

Global growth... by design

North America

- Launching four major new diesel platforms
- Introducing brake products in the aftermarket
- Expanding share of commercial vehicle exhaust market
- Opening two new just-in-time facilities to service Toyota

Europe

- Expanding Eastern European footprint
- Launching four new platforms with electronic suspension
- Producing nearly 800,000 diesel particulate filter units

Korea

- Supporting two new emission-control platforms

South America

- Building on 32% revenue growth in 2005
- Introducing gas springs in the aftermarket

India

- Assumed 100% ownership of Indian facilities
- Launching high-volume ride-control platform for a major customer

China

- Opening elastomer plant and exhaust engineering facility
- 23 new platform launches for seven customers
- Increasing ownership of Beijing ride control facility

Our mission is to be recognized by our customers as the number-one technology-driven, global manufacturer and marketer of value differentiated ride control, emission control and elastomer products and systems. We will strengthen our leading position through a shared-value culture of employee involvement, where an intense focus on continued improvement delivers shareholder value in everything we do.

Corporate Profile

Tenneco Inc. is one of the world's largest designers, manufacturers and marketers of emission-control and ride-control products and systems for the automotive original equipment market and aftermarket. The company became an independent corporation in 1999, allowing singular focus on strategies to maximize global results.

Tenneco markets its products principally under the Monroe®, Walker®, Gillet®, and Clevite® Elastomer brand names. Leading manufacturers worldwide use our products in their vehicles, attracted principally by our advanced technologies. We are one of the top suppliers to the automotive aftermarket, offering exceptionally strong brand recognition among consumers and trade personnel.

Safe Harbor Statement

Please see the Safe Harbor Statement, risk factors and the description of our original equipment (OE) revenue forecast under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the accompanying Form 10-K, which is incorporated herein by reference.

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Form 10-K

Inside back cover












Investor Information

Tenneco Inc.

Original Equipment

Operations	2005 Sales	Applications	Products	Brands
Emission Control	\$2,390 million	<ul style="list-style-type: none"> Passenger cars Light trucks Commercial vehicles Industrial applications Motorbikes Buses 	<ul style="list-style-type: none"> Complete exhaust systems Fabricated manifolds Manifold-converter modules Catalytic converters Mufflers and resonators Diesel particulate filter systems NOx abatement systems Exhaust heat exchangers Exhaust isolators & hanging systems 	 
Ride Control	\$1,030 million	<ul style="list-style-type: none"> Passenger cars Light trucks Commercial vehicles Golf carts Off-road recreational Rail cars Buses 	<ul style="list-style-type: none"> Shocks & struts Suspension bushings Coil, air & leaf springs Torque rods Engine/body mounts Suspension modules/systems Control arms/bars/links Cabin dampers Computerized electronic suspension Anti-roll system 	    

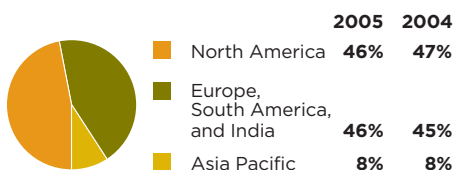
Aftermarket

Operations	2005 Sales	Applications	Products	Brands
Emission Control	\$368 million	<ul style="list-style-type: none"> Passenger cars Light trucks Commercial vehicles Performance vehicles 	<ul style="list-style-type: none"> Mufflers Pipes Tubing Mounting components Catalytic converters Performance mufflers Headers 	     
Ride Control	\$653 million	<ul style="list-style-type: none"> Passenger cars Light trucks Commercial vehicles Performance vehicles Trailers 	<ul style="list-style-type: none"> Shocks Struts Cartridges Mounting kits Performance shocks, struts, filters and brakes Torque rods Suspension bushings Engine mounts Coil springs Car-appearance products Suspension lift kits 	    

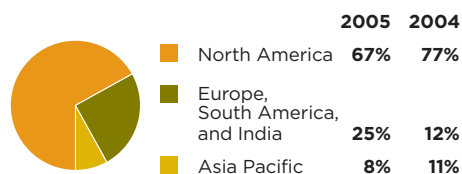
	2005	2004
Revenues (millions)	\$4,441	\$4,213
Emission Control/ Ride Control Balance [†]	62/38	63/37
Original Equipment/ Aftermarket Balance [†]	77/23	76/24

[†]percentage of sales

2005 Sales



2005 EBIT*



*EBIT is earnings before interest expense, taxes, and minority interest.

