

**TENNECO INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Year Ended December 31,		
	2012	2011	2010
	(Millions Except Share and Per Share Amounts)		
<b>Revenues</b>			
Net sales and operating revenues	\$ 7,363	\$ 7,205	\$ 5,937
<b>Costs and expenses</b>			
Cost of sales (exclusive of depreciation and amortization shown below)	6,170	6,037	4,900
Goodwill impairment charge	—	11	—
Engineering, research, and development	126	133	117
Selling, general, and administrative	427	428	417
Depreciation and amortization of other intangibles	205	207	216
	<u>6,928</u>	<u>6,816</u>	<u>5,650</u>
<b>Other income (expense)</b>			
Loss on sale of receivables	(4)	(5)	(3)
Other expense	(3)	(5)	(3)
	<u>(7)</u>	<u>(10)</u>	<u>(6)</u>
<b>Earnings before interest expense, income taxes, and noncontrolling interests</b>	428	379	281
Interest expense (net of interest capitalized of \$4 million each for 2012, 2011 and 2010, respectively)	105	108	149
<b>Earnings before income taxes and noncontrolling interests</b>	323	271	132
Income tax expense	19	88	69
Net income	304	183	63
Less: Net income attributable to noncontrolling interests	29	26	24
<b>Net income attributable to Tenneco Inc.</b>	<u>\$ 275</u>	<u>\$ 157</u>	<u>\$ 39</u>
<b>Earnings per share</b>			
Weighted average shares of common stock outstanding —			
Basic	59,985,677	59,884,139	59,208,103
Diluted	61,083,510	61,520,160	60,998,694
Basic earnings per share of common stock	\$ 4.58	\$ 2.62	\$ 0.65
Diluted earnings per share of common stock	\$ 4.50	\$ 2.55	\$ 0.63

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

**TENNECO INC.**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2012	2011
	(Millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 223	\$ 214
Receivables —		
Customer notes and accounts, net	966	936
Other	20	44
Inventories	667	592
Deferred income taxes	72	40
Prepayments and other	176	153
Total current assets	2,124	1,979
Other assets:		
Long-term receivables, net	4	10
Goodwill	72	74
Intangibles, net	35	32
Deferred income taxes	116	92
Other	135	103
	362	311
Plant, property, and equipment, at cost	3,365	3,153
Less — Accumulated depreciation and amortization	(2,243)	(2,106)
	1,122	1,047
Total Assets	\$ 3,608	\$ 3,337
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (including current maturities of long-term debt)	\$ 113	\$ 66
Trade payables	1,186	1,171
Accrued taxes	50	44
Accrued interest	10	13
Accrued liabilities	239	226
Other	51	50
Total current liabilities	1,649	1,570
Long-term debt	1,067	1,158
Deferred income taxes	27	51
Postretirement benefits	407	385
Deferred credits and other liabilities	152	118
Commitments and contingencies		
Total liabilities	3,302	3,282
Redeemable noncontrolling interests	15	12
Tenneco Inc. Shareholders' equity:		
Common stock	1	1
Premium on common stock and other capital surplus	3,031	3,016
Accumulated other comprehensive loss	(408)	(382)
Retained earnings (accumulated deficit)	(2,104)	(2,379)
	520	256
Less — Shares held as treasury stock, at cost	274	256
Total Tenneco Inc. shareholders' equity	246	—
Noncontrolling interests	45	43
Total equity	291	43
Total liabilities, redeemable noncontrolling interests and equity	\$ 3,608	\$ 3,337

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

**TENNECO INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2012	2011	2010
	(Millions)		
<b>Operating Activities</b>			
Net income	\$ 304	\$ 183	\$ 63
Adjustments to reconcile net income to cash provided by operating activities —			
Goodwill impairment charge	—	11	—
Depreciation and amortization of other intangibles	205	207	216
Deferred income taxes	(65)	(5)	4
Stock-based compensation	11	8	9
Loss on sale of assets	4	4	3
Changes in components of working capital —			
Increase in receivables	(9)	(183)	(231)
Increase in inventories	(72)	(64)	(122)
(Increase) decrease in prepayments and other current assets	(21)	(13)	20
Increase in payables	12	144	238
Increase (decrease) in accrued taxes	7	(7)	12
Decrease in accrued interest	(3)	—	(8)
Increase (decrease) in other current liabilities	10	(7)	20
Change in long-term assets	14	1	12
Change in long-term liabilities	(37)	(41)	6
Other	5	7	2
Net cash provided by operating activities	365	245	244
<b>Investing Activities</b>			
Proceeds from sale of assets	3	4	3
Cash payments for plant, property, and equipment	(256)	(213)	(151)
Cash payments for software related intangible assets	(13)	(15)	(12)
Cash payments for net assets purchased	(7)	—	—
Other	—	—	3
Net cash used by investing activities	(273)	(224)	(157)
<b>Financing Activities</b>			
Retirement of long-term debt	(411)	(24)	(864)
Issuance of long-term debt	250	5	880
Debt issuance costs of long-term debt	(13)	(1)	(24)
Purchase of common stock under the share repurchase program	(18)	(16)	—
Issuance of common stock	5	—	—
Increase in bank overdrafts	5	3	2
Net increase (decrease) in revolver borrowings and short-term debt excluding current maturities of long-term debt	67	30	(10)
Net increase in short-term borrowings secured by accounts receivable	50	—	—
Capital contribution from noncontrolling interest partner	5	1	—
Purchase of additional noncontrolling equity interest	—	(4)	—
Distribution to noncontrolling interests partners	(29)	(20)	(14)
Net cash used by financing activities	(89)	(26)	(30)
Effect of foreign exchange rate changes on cash and cash equivalents	6	(14)	9
Increase (decrease) in cash and cash equivalents	9	(19)	66
Cash and cash equivalents, January 1	214	233	167
Cash and cash equivalents, December 31 (Note)	\$ 223	\$ 214	\$ 233
<b>Supplemental Cash Flow Information</b>			
Cash paid during the year for interest	\$ 100	\$ 106	\$ 149
Cash paid during the year for income taxes (net of refunds)	80	85	53
<b>Non-cash Investing and Financing Activities</b>			
Period end balance of trade payables for plant, property, and equipment	\$ 42	\$ 35	\$ 29

Note: Cash and cash equivalents include highly liquid investments with a maturity of three months or less at the date of purchase.

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