

TENNECO INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31		
	2018	2017	2016
	(Millions Except Share and Per Share Amounts)		
Revenues			
Net sales and operating revenues	\$ 11,763	\$ 9,274	\$ 8,597
Costs and expenses			
Cost of sales (exclusive of depreciation and amortization)	10,071	7,812	7,126
Selling, general, and administrative	794	638	514
Depreciation and amortization	345	226	213
Engineering, research, and development	204	158	153
Goodwill impairment charge	3	11	—
	11,417	8,845	8,006
Other expense (income)			
Loss on sale of receivables	16	5	5
Non-service pension and postretirement benefit costs	20	16	84
Loss on extinguishment of debt	10	1	24
Equity in (earnings) losses of nonconsolidated affiliates, net of tax	(18)	1	—
Other expense (income), net	12	(2)	(1)
	40	21	112
Earnings before interest expense, income taxes, and noncontrolling interests	306	408	479
Interest expense	132	72	68
Earnings before income taxes and noncontrolling interests	174	336	411
Income tax expense (benefit)	63	71	(4)
Net income	111	265	415
Less: Net income attributable to noncontrolling interests	56	67	68
Net income attributable to Tenneco Inc.	\$ 55	\$ 198	\$ 347
Earnings per share			
Weighted average shares of common stock outstanding —			
Basic	58,625,087	52,796,184	55,939,135
Diluted	58,758,732	53,026,911	56,407,436
Basic earnings per share of common stock	\$ 0.93	\$ 3.75	\$ 6.20
Diluted earnings per share of common stock	\$ 0.93	\$ 3.73	\$ 6.15

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

TENNECO INC.
CONSOLIDATED BALANCE SHEETS

	December 31	
	2018	2017
	(Millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 697	\$ 315
Restricted cash	5	3
Receivables:		
Customer notes and accounts, net	2,487	1,294
Other	85	27
Inventories	2,245	820
Prepayments and other current assets	590	288
Total current assets	6,109	2,747
Property, plant and equipment, net	3,501	1,691
Long-term receivables, net	10	9
Goodwill	869	49
Intangibles, net	1,519	22
Investments in nonconsolidated affiliates	544	2
Deferred income taxes	467	213
Other assets	213	63
Total assets	\$ 13,232	\$ 4,796
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt, including current maturities of long-term debt	\$ 153	\$ 103
Accounts payable	2,759	1,582
Accrued compensation and employee benefits	343	141
Accrued income taxes	64	27
Accrued expenses and other current liabilities	1,001	424
Total current liabilities	4,320	2,277
Long-term debt	5,340	1,358
Deferred income taxes	88	11
Pension and postretirement benefits	1,167	268
Deferred credits and other liabilities	263	158
Commitments and contingencies		
Total liabilities	11,178	4,072
Redeemable noncontrolling interests	138	42
Tenneco Inc. shareholders' equity:		
Preferred stock—\$0.01 par value; none issued	—	—
Class A voting common stock—\$0.01 par value; shares issued: (2018—71,675,379; 2017—66,033,509)	1	1
Class B non-voting convertible common stock—\$0.01 par value; 2018—23,793,669 shares issued	—	—
Additional paid-in capital	4,360	3,112
Accumulated other comprehensive loss	(692)	(538)
Accumulated deficit	(1,013)	(1,009)
	2,656	1,566
Shares held as treasury stock—at cost: 2018 and 2017—14,592,888 shares	(930)	(930)
Total Tenneco Inc. shareholders' equity	1,726	636
Noncontrolling interests	190	46
Total equity	1,916	682
Total liabilities, redeemable noncontrolling interests and equity	\$ 13,232	\$ 4,796

TENNECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2018	2017	2016
	(Millions)		
Operating Activities			
Net income	\$ 111	\$ 265	\$ 415
Adjustments to reconcile net income to cash provided by operating activities:			
Goodwill impairment charge	3	11	—
Depreciation and amortization	345	226	213
Deferred income taxes	(65)	(8)	(84)
Stock-based compensation	14	14	14
Restructuring charges and asset impairments, net of cash paid	49	8	(13)
Change in pension and postretirement benefit plans	(8)	(15)	47
Equity in earnings of nonconsolidated affiliates	(18)	1	—
Cash dividends received from nonconsolidated affiliates	2	—	—
Loss on sale of assets	16	5	4
Changes in operating assets and liabilities:			
Receivables	(190)	(81)	(325)
Inventories	27	(94)	(55)
Payables and accrued expenses	291	136	140
Accrued interest and income taxes	(19)	1	13
Other assets and liabilities	(119)	48	5
Net cash provided by operating activities	439	517	374
Investing Activities			
Federal-Mogul acquisition, net of cash acquired	(2,194)	—	—
Proceeds from sale of assets	9	8	6
Proceeds from sale of equity interest	—	9	—
Cash payments for plant, property, and equipment	(507)	(419)	(345)
Proceeds from deferred purchase price of factored receivables	174	112	110
Other	4	(10)	—
Net cash used by investing activities	(2,514)	(300)	(229)
Financing Activities			
Proceeds from term loans and notes	3,426	160	529
Repayments of term loans and notes	(453)	(36)	(545)
Borrowings on revolving lines of credit	5,149	6,664	5,417
Payments on revolving lines of credit	(5,405)	(6,737)	(5,221)
Issuance (repurchase) of common shares	(1)	(1)	13
Cash dividends	(59)	(53)	—
Debt issuance cost of long-term debt	(95)	(8)	(9)
Purchase of common stock under the share repurchase program	—	(169)	(225)
Net increase (decrease) in bank overdrafts	(5)	(7)	10
Other	(30)	—	—
Distributions to noncontrolling interest partners	(51)	(64)	(55)
Net cash provided (used) by financing activities	2,476	(251)	(86)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(17)	3	2
Increase (decrease) in cash, cash equivalents and restricted cash	384	(31)	61
Cash, cash equivalents and restricted cash, January 1	318	349	288
Cash, cash equivalents and restricted cash, December 31	\$ 702	\$ 318	\$ 349
Supplemental Cash Flow Information			
Cash paid during the year for interest	\$ 143	\$ 78	\$ 76