Competitors	Key Advantages	Top Five Customers	Top Five Platforms 2005	Market Opportunities
<ul style="list-style-type: none"> ArvinMeritor Faurecia Eberspächer Bosal Delphi Nelson Fleetguard 	Emission & Ride Control <ul style="list-style-type: none"> Advanced technologies Experienced team Product/process quality Global program management Japanese alliances Joint ventures in China, Thailand and U.K. Customer relationships 	<ul style="list-style-type: none"> General Motors Corp. DaimlerChrysler AG Ford Motor Co. Volkswagen AG PSA Peugeot/Citroën 	<ul style="list-style-type: none"> PSA Citroën C5, Peugeot 407, Peugeot 608 GM Escalade, Silverado, Suburban, Avalanche, Tahoe, Sierra, Yukon GM Envoy, Trailblazer Dodge Ram Pickup DaimlerChrysler Town & Country, Caravan 	<ul style="list-style-type: none"> Additional content due to emission regulations Diesel aftertreatment Customized sound attenuation Demand for diesel/hybrid/fuel cell Emerging markets Commercial vehicle segment Adjacent markets
<ul style="list-style-type: none"> ZF Sachs Delphi ArvinMeritor Kayaba Magneti Marelli Hitachi 	<ul style="list-style-type: none"> Broad product range Full-service supplier Just-In-Time (JIT) assembly Test and validation systems Knowledge-based engineering 	<ul style="list-style-type: none"> Ford Motor Co. Volkswagen AG General Motors Corp. Nissan Motor Co., Ltd. DaimlerChrysler AG 	<ul style="list-style-type: none"> GM Silverado, Suburban, Avalanche, Tahoe, Sierra, Yukon Ford Focus, Mazda3, Volvo S40 VW Golf, Caddy, Seat Altea Ford Fiesta, Fusion, Mazda2 DaimlerChrysler Town & Country, Caravan 	<ul style="list-style-type: none"> Vehicle stability/safety requirements Modular assembly New technologies Adjacent markets Electronic technologies Emerging markets Seat damping systems Cabin damping systems Commercial vehicle segment

Competitors	Key Advantages	Top Five Customers	Leading Products	Market Opportunities
<ul style="list-style-type: none"> ArvinMeritor OE Service Bosal Goerlich's Exhaust Systems International Muffler Company 	Emission & Ride Control <ul style="list-style-type: none"> Brand dominance Relationships with all major wholesale distributors/retailers Global presence Leading market shares Product innovation Product quality 	<ul style="list-style-type: none"> TEMOT Autoteile NAPA Automotive Distribution International (ADI) Advance Auto Parts Group Auto Union (GAU) 	<ul style="list-style-type: none"> Quiet-Flow3[®] Mufflers/Assemblies Dynomax[®] Ultra-Flo Stainless/Welded Mufflers/Systems DNX[™] performance exhaust systems SoundFX[™] mufflers Clean Air[™] catalytic converters 	<ul style="list-style-type: none"> Growing number of vehicles on the road OE Service New technologies Emission regulations Performance-product demand
<ul style="list-style-type: none"> ArvinMeritor Kayaba OE Service ZF Sachs 	<ul style="list-style-type: none"> Extensive product and vehicle coverage Targeted marketing programs Introduction of service parts 	<ul style="list-style-type: none"> NAPA Advance Auto Parts O'Reilly Auto Parts TEMOT Autoteile Automotive Distribution International (ADI) 	<ul style="list-style-type: none"> Reflex[®] shocks & struts Sensa-Trac[®] shocks & struts Rancho[®] shocks, struts and suspension lift kits Quick Strut[™] Gas-Magnum[®] shocks DNX[™] performance shocks and struts Monro-Matic Plus[®] shocks DuPont[™] car-care line 	<ul style="list-style-type: none"> Growing number of vehicles on the road OE Service New technologies Unperformed maintenance Premium mix expansion Broader product coverage Heavy-duty truck penetration Safety/installer education Testing/diagnostic equipment

Diverse Customer Base Top Customers as a % of Total 2005 Revenues

Largest OE Customers

16.7%	General Motors
11.6%	Ford Motor Co.
9.1%	Volkswagen
9.0%	DaimlerChrysler
6.1%	PSA Peugeot Citroën
3.6%	Toyota Motor Co.
3.3%	Nissan Motor Co.
2.5%	BMW AG

Largest AM Customers

1.9%	NAPA
1.5%	TEMOT Autoteile GmbH
1.2%	Advance Auto Parts
1.1%	ADI (Automotive Distribution Int'l)
0.7%	Uni-Select
0.7%	O'Reilly Automotive
0.5%	GAU (Group Auto Union)
0.4%	KFE (Kwik-Fit Europe)

Profile

People:	Approx. 19,000
Manufacturing and Just-In-Time Facilities:	79
Engineering Centers:	13
Countries Served:	135

