

United Components, Inc.

Condensed Consolidated Balance Sheets (unaudited)

December 31,
(in thousands)

	2005	2004
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 26,182	\$ 11,291
Accounts receivable, net	259,619	238,581
Inventories, net	183,186	188,212
Deferred tax assets	26,295	18,578
Other current assets	<u>22,123</u>	<u>12,188</u>
Total current assets	517,405	468,850
Property, plant and equipment, net	194,600	216,849
Goodwill	166,559	166,559
Other intangible assets, net	87,197	94,229
Deferred financing costs, net	6,177	7,686
Pension and other assets	<u>12,904</u>	<u>12,772</u>
Total assets	<u>\$ 984,842</u>	<u>\$ 966,945</u>
<u>Liabilities and shareholder's equity</u>		
Current liabilities		
Accounts payable	\$ 109,912	\$ 91,505
Short-term borrowings	261	1,267
Current maturities of long-term debt	12	228
Accrued expenses and other current liabilities	<u>96,064</u>	<u>67,808</u>
Total current liabilities	206,249	160,808
Long-term debt, less current maturities	442,274	456,674
Pension and other postretirement liabilities	49,623	53,141
Deferred tax liabilities	4,380	6,430
Other long-term liabilities	<u>1,970</u>	<u>1,972</u>
Total liabilities	<u>704,496</u>	<u>679,025</u>
Shareholder's equity	<u>280,346</u>	<u>287,920</u>
Total liabilities and shareholder's equity	<u>\$ 984,842</u>	<u>\$ 966,945</u>

United Components, Inc.

Condensed Consolidated Income Statements (unaudited)

(in thousands)

	Three Months ended December 31,		Year ended December 31,	
	2005	2004	2005	2004
Net sales	\$ 236,655	\$ 238,336	\$ 1,008,843	\$ 1,026,665
Cost of sales	<u>202,621</u>	<u>195,610</u>	<u>823,914</u>	<u>813,864</u>
Gross profit	34,034	42,726	184,929	212,801
Operating expenses				
Selling and warehousing	17,575	16,902	72,967	72,725
General and administrative	11,519	9,610	47,035	44,010
Amortization of acquired intangible assets	1,116	1,566	5,888	6,834
Asset impairments and other costs (a)	<u>18,771</u>	<u>--</u>	<u>21,530</u>	<u>--</u>
Operating income (loss)	(14,947)	14,648	37,509	89,232
Other income (expense)				
Interest expense, net	(9,622)	(9,360)	(36,467)	(36,047)
Management fee expense	(500)	(500)	(2,000)	(2,000)
Miscellaneous, net	<u>(791)</u>	<u>429</u>	<u>(1,114)</u>	<u>723</u>
(Loss) income before income taxes	(25,860)	5,217	(2,072)	51,908
Income tax expense (benefit)	<u>(8,233)</u>	<u>2,420</u>	<u>2,456</u>	<u>21,079</u>
Net income (loss)	<u>\$ (17,627)</u>	<u>\$ 2,797</u>	<u>\$ (4,528)</u>	<u>\$ 30,829</u>

(a) Includes:

(in millions)

Fourth Quarter

Impairment of a trademark	\$ 8.1
Impairment of software and related charges	5.1
Impairment of property and equipment of a foreign subsidiary	5.5

Second and Third Quarters

Write-down of assets related to the abandonment of a foreign subsidiary	<u>2.8</u>
	<u>\$ 21.5</u>

United Components, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands)

	Year ended December 31,	
	2005	2004
Net cash provided by operating activities	\$ 62,819	\$ 78,365
Cash flows from investing activities:		
Final Acquisition purchase price payment	--	(8,000)
Capital expenditures	(32,186)	(44,815)
Proceeds from sale of property, plant and equipment	<u>369</u>	<u>2,011</u>
Net cash used in investing activities	<u>(31,817)</u>	<u>(50,804)</u>
Cash flows from financing activities:		
Issuances of debt	--	967
Debt repayments	(16,254)	(65,688)
Shareholder's equity contribution	<u>516</u>	<u>1,735</u>
Net cash used in financing activities	<u>(15,738)</u>	<u>(62,986)</u>
Effect of exchange rate changes on cash	<u>(373)</u>	<u>586</u>
Net increase (decrease) in cash and cash equivalents	14,891	(34,839)
Cash and cash equivalents at beginning of year	<u>11,291</u>	<u>46,130</u>
Cash and cash equivalents at end of year	<u>\$ 26,182</u>	<u>\$ 11,291</u>

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are presented because they are believed to be frequently used by parties interested in United Components, Inc. (“UCI”). Management believes that EBITDA and Adjusted EBITDA provide useful information to investors because they facilitate an investor’s comparison of UCI’s operating results to that of companies with different capital structures and with cost basis in assets that have not been revalued and written-up in an allocation of a recent acquisition’s purchase price.

