

## Regulation G GAAP Reconciliations

Following is a reconciliation of "Free Cash Flow," (found on pages 4 and 10), which is defined as cash flow from operating activities less capital expenditures. Both of these measures were calculated in accordance with generally accepted accounting principles (GAAP). The company's management believes that free cash flow, as defined, provides a meaningful measure of the company's liquidity. The company's management uses free cash flow as a measure of cash available to fund early or required debt retirement, incremental investments, or financing activities, such as, but not limited to, acquisitions and share repurchases. However, free cash flow has limitations, as it does not represent residual cash flow available for discretionary expenditures. Some of the company's expenditures are mandatory. The amount of mandatory versus discretionary expenditures can vary significantly between years.

Details of free cash flow appear below.

(In millions)	2004	2003	2002
Cash provided by operating activities –			
GAAP basis	\$ 367	\$ 336	\$ 384
Less: capital expenditures	(100)	(112)	(126)
Free cash flow	<u>\$ 267</u>	<u>\$ 224</u>	<u>\$ 258</u>

Following is a reconciliation of "Adjusted earnings per share from operations" (found on page 3). In accordance with GAAP, reported earnings per share included the after-tax impact of restructuring and other charges in 2004 and Tenneco Packaging litigation settlement and other in 2003. The company's management believes that by adjusting reported diluted earnings per share to exclude the effects of these items, the resulting metric is a better reflection of the company's operating performance. The company's management uses this metric to evaluate operating performance, and, along with other factors, in determining management compensation.

Details of adjusted earnings per share are shown below:

	2004	2003	2002
Diluted earnings per share – continuing operations – GAAP basis	\$ 1.01	\$ 1.21	\$ 1.37
Adjustments:			
Tenneco Packaging litigation settlement and other	—	0.22	—
Restructuring and other charges	0.38	—	(0.01)
Diluted earnings per share – continuing operations – GAAP basis, excluding restructuring and other charges and Tenneco Packaging litigation settlement and other	<u>\$ 1.39</u>	<u>\$ 1.43</u>	<u>\$ 1.36</u>

Following is a reconciliation of "Operating Margin" (found on pages 11, 15, 18, and 19). Operating margin is calculated by dividing operating income before restructuring and other charges (reconciled on pages 24 and 25 to amounts calculated in accordance with GAAP) by sales. The company's management believes that operating margin, as defined, is a more meaningful way of evaluating the company's operating results. Restructuring and other charges relate to actions that will have an ongoing effect on the company, and to consider such charges/credits as being only applicable to 2004 and 2003 could make the company's operating performance in those periods more difficult to evaluate, particularly when compared with other periods in which there were no such items. The company's management uses operating margin, as defined, to evaluate operating performance, and, along with other factors, in determining management compensation.

Details of operating margin are summarized below.

(Dollars in millions)	2004	2003
Sales		
Consumer Products	\$ 934	\$ 888
Foodservice / Food Packaging	1,490	1,371
Protective & Flexible Packaging	958	879
Total	<u>\$3,382</u>	<u>\$ 3,138</u>
Operating income excluding restructuring and other charges		
Consumer Products	\$ 179	\$ 195
Foodservice / Food Packaging	169	177
Protective and Flexible Packaging	75	59
Other	15	35
Total	<u>\$ 438</u>	<u>\$ 466</u>
Operating margin excluding restructuring and other charges		
Consumer Products	19.2%	22.0%
Foodservice / Food Packaging	11.3	12.9
Protective and Flexible Packaging	7.8	6.7
Other	—	—
Total	<u>13.0%</u>	<u>14.9%</u>