As of 12.31.05

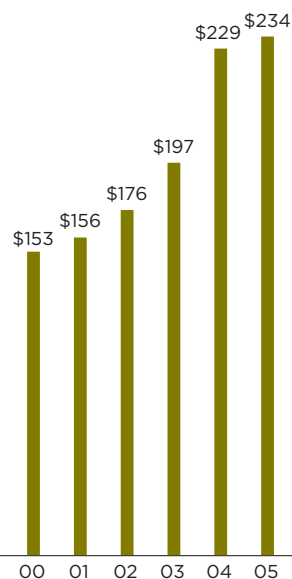
Financial Highlights

(dollars in millions except share and per share data)	2005	2004	2003	2002	2001	2000
Net sales and operating revenues	\$ 4,441	\$ 4,213	\$ 3,766	\$ 3,459	\$ 3,364	\$ 3,528
Earnings before interest, taxes and minority interest	\$ 215	\$ 174	\$ 174	\$ 169	\$ 90	\$ 122
Depreciation and amortization	\$ 177	\$ 177	\$ 163	\$ 144	\$ 153	\$ 151
EBITDA*	\$ 392	\$ 351	\$ 337	\$ 313	\$ 243	\$ 273
Net income (loss) before change in accounting principle	\$ 58	\$ 15	\$ 26	\$ 31	\$ (131)	\$ (41)
Earnings (loss) per share before change in accounting principle	\$ 1.29	\$ 0.35	\$ 0.62	\$ 0.74	\$ (3.47)	\$ (1.16)
Capital expenditures	\$ 144	\$ 130	\$ 130	\$ 138	\$ 127	\$ 146
Average diluted shares outstanding	45,321,225	44,180,460	41,767,959	41,667,815	38,001,248	34,906,825
Total debt	\$ 1,378	\$ 1,420	\$ 1,430	\$ 1,445	\$ 1,515	\$ 1,527
Cash and cash equivalents	\$ 141	\$ 214	\$ 145	\$ 54	\$ 53	\$ 35
Debt net of cash balances	\$ 1,237	\$ 1,206	\$ 1,285	\$ 1,391	\$ 1,462	\$ 1,492

*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 our performance, or as an alternative to operating cash flows as a measure of liquidity. We have reported EBITDA because we believe EBITDA is a measure commonly reported and widely used by investors and other interested parties as an indicator of a company's performance. We also believe 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 in this document may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

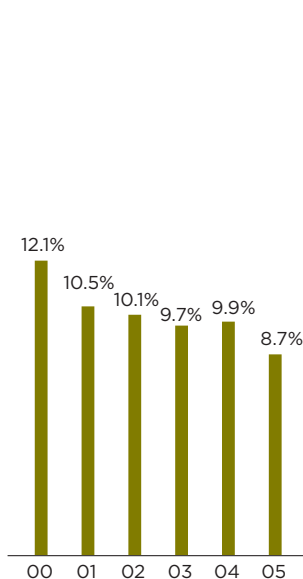
Revenue per employee

\$ in thousands



SG&A*

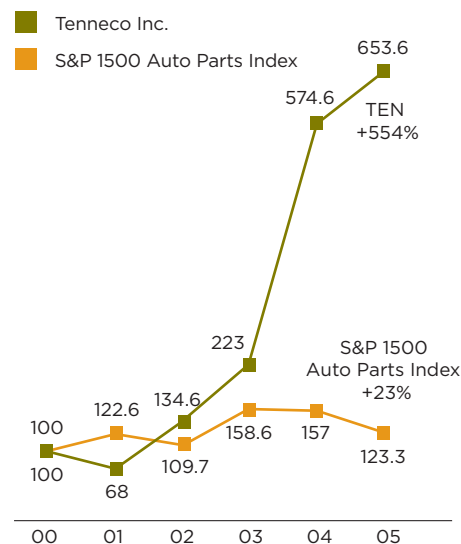
as percentage of revenue



Stock Price Performance

TEN vs. S&P 1500 Auto Parts Index

Based on an initial investment of \$100 on December 31, 2000



*Selling, general and administrative expenses

Our performance last year was a **success** on many levels, culminating in a **25% increase** in adjusted* earnings per share.

We have solved the management dilemma – **growing the business** while **shrinking costs**.

Tenneco enters 2006 with our most robust portfolio of projected business ever, the greatest financial strength in our six-year history, and a wide range of competitive advantages.

Strategic Growth Drives Robust Sales Projection

We are concentrating on strategic growth areas:

- Increasing our investment in new technologies for diesel emission and electronic ride control products;
- Positioning ourselves in every high-growth region around the globe;
- Penetrating adjacent markets like commercial trucks and motorcycles;
- Targeting the fast-growing OEMs in Japan and Korea; and
- Leveraging our strong brands into higher-replacement service-parts categories, like brakes and filters.

These building blocks provide a foundation that has Tenneco poised for \$1 billion of projected OE revenue growth in 2007. Furthermore, we estimate 40% of 2007 OE sales will come from these strategic growth areas, up from approximately 22% in 2005.

2005 Operating Performance Sparks Share Gain

Our performance last year was a success on many levels, as we continued to outdistance the competition and solidify our leadership position.

Our revenue, operating income and earnings per share reached levels unsurpassed at any time in Tenneco's independent history. We delivered sales of \$4.4 billion, up 5% over 2004, outperforming the industry's estimated 3% global light-vehicle production increase. We reached this milestone while carefully managing costs, allowing

us to fully translate the greater revenue into operating profit expansion, adjusted* for certain items, despite \$135 million of higher steel prices. The end result was a 25% improvement in adjusted* earnings per share.

Operational accomplishments in 2005 reflect our expansion into adjacent markets. Last year, we were awarded International Truck & Engine Corp.'s medium-duty truck platform that is a big part of our 2007 projected growth. This is high-content diesel business that marks our first commercial vehicle contract for emission control in North America. We also furthered our penetration into the two-wheeler market when we acquired the primary exhaust provider to Harley-Davidson.

