

Company Registration No 2989901

TENNECO MANAGEMENT (EUROPE) LIMITED
ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999
TOGETHER WITH
DIRECTORS' AND AUDITORS' REPORTS



TENNECO MANAGEMENT (EUROPE) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1999

The directors present their annual report on the affairs of Tenneco Management (Europe) Limited ("the Company") together with the accounts and auditors' report for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company provides financing and foreign exchange management facilities for various undertakings within the Tenneco Automotive group. A decision was made by Tenneco Automotive Inc. (formerly Tenneco Inc.), the Company's ultimate parent company, to split the Tenneco Automotive group into its two business operations by floating the packaging business as a separate quoted company. During the period from 14 July 1999 to 30 October 1999, the Company transferred the financing and foreign exchange management facilities relating to the packaging business to an affiliated company.

The term "Tenneco Automotive group undertakings" used through out these accounts refers to Tenneco Automotive Inc. and its subsidiary undertakings. The term "Pactiv group undertakings" used throughout these accounts refers to Pactiv Corporation and its subsidiary undertakings, whilst they were still part of the Tenneco Automotive group.

On 5 October 1999, the Company issued 500 £1 ordinary shares at a premium of £39,999 per share.

The Company's profit on ordinary activities after taxation for the year ended 31 December 1999, amounted to £1,724,000 (1998 - £609,000) which was in line with the directors' expectations.

RESULTS AND DIVIDENDS

Results, dividends paid and recommended transfers to reserves are as follows:

	<u>£'000</u>
Retained profit at 1 January 1999	2,259
Profit on ordinary activities after taxation	<u>1,724</u>
Retained profit at 31 December 1999	<u><u>3,983</u></u>

The directors do not recommend the payment of a dividend (1998 - nil)

DIRECTORS AND THEIR INTERESTS

The directors of the Company who served during the year and subsequently were:

U J Kitchen
D E Zerhusen (USA) (resigned 15 February 2000)
T V Bonneau (Belgium) (appointed 15 February 2000)

No director had, at any time during the period, any beneficial interest in the shares of any group company required to be disclosed under Schedule 7 of the Companies Act 1985.

TENNECO MANAGEMENT (EUROPE) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1999

(continued)

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies act 1985.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

YEAR 2000

The Tenneco Automotive group completed all Year 2000 remediation efforts by 31 December 1999. No material Year 2000 issues were identified at significant vendors, at customers or at any Tenneco Automotive group locations. The Tenneco Automotive group's cost to address the Year 2000 issues was about US\$ 16 million.

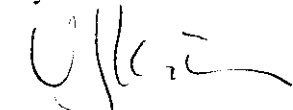
EMPLOYEES

The Company had no employees during the year, or prior year, and relies on Tenneco Automotive group undertakings for the provision of all treasury and accounting services.

AUDITORS

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the board



U J Kitchen
Director

1 Mount Street
Berkeley Square
London W1K 3NA

25 July 2000

Auditors' Report to the shareholders of TENNECO MANAGEMENT (EUROPE) LIMITED

We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 December 1999 and of the Company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2 PS

25 July 2000

TENNECO MANAGEMENT (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>Notes</u>	<u>1999 £'000</u>	<u>1998 £'000</u>
OPERATING PROFIT			
Interest income	2	14,251	11,661
Interest payable and similar charges	3	(12,051)	(10,490)
General and administration expenses		(306)	(329)
Foreign exchange gain		<u>570</u>	<u>65</u>
Profit on ordinary activities before taxation	4	2,464	907
Tax on profit on ordinary activities	5	<u>(740)</u>	<u>(298)</u>
Retained profit for financial year		<u>1,724</u>	<u>609</u>

All the Company's operating profit is derived from continuing operations.

There are no recognised gains or losses in the current year other than the profit retained above and there is no material difference between the profit on ordinary activities before taxation and the retained profit for the year and their respective historical cost equivalents.

A statement of movement on reserves is given in note 8.

The accompanying notes are an integral part
of this profit and loss account


TENNECO MANAGEMENT (EUROPE) LIMITED

BALANCE SHEET

31 DECEMBER 1999

	<u>Notes</u>	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
CURRENT ASSETS			
Due within one year			
– Owed by Tenneco Automotive group undertakings	6	205,428	65,423
– Owed by Pactiv group undertakings	6	13	34,011
– Other debtors	6	852	1,286
Due after one year			
– Owed by Tenneco Automotive group undertakings	6	26,541	24,869
– Owed by Pactiv group undertakings	6	-	44,376
Cash at bank and in hand		<u>16</u>	<u>161</u>
		<u>232,850</u>	<u>170,126</u>
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		2,424	3,433
Owed to Tenneco Automotive group undertakings		194,221	142,631
Owed to Pactiv group undertakings		-	10,657
Other creditors		<u>2,222</u>	<u>1,146</u>
		<u>198,867</u>	<u>157,867</u>
NET CURRENT ASSETS		<u>33,983</u>	<u>12,259</u>
NET ASSETS		<u>33,983</u>	<u>12,259</u>
CAPITAL AND RESERVES			
Called-up share capital	7	1	1
Share premium account	8	29,999	9,999
Profit and loss account	8	<u>3,983</u>	<u>2,259</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS	9	<u>33,983</u>	<u>12,259</u>

