

TENNECO AUTOMOTIVE
RECONCILIATION OF GAAP⁽¹⁾ NET INCOME TO EBITDA
Unaudited

Attachment 2

	Q4 2003			
	North America	Europe	Rest of World	Total
Net income (loss) (GAAP Measure)	\$ -	\$ -	\$ -	\$ (2)
Minority interest	-	-	-	1
Income tax expense (benefit)	-	-	-	(5)
Interest expense (net of interest capitalized)	-	-	-	46
EBIT, Income/(loss) before interest expense, income taxes and minority interest (GAAP measure)	22	7	11	40
Depreciation and amortization of other intangibles	23	16	4	43
Total EBITDA ⁽²⁾	\$ 45	\$ 23	\$ 15	\$ 83

	Q4 2002			
	North America	Europe	Rest of World	Total
Net income (loss) (GAAP Measure)	\$ -	\$ -	\$ -	\$ 9
Minority interest	-	-	-	2
Income tax expense (benefit)	-	-	-	(13)
Interest expense (net of interest capitalized)	-	-	-	33
EBIT, Income/(loss) before interest expense, income taxes and minority interest (GAAP measure)	21	3	7	31
Depreciation and amortization	23	13	4	40
Total EBITDA	\$ 44	\$ 16	\$ 11	\$ 71

⁽¹⁾ Generally Accepted Accounting Principles

⁽²⁾ EBITDA represents income before cumulative effect of change in accounting principle, interest expense, income taxes, minority interest and depreciation and amortization. EBITDA is not a calculation based upon generally accepted accounting principles. The amounts included in the EBITDA calculation, however, are derived from amounts included in the historical statements of income data. In addition, EBITDA should not be considered as an alternative to net income or operating income as an indicator of the company's operating performance, or as an alternative to operating cash flows as a measure of liquidity. Tenneco Automotive has presented EBITDA because it regularly reviews EBITDA as a measure of the company's ability to incur and service debt. In addition, Tenneco Automotive believes its debt holders utilize and analyze our EBITDA for similar purposes. Tenneco Automotive also believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon many factors. However, the EBITDA measure presented may not always be comparable to similarly titled measures reported by other companies due to differences in the

TENNECO AUTOMOTIVE
RECONCILIATION OF GAAP⁽¹⁾ TO NON-GAAP EARNINGS MEASURES⁽²⁾
Unaudited

Attachment 2

	Q4 2003				Q4 2002			
	EBITDA ⁽³⁾	EBIT	Net Income	Per Share	EBITDA ⁽³⁾	EBIT	Net Income	Per Share
Earnings Measures before Cumulative Effect of Change in Accounting Principle	\$ 83	\$ 40	\$ (2)	\$ (0.04)	\$ 71	\$ 31	\$ 9	\$ 0.21
Adjustments (reflects non-GAAP measures):								
Restructuring and restructuring related expenses	1	1	1	0.02	(4)	(4)	(5)	(0.12)
Tax settlement adjustments	-	-	(3)	(0.05)	-	-	(11)	(0.26)
Debt issuance cost write off	-	-	6	0.13	-	-	-	-
Non-GAAP earnings measure	<u>\$ 84</u>	<u>\$ 41</u>	<u>\$ 2</u>	<u>\$ 0.06</u>	<u>\$ 67</u>	<u>\$ 27</u>	<u>\$ (7)</u>	<u>\$ (0.17)</u>

	Q4 2003			
	North America	Europe	Rest of World	Total
EBIT	\$ 22	\$ 7	\$ 11	\$ 40
Restructuring and restructuring related expenses	1	-	-	1
Adjusted EBIT	<u>\$ 23</u>	<u>\$ 7</u>	<u>\$ 11</u>	<u>\$ 41</u>

	Q4 2002			
	North America	Europe	Rest of World	Total
EBIT	\$ 21	\$ 3	\$ 7	\$ 31
Restructuring and restructuring related expenses	-	(3)	(1)	(4)
Adjusted EBIT	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 27</u>

	Revenues	Cost of Sales	Gross Margin	Gross Margin %
Gross Margin				
Reported Q4 2002	\$ 846	\$ 677	\$ 169	20.0%
Net benefit of restructuring related expense adjustment	-	2	(2)	
Adjusted Q4 2002	<u>\$ 846</u>	<u>\$ 679</u>	<u>\$ 167</u>	19.7%

⁽¹⁾ Generally Accepted Accounting Principles

⁽²⁾ Tenneco Automotive presents the above reconciliation of GAAP to non-GAAP earnings measures in order to reflect the results for the fourth quarters of 2003 and 2002 in a manner that allows a better understanding of the results of operational activities separate from the financial impact of decisions made for the long-term benefit of the company. Adjustments similar to the ones reflected above have been recorded in earlier periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. Using only the non-GAAP earnings measures to analyze earnings would have material limitations because its calculation is based on the subjective determinations of management regarding the nature and classification of events and circumstances that investors may find material. Management compensates for these limitations by utilizing both GAAP and non-GAAP earnings measures reflected above to understand and analyze the results of the business. The company believes investors find the non-GAAP information helpful in understanding the ongoing performance of operations separate from items that may have a disproportionate positive or negative impact on the company's financial results in any particular period.

⁽³⁾ See Reconciliation of GAAP Net Income to EBITDA on previous page. EBITDA represents income before cumulative effect of change in accounting principle, interest expense, income taxes, minority interest and depreciation and amortization. EBITDA is not a calculation based upon generally accepted accounting principles. The amounts included in the EBITDA calculation, however, are derived from amounts included in the historical statements of income data. In addition, EBITDA should not be considered as an alternative to net income or operating income as an indicator of the company's operating performance, or as an alternative to operating cash flows as a measure of liquidity. Tenneco Automotive has presented EBITDA because it regularly reviews EBITDA as a measure of the company's ability to incur and service debt. In addition, Tenneco Automotive believes its debt holders utilize and analyze our EBITDA for similar purposes. Tenneco Automotive also believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon many factors. However, the EBITDA measure presented may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.