Tenneco stockholders realized a 14% return on investment in our common shares last year driven by our solid operating performance; favorable platform, customer and geographic mix; and rising investor appreciation of our growth strategies. In contrast, the S&P 1500 Auto Index declined 21% primarily affected by industry challenges in North America.

New Director Brings Global Perspective

Earlier this year, we added Mitsunobu "Tony" Takeuchi to our board of directors. Tony was formerly the chairman and chief executive officer of DENSO International Americas, Inc., the North American arm of Japan-based DENSO Corp., the world's third-largest automotive supplier. His global perspective, vast industry knowledge and outstanding business judgment will benefit Tenneco greatly as we expand our focus on global growth opportunities.

*An explanation of these adjustments can be found in the Management's Discussion and Analysis of the attached Form 10-K. Additionally, a reconciliation of the results is detailed on the inside back cover of this report.

An Appropriate Name Change

As I mentioned earlier, our strategies for growth are not limited to the automotive sector. Heavy-duty trucks and motorcycles have emission- and ride-control products that offer opportunities to expand our top line into adjacent, potentially counter-cyclical markets. This diversification into sectors outside of automotive led to our name change late last year to Tenneco Inc. Deleting "Automotive" from our name is a natural step in the evolution of the enterprise. Tenneco Inc. is less restrictive in representing the direction of our company and how far we aspire to go.

As I look out over the next decade, it is imperative that we maintain our passionate customer focus and product leadership in each operating segment served, while expanding into new non-automotive markets. Three years ago we set our sights on the commercial vehicle market for emissions. Today we have platforms in Europe and North America that we estimate will increase our market share in this

segment to 10% by 2007. We expect this share to double by the end of the decade benefiting from the ever-more stringent heavy truck emission regulations mandated for 2009 and 2010. Penetrating other adjacent markets for emission control, like construction, agriculture and industrial equipment, and small engines for lawnmowers and golf carts, represents a significant incremental growth opportunity for Tenneco that we expect will extend and further diversify our revenue stream over the long term.

Growing the Business While Shrinking Costs

While delivering sustainable growth, our culture of continuous improvement means that we are standardizing business processes, operating more efficiently and delivering greater value. Training for Lean Manufacturing and Six Sigma programs to reduce waste and improve quality has been effective. Today we are doing more with less.

By focusing on our core competencies with a spirit of execution and discipline, we have solved the management dilemma—growing the business while shrinking costs.

Our People are the Key

Our future will be built around the great work of the nearly 19,000 employees of Tenneco. We continue to invest in the development of our people as we roll out change management and leadership training for the hourly workforce. I believe our talented employees have made and will continue to make Tenneco a standout enterprise, and it is my privilege to lead them.



Mark P. Frissora
Chairman, Chief Executive Officer
and President

March 2006

Mark P. Frissora Chairman, Chief Executive Officer and President

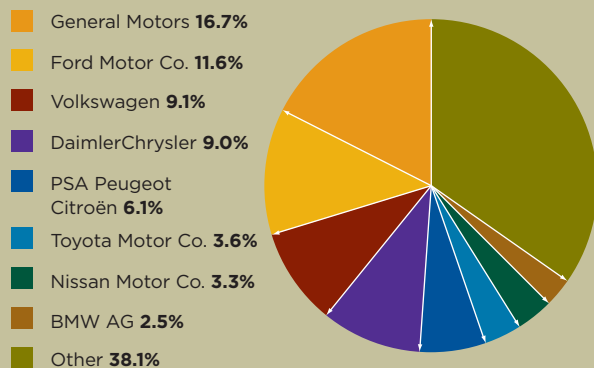
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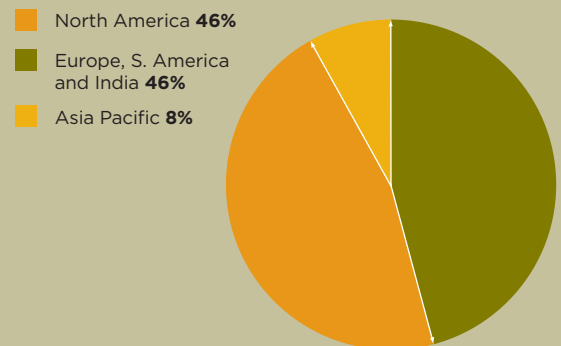
Competitive Advantages

Tenneco has **good customer, platform and geographic diversity**, and a balance between original equipment sales (77%) and aftermarket sales (23%). About 46% of 2005 sales were generated in North America; 46% in the Europe, South America and India segment; and 8% in the Asia Pacific region. We have OE products on more than 200 platforms with the top 10 platforms representing only 25% of total sales.

Revenue by Customer
As a percentage of 2005 sales



Geographic Revenue Mix
2005





Competitive Advantages

Tenneco has one of the broadest global footprints among automotive parts suppliers.