The accounts on pages 4 to 11 were approved by Board of Directors on 25 July 2000 and signed on its behalf by:



 U J Kitchen
 Director

The accompanying notes are an integral part of this
balance sheet

NOTES TO ACCOUNTS

31 DECEMBER 1999

1) ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable standards.

In order to present a true and fair view of the state of affairs and results of the Company, because of the special nature of its activities, the directors believe that the following departures from the accounting requirements of the Companies Act 1985 or the statements of standard accounting practice are necessary:

Turnover, cost of sales and gross profit do not have any meaningful equivalents and are therefore not shown in the profit and loss account.

In the opinion of the directors the Company does not operate in more than one business segment and operates in one geographical location.

b) Foreign currency

Foreign currency transactions have been translated into Sterling at the rates of exchange prevailing on the date that each transaction took place. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date have been translated into Sterling using rates of exchange prevailing at that date.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

In the normal course of business the Company enters into various foreign currency purchase and sale contracts to minimise the transaction effect of exchange rate movements on loans to and from Tenneco Automotive group undertakings. Any premium or discount arising from forward foreign currency contracts is amortised over the life of each deal and expensed through the profit and loss account. The amounts outstanding at the balance sheet date are translated into Sterling using rates of exchange prevailing at that date, in line with the Company's general policy for monetary assets and liabilities.

The foreign currency purchase and sale contracts are included in the balance sheet on a value date basis. Any contracts entered into by the Company prior to the year end but with value date post year end and not disclosed in the balance sheet are shown in note 10 to the Financial Statements.

c) Income and expenditure

Income and expenditure are recorded and recognised on an accruals basis.

NOTES TO ACCOUNTS

31 DECEMBER 1999

(continued)

1) ACCOUNTING POLICIES (continued)

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The directors of Walker Limited, the Company's immediate holding company, currently intend that any amounts in respect of UK corporation tax may be reduced, wholly or in part, by the surrender of tax losses between companies within the UK tax group for nil consideration. The UK tax group consists of Walker Limited and all its subsidiary undertakings.

In the opinion of the directors, there are no material timing differences between book and taxable profit and therefore no deferred tax assets or liabilities have been provided in the current year.

2) INTEREST INCOME

Interest income comprises:

	1999 £'000	1998 £'000
Interest on amounts owed by Tenneco Automotive group undertakings	8,814	6,311
Interest on amounts owed by Pactiv group undertakings	5,362	5,330
Interest receivable from banks and other third parties	75	20
	<u>14,251</u>	<u>11,661</u>

Interest on amounts owed by Pactiv group undertakings arose whilst those companies were affiliates of the Company.

3) INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges comprises:

	1999 £'000	1998 £'000
Interest on bank loans and overdrafts repayable within five years	1,612	998
Interest on amounts owed to Tenneco Automotive group undertakings	9,882	6,530
Interest on amounts owed to Pactiv group undertakings	184	692
Premium on foreign exchange contracts	373	2,270
	<u>12,051</u>	<u>10,490</u>

Interest on amounts owed to Pactiv group undertakings arose whilst those companies were affiliates of the Company

NOTES TO ACCOUNTS

31 DECEMBER 1999

(continued)

4) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	1999 £'000	1998 £'000
Auditors' remuneration – audit fees	<u>25</u>	<u>35</u>

Staff costs

The Company has no employees.

Directors' remuneration

The aggregate remuneration paid in respect of directors of the Company was as follows:

	1999 £'000	1998 £'000
Emoluments	<u>48</u>	<u>28</u>

The directors are not employees of the Company, being employees of other companies within the Tenneco Automotive group. The emoluments disclosed relate to the time spent managing the activities of the Company.

5) TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on profit for the year and comprises:

	1999 £'000	1998 £'000
UK Corporation tax at an actual rate of 30% (1998 – 31%)	740	298
Double taxation relief	<u>(510)</u>	<u>(195)</u>
	230	103
Overseas taxation	<u>510</u>	<u>195</u>
	<u>740</u>	<u>298</u>

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO ACCOUNTS

31 DECEMBER 1999

(continued)

6) DEBTORS

	1999 <u>£'000</u>	1998 <u>£'000</u>
Amounts falling due within one year:		
Owed by Tenneco Automotive group undertakings	205,428	65,423
Owed by Pactiv group undertakings	13	34,011
Other debtors	<u>852</u>	<u>1,286</u>
	<u>206,293</u>	<u>100,720</u>
Amounts falling due after more than one year:		
Owed by Tenneco Automotive group undertakings	26,541	24,869
Owed by Pactiv group undertakings	<u>-</u>	<u>44,376</u>
	<u>26,541</u>	<u>99,245</u>
	<u>232,834</u>	<u>169,965</u>

7) CALLED-UP SHARE CAPITAL

	1999 <u>£</u>	1998 <u>£</u>
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called-up and fully paid:		
602 ordinary shares of £1 each	<u>602</u>	<u>102</u>

On 5 October 1999, 500 £1 ordinary shares were issued at a premium of £19,999,500. The proceeds of the share issue were used to repay intercompany debt.

8) STATEMENT OF MOVEMENTS ON RESERVES

	Share Premium <u>£'000</u>	Profit and Loss Account <u>£'000</u>	Total <u>£'000</u>
Balance at 1 January 1999	9,999	2,259	12,258
Premium on issue of new shares	20,000	-	20,000
Profit on ordinary activities after taxation	<u>-</u>	<u>1,724</u>	<u>1,724</u>
Balance at 31 December 1999	<u>29,999</u>	<u>3,983</u>	<u>33,982</u>

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO ACCOUNTS

31 DECEMBER 1999

(continued)

9) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 <u>£'000</u>	1998 <u>£'000</u>
Profit for the year	1,724	609
Issue of shares	20,000	-
Opening shareholders' funds	<u>12,259</u>	<u>11,650</u>
Closing shareholders' funds	<u><u>33,983</u></u>	<u><u>12,259</u></u>

10) FINANCIAL COMMITMENTS

The Company participates in a Pounds Sterling bank account pooling arrangement and as part of this arrangement cross-guarantees the facilities of the other participating companies. The total of the facilities guaranteed by the Company for nil consideration is £10,500,000 (1998 - £14,350,000).

In 1998, the Company had various currency purchase and sale contract commitments entered into prior to year end, with value date post year end for the purpose of hedging foreign currency exposure, which are not disclosed in the balance sheet. There were no contract commitments undisclosed on the balance sheet in 1999.

The value of the commitments last year were:

	1999 <u>£'000</u>	1998 <u>£'000</u>
Contracts to purchase foreign currency	-	17,691
Contracts to sell foreign currency	<u>-</u>	<u>(17,665)</u>
Net exposure	<u><u>-</u></u>	<u><u>26</u></u>

11) RELATED PARTIES

Substantially all of the Company's interest income is earned from the financing of various undertakings within the Tenneco Automotive group and, until the transfer of the financing and foreign exchange facilities, from various undertakings within the Pactiv group.

At the 31 December 1999 the balances owed by Tenneco Automotive group undertakings were £231,982,000 (1998 - £168,679,000) and balances owed to Tenneco Automotive group undertakings were £194,221,000 (1998 - £153,288,000).

Interest income charged to the profit and loss account in the year in respect of balances owed by Tenneco Automotive group undertakings amounted to £8,814,000 (1998 - £6,311,000). Interest expense charged to the profit and loss accounts in the year in respect of balances owed to Tenneco Automotive group undertakings amounted to £9,882,000 (1998 - £6,530,000).

NOTES TO ACCOUNTS

31 DECEMBER 1999

(continued)

11) RELATED PARTIES (continued)

Interest income charged to the profit and loss account in the year in respect of balances owed by Pactiv group undertakings amounted to £5,362,000 (1998 - £5,330,000). Interest expense charged to the profit and loss accounts in the year in respect of balances owed to Pactiv group undertakings amounted to £184,000 (1998 - £692,000).

The Company relies on Tenneco Automotive group undertakings for the provision of all management and accounting services. The management fee paid to group undertakings in 1999 was £110,400 (1998 - £92,620), which has been included in general and administrative expenses.

12) STATEMENT OF CASHFLOW

Under the provisions of FRS 1, as revised, the Company has not presented a cashflow statement because it is a wholly owned subsidiary undertaking of Tenneco Automotive Inc., which produces publicly available consolidated financial statements in which the results of the Company are included.

13) PARENT COMPANIES

The Company is a wholly owned subsidiary undertaking of Walker Limited, a company incorporated in England and Wales. Its ultimate parent company is Tenneco Automotive Inc. (formerly Tenneco Inc.) which is incorporated in the State of Delaware, United States of America.

The largest group in which the results of the Company and its subsidiary undertakings are consolidated is that headed by Tenneco Automotive Inc. The smallest group in which the results of the Company are consolidated is that headed by Walker Limited. The consolidated accounts of both these groups are available to the public and may be obtained from Tenneco Europe Limited, 1 Mount Street, Berkeley Square, London W1K 3NA.