



## United Components Reports Results of Operations for Third Quarter 2007

### Third Quarter Highlights

- Continued strong operating performance results in year-over-year EBITDA improvement for every quarter in 2007
- China manufacturing footprint expansion on schedule

**EVANSVILLE, IN November 8, 2007** - United Components, Inc. ("UCI"), a leading manufacturer of vehicle replacement parts, today announced results for the third quarter ended September 30, 2007. UCI reported revenue of \$230.7 million for the quarter, compared to \$238.3 million for the year-ago quarter. The company reported revenue increases in the original equipment service channel, and declines in the retail, OEM, traditional and heavy duty channels.

Net income from continuing operations for the quarter was \$8.4 million, including \$1.3 million, net of tax, in special charges, primarily costs related to the integration of our water pump operations and establishing new facilities in China. Excluding these charges, adjusted net income from continuing operations would have been \$9.7 million for the quarter. Adjusted net income for the third quarter of 2006 was \$6.8 million, excluding \$4.7 million in special charges, net of tax.

Earnings before interest, taxes, depreciation and amortization, or EBITDA, for UCI's continuing operations, as adjusted consistent with the company's historical presentations, was \$36.0 million for the third quarter, compared with \$34.0 million for the year-ago quarter. The reconciliation of net income to adjusted EBITDA, a non-GAAP measure of financial performance, is set forth in Schedule A.

"We are pleased to report that our strong operating performance led us to another quarter of solid results," said Bruce Zorich, Chief Executive Officer of UCI. "Even as we experienced revenue declines in several market channels this quarter, we achieved year-over-year improvement in adjusted EBITDA for the third straight quarter. Our strong operations were highlighted by continuing cost savings, including those generated by last quarter's completion of the integration of our historical water pump operations with ASC."

"In addition, we made significant progress during the quarter in establishing two new manufacturing facilities in China," continued Zorich. "We're on track to have them in operation by early 2008, continuing the expansion of our global manufacturing operations."

As of September 30, the company's debt stood at \$463.6 million. The company ended the quarter with \$15.4 million in cash.

### Conference Call

UCI will host a conference call to discuss its results and performance on Thursday, November 8, at 2:00 p.m. Eastern Time (ET). Interested parties are invited to listen to the call by telephone. Domestic callers can dial (800) 637-1381. International callers can dial (435) 871-6124.

A replay of the call will be available from November 9, 2007, for a ninety day period, at [www.ucinc.com](http://www.ucinc.com). Click on the UCI 2007 3rd Quarter Results button.

## **About United Components, Inc.**

United Components, Inc. is among North America's largest and most diversified companies servicing the vehicle replacement parts market. We supply a broad range of products to the automotive, trucking, marine, mining, construction, agricultural and industrial vehicle markets. Our customer base includes leading aftermarket companies as well as a diverse group of original equipment manufacturers.

## **Forward Looking Statements**

All statements, other than statements of historical facts, included in this press release and the attached report that address activities, events or developments that UCI expects, believes or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements give UCI's current expectations and projections relating to the financial condition, results of operations, plans, objectives, future performance and business of UCI and its subsidiaries. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They are subject to uncertainties and factors relating to UCI's operations and business environment, all of which are difficult to predict and many of which are beyond UCI's control. UCI cautions investors that these uncertainties and factors, including those discussed in Item 1A of UCI's 2006 Annual Report on Form 10-K and in its other SEC filings, could cause UCI's actual results to differ materially from those stated in the forward-looking statements. UCI cautions that investors should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, UCI undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

## **For More Information, Contact:**

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**United Components, Inc.**

**Condensed Consolidated Income Statements (unaudited) (1)**

*(in thousands)*

	Three Months ended September 30,		Nine Months ended September 30,	
	2007	2006	2007	2006
Net sales	\$ 230,742	\$ 238,298	\$ 729,159	\$ 683,371
Cost of sales (2)	177,185	193,173	566,666	546,321
Gross profit	53,557	45,125	162,493	137,050
Operating (expense) income				
Selling and warehousing	(15,092)	(14,946)	(46,047)	(45,401)
General and administrative	(10,790)	(9,670)	(36,900)	(31,204)
Amortization of acquired intangible assets	(1,694)	(1,875)	(5,303)	(4,804)
Costs of integration of water pump operations and resulting asset impairment losses (3)	(222)	(829)	(696)	(5,429)
Costs of closing facilities and consolidating operations and gain from sale of assets (4)	--	(813)	1,546	(6,275)
Trademark impairment loss (5)	--	--	(3,600)	--
Operating income	25,759	16,992	71,493	43,937
Other (expense) income				
Interest expense, net	(10,175)	(11,804)	(31,038)	(31,743)
Write-off of deferred financing costs (6)	--	--	--	(2,625)
Management fee expense	(500)	(500)	(1,500)	(1,500)
Miscellaneous, net	(917)	147	(1,972)	92
Income before income taxes	14,167	4,835	36,983	8,161
Income tax expense	(5,772)	(2,727)	(14,056)	(4,090)
Net income from continuing operations	8,395	2,108	22,927	4,071
Discontinued operations				
Net income (loss) from discontinued operations, net of tax	--	(46)	--	1,895
Gain (loss) on sale of discontinued operations, net of tax	2,707	--	2,707	(18,272)
	2,707	(46)	2,707	(16,377)
Net income (loss)	\$ 11,102	\$ 2,062	\$ 25,634	\$ (12,306)