Our geographic diversity helps protect us from regional downturns in automotive production. North America and our Europe, South America and India segments each generated 46% of 2005 revenues with Asia Pacific responsible for the remaining 8%. As a result, we are well positioned to offset weakness in any one region of the world with growth from another. Our broad geographic coverage places us closer to our customers, minimizing high shipping costs associated with emission-control products. Besides being well-established in Western Europe, we have penetrated Eastern Europe, where our goal is to generate approximately 25% of our total European unit production by 2010—in line with that market's production mix. Moreover, we estimate that Tenneco is the #1 emission-control supplier in China, an economy forecasted to grow at a rate more than double the rate of the U.S. economy over the balance of this decade.

We have one of the best customer mixes among our peers.

In 2005, many North American parts suppliers struggled as a result of their high exposure to domestic OEMs, who cut production after losing nearly two points of market share to foreign automakers. Our balanced customer set made up of more than 30 OEMs

includes Toyota, Nissan and Honda among its top 10 OE customers. These growth customers represented 20% of Tenneco's total North America OE revenues in 2005, enabling us to outperform the light vehicle market. We continue to build relationships with growing customers, with a goal of matching our customer revenues with their market shares for optimal balance.

In the aftermarket, we have contracts with four of the top five retailers in North America and do business with virtually all of the major warehouse distributors globally. No single aftermarket customer accounted for more than 2% of our 2005 total revenues.

Tenneco's broad coverage of vehicle platforms encompasses production on the top-selling vehicles worldwide.

We have products on more than 200 platforms with average annual revenue per platform of about \$14 million, providing an advantageous balance. Suppliers with substantial volumes spread across only a few platforms are at greater risk in a declining production environment. In 2005, for example, suppliers with a significant percent of their total volume tied to full-size SUVs in North America were meaningfully impacted when production on those vehicles declined by nearly 30%. At Tenneco, our largest OE platform represents less than 5% of total company revenues. Our top 10 OE

A Variety of Markets Served

- Two Wheeler
- Passenger Car
- Light-Duty Truck
- Heavy-Duty Truck

Global Footprint

Chevrolet Tahoe



Automakers must operate globally to remain cost competitive, and they require that suppliers develop a similar footprint. Geographic diversity helps reduce logistic costs, allowing for the regional supply of items that are cost prohibitive to ship globally, like exhaust systems. Equally important are global engineering capabilities.

- Tenneco does business in 135 countries
- Tenneco has 13 engineering centers worldwide with another to open in China in 2006

platforms make up only 25% of total sales, and are split 50/50 between passenger cars and light trucks. Furthermore, of our top 10 platforms, 40% are produced in North America, 30% in Europe and 30% are global.

Expanding penetration into synergistic markets helps diversify business model.

We are positioned to offset cyclical trends in the auto industry by diversifying into adjacent markets with similarly stringent environmental regulations that drive growth. Today, about 5% of our revenues are derived from the commercial truck market. We expect that percent to increase significantly as we capitalize on the tightening emission regulations for medium- and heavy-duty trucks in 2007 and 2010 in the U.S., and in 2006 and 2009 in Europe.

Emissions standards for today's off-road equipment are relatively lenient compared to those for on-road vehicles. However, in May 2004 the U.S. Environmental Protection Agency introduced new off-road emission standards, which are to be phased-in between 2008-2015. These standards affect approximately one million off-road units. With the addition of the small engine market for lawnmowers and snowblowers, the market opportunity grows to nearly 19 million units.

Tenneco has innovative technologies across several product lines.

Tenneco has long been known as a leading product innovator. Today we have global networks in place to share knowledge and ideas across departments and locations, and across global employee populations. Our goal is to ensure that no opportunity is overlooked in our quest to deliver leading-edge products and services. Growing demand for our premium products, most notably advanced emission technologies for gas and diesel engine vehicles, and computerized electronic suspensions, anti-rollover devices and elastomer products in ride control, underscores the company's technological achievements.

A stable, experienced management team focuses on execution and discipline.

Tenneco's strategic business units are led by experienced executives who have a proven track record and average more than 20 years in the automotive industry. The majority of our senior management team has been with the company since we became independent in late 1999. Together, we have remained disciplined in the execution of the same strategies for six years. Product innovation and debt reduction continue to be priorities.

Our Competitive Advantages

- A highly competitive global footprint
- One of the best customer mixes among our peers
- Products on more than 200 vehicle platforms
- Average platform size only \$14 million
- Penetrating adjacent growth markets for greater diversity
- Innovative technologies across several product lines
- A stable, experienced management team

We also have a growing position in the two-wheeler market, supplying exhaust products for BMW and Harley-Davidson. Motorcycles produce up to 15 times the emissions per mile as the average new car or light-duty truck. We are utilizing technologies similar to those that make new cars and trucks cleaner to cost-effectively reduce motorcycle emissions. A new set of emissions standards for motorcycles went into effect in 2004 with additional reductions required for 2008. We are well-positioned to take advantage of the environmental legislation as it evolves into off-road market segments, including construction, agriculture and industrial equipment.

