for software related intangible assets	(25)	(20)	(23)
Change in restricted cash	(1)	(1)	2
Other	(10)	—	—
Net cash used by investing activities	(413)	(340)	(303)
Financing Activities			
Cash dividends	(53)	—	—
Retirement of long-term debt	(19)	(531)	(37)
Issuance of long-term debt	137	509	1
Debt issuance costs of long-term debt	(8)	(9)	(1)
Purchase of common stock under the share repurchase program	(169)	(225)	(213)
Issuance (repurchase) of common stock	(1)	13	1
Increase (decrease) in bank overdrafts	(7)	10	(22)
Net increase (decrease) in revolver borrowings and short-term debt excluding current maturities of long-term debt and short-term borrowings secured by accounts receivable	(67)	202	102
Net increase in short-term borrowings secured by accounts receivable	—	—	30
Distribution to noncontrolling interest partners	(64)	(55)	(44)
Net cash used by financing activities	(251)	(86)	(183)
Effect of foreign exchange rate changes on cash and cash equivalents	3	2	(37)
Increase in cash and cash equivalents	(32)	60	5
Cash and cash equivalents, January 1	347	287	282
Cash and cash equivalents, December 31 (Note)	\$ 315	\$ 347	\$ 287
Supplemental Cash Flow Information			
Cash paid during the year for interest	\$ 78	\$ 76	\$ 68
Cash paid during the year for income taxes (net of refunds)	95	113	105