- (1) Includes the results of operations of ASC Industries, Inc. ("ASC") beginning on May 25, 2006, the date of the acquisition of ASC by UCI. The operating results of UCI's driveline components and specialty distribution operations, which were sold on June 30, 2006, and UCI's lighting systems operation, which was sold on November 30, 2006, are presented as discontinued operations in the 2006 periods.
- (2) Includes \$5.3 million in the 2006 three month period and \$7.3 million in the 2006 nine month period for the sale of inventory written up to market from historical cost per U.S. GAAP acquisition rules. Also includes \$1.6 million in the 2007 three month period and \$5.1 million in the 2007 nine month period of costs incurred in connection with the integration of UCI's pre-ASC acquisition water pump operations with the operations of ASC.
- (3) Includes certain costs incurred in connection with the integration of UCI's pre-ASC acquisition water pump operations with the operations of ASC.
- (4) 2007 includes the gain from the sale of the land and building of UCI's Mexican filter manufacturing facility, which was closed in 2006. 2006 includes asset write-downs and severance and other costs incurred in connection with the closures of UCI's Canadian fuel pump facility and Mexican filter manufacturing facility.
- (5) Non-cash write-down of a trademark due to a customer's decision to market a significant portion of UCI-supplied products under the customer's own private label brand, instead of UCI's brand. The customer's decision to market using its own private label brand does not affect UCI's sales of the affected products.
- (6) Write-off of unamortized deferred financing costs related to UCI's previously outstanding debt, which was replaced in connection with the establishment of UCI's new credit facility on May 25, 2006.

**United Components, Inc.**

**Condensed Consolidated Balance Sheets (unaudited)**

*(in thousands)*

	September 30, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 15,396	\$ 31,523
Accounts receivable, net	268,102	228,996
Inventories, net	154,222	158,024
Deferred tax assets	27,133	33,920
Other current assets	<u>33,594</u>	<u>29,389</u>
Total current assets	498,447	481,852
Property, plant and equipment, net	167,816	164,621
Goodwill	241,461	239,835
Other intangible assets, net	85,712	95,354
Deferred financing costs, net	4,150	5,310
Pension and other assets	9,757	9,452
Assets held for sale	<u>1,600</u>	<u>6,077</u>
Total assets	<u>\$ 1,008,943</u>	<u>\$ 1,002,501</u>
Liabilities and shareholder's equity		
Current liabilities		
Accounts payable	\$ 99,588	\$ 92,720
Short-term borrowings	9,967	8,657
Current maturities of long-term debt	611	462
Accrued expenses and other current liabilities	<u>103,551</u>	<u>99,039</u>
Total current liabilities	213,717	200,878
Long-term debt, less current maturities	453,035	491,478
Pension and other postretirement liabilities	35,636	40,430
Deferred tax liabilities	19,956	17,350
Due to parent	7,754	--
Minority interest	3,380	3,738
Other long-term liabilities	<u>2,474</u>	<u>3,845</u>
Total liabilities	735,952	757,719
Shareholder's equity	<u>272,991</u>	<u>244,782</u>
Total liabilities and shareholder's equity	<u>\$ 1,008,943</u>	<u>\$ 1,002,501</u>