Two-Wheeler Market



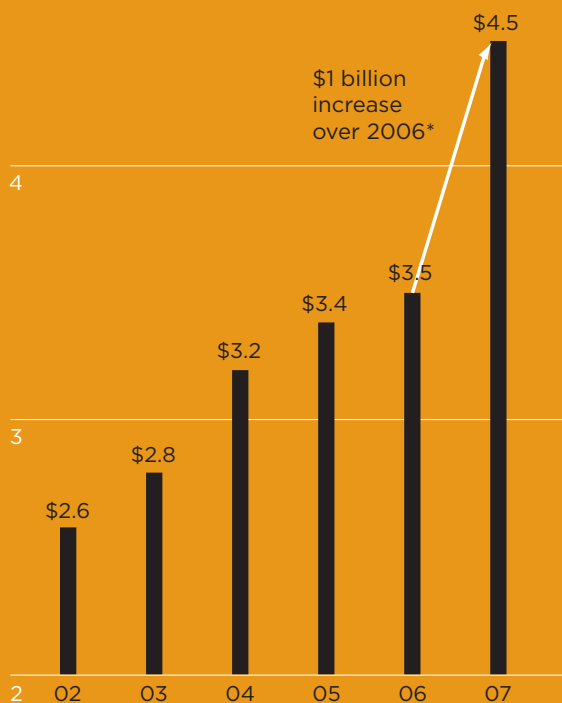
Tenneco acquired the primary emission-control supplier to Harley-Davidson in early 2005. This acquisition reflects our strategy to grow through adjacent-market opportunities. Harley-Davidson worldwide has been in business for more than 100 years with one of the most lasting brands in U.S. history.

Harley-Davidson wanted a supplier with a global footprint and similar depth of experience. Not only do we meet those requirements, but we have proven our ability to easily transfer our emission-control technology from automobiles to motorcycles.

Growth Prospects

Stricter emission-control standards, demand for improved vehicle stability, expected long-term growth in the Chinese auto market, rapid market share gains from the Japanese and Korean OEMs and new aftermarket products create **favorable growth prospects** for Tenneco.

Global Original Equipment Revenue Projection*
\$ in billions



An estimated 40% of 2007 projected original equipment sales will come from strategic growth areas versus 22% in 2005.

*January 2006 projection. See the company's attached Form 10-K for information regarding the calculation of its revenue projection.

Emission standards and fuel requirements are **tightening** around the world.

Our 2007 sales of higher-content diesel vehicle programs are expected to **increase five-fold** from 2005.



Ford Motor Company

F-350

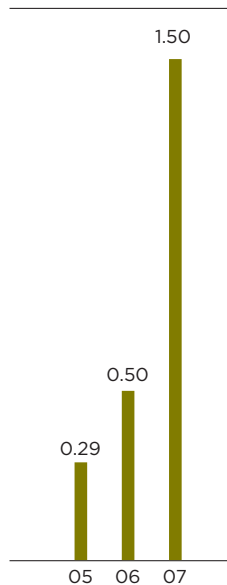


"The diesel engine is a great alternative for consumers that demand improved power, torque and fuel efficiency. The challenge is in meeting future diesel emissions regulations without degrading the key characteristics of the diesel powertrain. Tenneco is well positioned

with a good product at the right time. In addition to diesel, Tenneco worked collaboratively with our Research and Innovation Center to deliver the first diesel hybrid to meet Partial Zero Emissions Vehicle (PZEV) requirements."

Emissions Technologies for Environmental Mandates

Global Diesel Particular Filter (DPF) Business
Units in millions



Tenneco's DPF volumes to increase five times by 2007

Stringent global emission regulations offer one of the most important growth opportunities for Tenneco. While pollution control measures have drastically reduced light-vehicle emissions over the past two decades, the U.S., Europe, Japan and other countries are pushing for even tighter regulations in coming years.

The best emission-control opportunity may rest in diesel vehicles. Global light-duty diesel volume is forecasted to grow more than 50% by 2012 to 19.6 million units. J.D. Power and Associates predicts U.S. light-duty diesel sales will nearly double to more than one-million units in 2010. Last year, only about 3% of the light vehicles sold in the U.S. had diesel engines, compared to half the vehicles in Europe.

Diesel's superior fuel economy and low carbon dioxide emissions are driving its forecasted growth. Diesels will also get a boost this October, when U.S. fuel retailers are required to begin selling low-sulfur diesel fuel. And the energy bill recently signed by President Bush gives a tax credit to U.S. purchasers of certain diesel vehicles.

Low-sulfur fuel and better technology will help diesels meet new federal emissions standards being phased in beginning in 2007. In Europe, new diesel emission regulations are expected to go into effect in 2010.

Tenneco is a leading supplier of advanced emission-control solutions. We expect diesel platforms to represent about 24% of our projected global OE revenues in 2007, up from just 6% in 2005. Also in 2007, we expect to supply 1.5 million diesel particulate filter units – more than five times last year's level. We're also in production with diesel oxidation catalysts, and we're supplying selective catalytic reduction systems for heavy-duty trucks. Furthermore, we're working on an advanced regeneration diesel particulate filter and developing a NOx adsorber catalyst that removes nitrogen oxides from the exhaust stream. These are just some of our technologies and development activities that address the dramatic diesel growth expected over the next several years.

Our technological expertise, commercialized exhaust product portfolio and worldwide manufacturing facilities position us well to capitalize on these growth trends.