The calculation of Adjusted EBITDA, presented below, reflects the calculation of EBITDA as used in the credit agreement for UCI’s senior credit facilities. This Adjusted EBITDA is used to measure compliance with covenants of that agreement such as interest coverage. (The amounts presented below are for all of UCI. The actual amounts used to measure compliance to the credit agreement covenants may differ in that under certain circumstances the results of certain foreign subsidiaries are excluded.)

EBITDA and Adjusted EBITDA are not measures of financial performance under United States generally accepted accounting principles (“US GAAP”) and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with US GAAP or as an alternative to cash flow from operating activities as a measure of liquidity.

Schedule A

Reconciliation of Net Income to EBITDA and Adjusted EBITDA (dollars in millions)

	2005					2004
	Q1	Q2	Q3	Q4	Full Year	Full Year
Net income (loss)	\$ 2.7	\$ 4.4	\$ 6.0	\$ (17.6)	\$ (4.5)	\$ 30.8
Interest expense, net	8.8	8.8	9.2	9.7	36.5	36.0
Income tax expense (benefit)	1.8	4.8	4.1	(8.2)	2.5	21.1
Depreciation	8.3	8.2	7.9	7.9	32.3	35.3
Amortization of intangibles	<u>1.5</u>	<u>1.6</u>	<u>1.7</u>	<u>1.9</u>	<u>6.7</u>	<u>6.9</u>
<i>EBITDA</i>	23.1	27.8	28.9	(6.3)	73.5	130.1
One-time or unusual items:						
— Product line relocations, facilities upgrades and consolidations, severance, other	0.8	1.4	--	0.4	2.6	1.7
— Asset impairments and other costs (see note to Income Statement)	--	2.2	0.6	18.7	21.5	--
— Warranty reserves	--	--	--	14.0	14.0	--
— Slow moving/obsolete inventory reserve	--	--	--	--	--	2.8
— Sale of inventory that was written-up to market from historical cost per US GAAP acquisition rules	--	--	--	--	--	0.5
Non-cash charges (primarily pension)	0.2	0.1	0.3	0.7	1.3	1.4
Management fee	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>2.0</u>	<u>2.0</u>
<i>Adjusted EBITDA</i>	<u>\$ 24.6</u>	<u>\$ 32.0</u>	<u>\$ 30.3</u>	<u>\$ 28.0</u>	<u>\$ 114.9</u>	<u>\$ 138.5</u>

Schedule B

Reconciliation of Net Income to EBITDA and Adjusted EBITDA for 2004 (dollars in millions)

	2004				
	Q1	Q2	Q3	Q4	Full Year
Net income	\$ 7.5	\$ 10.2	\$ 10.3	\$ 2.8	\$ 30.8
Interest expense, net	9.6	9.0	8.1	9.3	36.0
Income tax expense	5.1	6.8	6.8	2.4	21.1
Depreciation	9.0	8.7	8.9	8.7	35.3
Amortization of intangibles	1.9	1.8	1.6	1.6	6.9
<i>EBITDA</i>	33.1	36.5	35.7	24.8	130.1
One-time or unusual items:					
— Sale of inventory that was written-up to market from historical cost per US GAAP acquisition rules	0.5	--	--	--	0.5
— Slow moving / obsolete inventory reserve	--	--	--	2.8	2.8
— Product line relocations, facilities upgrades and consolidations, patent disputes, other	--	--	--	1.7	1.7
Non-cash charges (primarily pension)	--	0.7	0.3	0.4	1.4
Management fee	0.5	0.5	0.5	0.5	2.0
<i>Adjusted EBITDA</i>	<u>\$ 34.1</u>	<u>\$ 37.7</u>	<u>\$ 36.5</u>	<u>\$ 30.2</u>	<u>\$ 138.5</u>