**United Components, Inc.**

**Condensed Consolidated Statements of Cash Flows (unaudited)**

*(in thousands)*

	<u>Nine Months ended September 30,</u>	
	<u>2007</u>	<u>2006</u>
Net cash provided by operating activities of continuing operations	\$ 37,866	\$ 35,315
Cash flows from investing activities of continuing operations		
Proceeds from sale of Mexican land and building	6,685	--
Acquisition of ASC Industries, Inc., net of cash acquired	--	(121,734)
Proceeds from sale of discontinued operations, net of transaction costs and cash sold	2,202	36,300
Capital expenditures	(25,080)	(16,279)
Proceeds from sale of other property, plant and equipment	1,408	1,006
Net cash used in investing activities of continuing operations	<u>(14,785)</u>	<u>(100,707)</u>
Cash flows from financing activities of continuing operations		
Issuances of debt	15,367	113,000
Debt repayments	(54,556)	(34,538)
Financing fees	--	(3,636)
Shareholder's equity contributions	--	8,515
Net cash (used in) provided by financing activities of continuing operations	<u>(39,189)</u>	<u>83,341</u>
Discontinued operations		
Net cash used in operating activities of discontinued operations	--	(298)
Net cash used in investing activities of discontinued operations	--	(2,653)
Effect of currency exchange rate change on cash of discontinued operations	--	137
Effect of currency exchange rate changes on cash	<u>(19)</u>	<u>78</u>
Net (decrease) increase in cash and cash equivalents	(16,127)	15,213
Cash and cash equivalents at beginning of year	31,523	26,182
Less cash and cash equivalents of discontinued operations at end of period	<u>--</u>	<u>2,236</u>
Cash and cash equivalents of continuing operations at end of period	<u>\$ 15,396</u>	<u>\$ 39,159</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.

As a result of the acquisition of ASC Industries and the amendment and restatement of the credit agreement for UCI’s senior credit facilities, on a transition basis the calculation of Adjusted EBITDA, presented below, reflects the calculation of EBITDA in two ways: (i) with adjustments consistent with the presentation in earnings announcements from previous quarters; and (ii) with additional adjustments required by the amended and restated credit agreement for UCI’s senior credit facilities. The Adjusted EBITDA required by the credit agreement is used to measure compliance with covenants of that agreement such as interest coverage.

EBITDA and Adjusted EBITDA are not measures of financial performance under United States generally accepted accounting principles (“US GAAP”) and should not be considered 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)

	2007				2006			
	Q1	Q2	Q3	Sept YTD	Q1	Q2	Q3	Sept YTD
Results of continuing operations:								
Net income (loss)	\$ 4.5	\$ 10.0	\$ 8.4	\$ 22.9	\$ 3.4	\$ (1.4)	\$ 2.1	\$ 4.1
Interest, net of minority interest	10.6	10.2	10.2	31.0	9.3	10.6	11.8	31.7
Income tax expense (benefit)	2.4	5.9	5.7	14.0	2.0	(0.6)	2.7	4.1
Depreciation, net of minority interest	6.9	6.0	6.1	19.0	6.2	6.2	6.4	18.8
Amortization	2.4	2.5	2.3	7.2	2.0	2.1	2.5	6.6
<b>EBITDA of continuing operations</b>	26.8	34.6	32.7	94.1	22.9	16.9	25.5	65.3
Special items:								
Sale of inventory that was written up to market from historical cost per US GAAP acquisition rules, net of minority interest	--	--	--	--	--	2.0	5.3	7.3
Cost of integration of water pump operations and the resulting asset impairment losses	2.5	1.5	1.8	5.8	--	4.6	0.8	5.4
Facilities consolidation & severance costs	(1.6)	0.1	--	(1.5)	1.7	4.1	0.8	6.6
Write-off of deferred financing costs resulting from refinancing	--	--	--	--	--	2.6	--	2.6
Trademark impairment loss	--	3.6	--	3.6	--	--	--	--
New business changeover cost and sales commitment costs	4.4	--	--	4.4	--	0.8	0.7	1.5
Establishment of new facilities in China	--	--	0.4	0.4	--	--	--	--
Non-cash charges (stock options expense)	1.6	0.6	0.6	2.8	0.4	0.4	0.4	1.2
Management fee	0.5	0.5	0.5	1.5	0.5	0.5	0.5	1.5
<b>Adjusted EBITDA of continuing operations (a)</b>	34.2	40.9	36.0	111.1	25.5	31.9	34.0	91.4
Additional adjustments required by the amended and restated credit agreement for UCI's senior credit facilities:								
Adjustments to include Adjusted EBITDA of discontinued operations	--	--	--	--	4.0	3.7	0.6	8.3
Additional adjustments required for interest coverage compliance in the amended and restated credit agreement for transition periods	--	--	--	--	4.7	--	--	4.7
<b>Adjusted EBITDA under credit agreement</b>	\$ 34.2	\$ 40.9	\$ 36.0	\$ 111.1	\$ 34.2	\$ 35.6	\$ 34.6	\$ 104.4

- (a) The first and second quarter of 2007 amounts include approximately \$4.2 million and \$6.5 million, respectively, and the first and second quarter of 2006 amounts include zero and \$1.9 million, respectively, of ASC Adjusted EBITDA after the May 25, 2006 acquisition date. ASC's results are included in the third quarter of both 2007 and 2006.