New Diesel Business Supports Growth in 2007

2007 "New-to-Tenneco" Business

Customer	Product
Ford Super Duty	Diesel & Gasoline Emission Control
GM Duramax engines	Diesel Emission Control
N.A. OEM Light Duty	Diesel Emission Control
International Truck	Medium Duty Diesel Emission Control

Commercial Vehicle Market

Heavy-duty Truck



Euro 4 and Euro 5 are increasingly stringent emission standards that will be effective in 2006 and 2009, respectively. In order to meet these clean-air regulations, truckmakers are using a variety of diesel aftertreatment solutions to cut nitrogen

oxide emissions. Tenneco helped launch DaimlerChrysler's Actros heavy-duty commercial truck in Europe last year using an advanced-technology emission-control system that addresses the new mandates.

Ride quality and handling characteristics remain among the **top influencers** in consumer buying decisions.

Tenneco's electronic suspension integrates the **latest technology** into a **highly advanced** ride-control system.



Continuously Controlled Electronic Suspension

Volvo

S80



“Safety, comfort and handling are key to consumer buying decisions. Volvo used Tenneco’s computerized electronic suspension to develop our continuously controlled chassis concept, called Four-C, which is standard on our performance vehicles and optional on our S60, V70,

XC70 and S80 models. We looked for a partner to further enhance ride control and handling, and believe Tenneco fully understands how to combine new technical solutions, integrations and refinements.”



Advanced Technology for Improved Vehicle Ride and Handling

Tenneco develops technologically advanced ride-control products that focus on safety as well as comfort. We estimate we are the top supplier to the aftermarket, led by our world-famous Monroe brand, and the #2 provider to original equipment manufacturers worldwide. Our ride-control sales in 2005 contributed \$1.7 billion to Tenneco's total revenue, with about 60% of this coming from the original equipment market.

Strategically, we have dedicated ourselves to developing and commercializing premium products. Our advanced Continuously Controlled Electronic Suspension (CES) product provides vehicle handling and safety improvements by continuously monitoring road conditions and vehicle movement, making instantaneous adjustments to vehicle suspension. We are currently producing CES for nearly all Volvo models in Europe as well as Audi's A6 and Avant vehicles. Our anti-rollover suspension technology, Kinetic, which offers improved vehicle stability, is available today on Toyota's Lexus GX470 sport utility vehicle. And we've developed fluid-filled elastomers that act as dampers to minimize noise, vibration and harshness.

All are leading-edge products. For example, CES typically sells for roughly seven times the price of a standard shock. The computerized electronic shock absorber market share for Tenneco was 9% in 2005, but we project it will grow significantly over the next five years.

We continue to extend product technologies from our original equipment business to the aftermarket. This practice expands the marketing reach of each product, spreads out the development costs and enhances the return on our investment.

The ride-control aftermarket has been strong in recent years, and can be counter-cyclical to the original equipment auto-parts market. Our global Safety Triangle aftermarket campaign educates both installers and consumers on the importance of vehicle maintenance and replacing worn shock absorbers, which can help improve stopping, steering and vehicle stability.

Elastomer Products

- V-Rod
- Bushings and Cartridges
- Torque Rod

Global Platform Capabilities

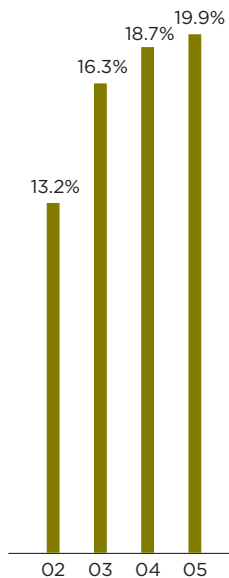


Tenneco was awarded the Volkswagen global emission- and ride-control platform that includes the VW Golf and Audi A3 models. Under a global platform development strategy, common vehicle platforms are tailored by local design and engineering to suit each

geographic end market. Tenneco leveraged its cross-border synergies and capabilities in engineering, purchasing and manufacturing to successfully launch this strategic platform across North America, Europe and the Asia Pacific region.

Growth OEMs for Enhanced Customer Mix

Japanese OEMs
as a percentage of total
North American
Original Equipment sales



Winning new business with Asian OEMs, nurturing established relationships with the top three Japanese automakers in North America, extending our European OEM customer base and a more recent focus on building relationships with Korean OEMs will position Tenneco at the forefront of global automotive growth.

Revenue from Japanese suppliers represented 20% of our North American original equipment sales in 2005, up from 19% in 2004 and 16% in 2003. We continue to build on these relationships. In fact, we are expanding our design, development and program management capabilities in Japan to further enhance the value we bring to these customers.

Our relationships with the Japanese automakers started in 1988 with a single customer in a single market. Today, this business spans the globe as we manufacture products for seven Japanese customers in 14 countries. The number of Japanese platforms in North America also continues to grow. Our products are on many leading programs including: the Lexus RX330, Toyota Sienna, Honda Pilot, Acura MDX, Nissan Pathfinder and Nissan Altima. Tenneco also was awarded the exhaust business on Toyota's high-volume Tundra truck platform that launches in 2007.

In North America, the Big Three U.S. automakers' sales were down 2% in 2005, while Asian brands' sales climbed 7%. The Detroit Big Three's market share in the U.S. was 56.9% last year, down from 58.7% in 2004 and 61.7% three years ago, while Asian brands' U.S. market share rose to 36.5%, up from 34.6% in 2002.

Toyota is the second-ranked automotive group in the world in terms of production and sales. Worldwide, Toyota is our sixth-largest customer among more than 30 different OEMs served.

In the highly competitive and ever-changing automotive industry, we are continuously working to improve our customer mix by targeting growth customers in growth markets. For optimal balance, our goal is to have each of our customer's percent of our total OE revenues reflect its market share.

Growing with Japanese OEMs

Toyota Tundra



Toyota looks to its suppliers to provide superior parts and materials, particularly those that support quantum leaps in the value of its vehicles. Tenneco works to meet those goals with its

advanced emission-control products that address higher environmental standards, and innovative suspension systems, which combine ride comfort and safer handling.

China for Rapid Growth

Our ride-control joint venture in China produces 1.1 million shocks and struts annually.

We estimate that Tenneco is the top emission controls manufacturer in China, operating five facilities through four majority-owned joint ventures. We also are an up-and-coming supplier of ride-control parts through one majority-owned enterprise in Beijing. Our early investments in China, dating back to 1995, have given us experience in that market that few other auto-parts manufacturers possess.

China is the world's fastest growing automotive market and recently became the world's second-largest market for automotive sales. As a percentage of global industry sales, China now represents 8.7%, up from 4.3% in 2001. Furthermore, in 2005, China accounted for 23.2% of the total industry's global growth. Ford and GM estimate China will surpass the U.S. as the world's largest car market by 2025.

Additionally, global light-vehicle production in China is expected to grow 7% compounded annually through this decade. As a result, it represents an important growth opportunity for automotive parts suppliers.

Virtually all of our production in China is for use in the Chinese market, supplying OEMs that produced more than five million vehicles in 2005. In keeping with the expected growth, we are opening our first wholly owned elastomer manufacturing plant as well as our first emission control engineering facility joint venture, both located near Shanghai, later this year.

We are also investing in the diversity of our customer base in China. Twenty-three platforms launching over the next 18 months bring us additional business with General Motors, Ford, Suzuki, PSA, Nissan, DaimlerChrysler and Mazda. Our goal is to distribute our sales in China more favorably, so that eventually our revenue mix tracks the OEMs' market shares in China.



Diversifying Our Customer Base in China

Ford Focus



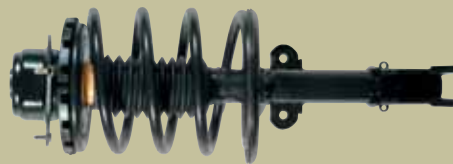
Chang An Ford chose Tenneco as its 2005 "Top Supplier" in China for emission-control products based on our outstanding engineering capabilities, on-time delivery and favorable cost structure. As a global supply partner, our design,

product development and manufacturing processes meet Ford's engineering requirements for continuous improvement. Tenneco also helps Chang An Ford satisfy China's Euro 3 environmental regulations through technological innovation.

The automotive aftermarket offers **significant growth potential** due to unperformed vehicle maintenance.

Tenneco is capitalizing on this opportunity by **expanding** into **new product categories**.

Monroe Quick Strut



DNX Performance Products: Lowering Spring Kits, Air Filters, Brake Pads, Tail Pipe Extensions



Monroe Premium Brake Pads



DNX Stainless Steel Dual Tailpipe Extension



Dupont Car Care Products



DNX High Performance Stainless Steel Muffler



Temot International



“Temot International is one of the strongest aftermarket trade associations in Europe. Our leading warehouse distributors favor major brands over private label. We recommend suppliers that provide superior technologies, outstanding logistics and strong

promotional support. Tenneco is a preferred supplier with our buying group for both its Monroe and Walker products. We view them as a strategic partner and a benchmark for evaluating our supplier base.”

Aftermarket Service Products for Incremental Sales

Tenneco is the leading provider of emission-control and ride-control products to the independent replacement-parts market in both North America and Europe. We generate 23% of our total sales from the aftermarket.

- Achieving lower manufacturing costs by combining original equipment and aftermarket production in the same facilities, and relocating sources of supply to low-cost countries,
- Aggressive investment in comprehensive installer training and marketing programs,
- Convincing installers to upgrade their customers into premium brands, such as our Reflex shock absorbers and Quiet-Flow mufflers, and
- Line extensions through products originally developed for the OEM market.



Tenneco continues to communicate the need to improve vehicle ride and safety to aftermarket consumers.

The demand for aftermarket products is driven primarily by three factors: the number of miles vehicles are driven, an amount that has increased by almost 2% compounded annually since 1999; the number of vehicles in operation, which has risen to 225 million in 2004 from 206 million in 1998; and the average age of light vehicles on the road, which reached an unprecedented 7.9 years in 2004.

Tenneco's success in supplying replacement parts through retailers and warehouse distributors is primarily due to:

- The strength of our anchor brands, Monroe shock absorbers and Walker mufflers,

As a consequence, our aftermarket business has achieved stable growth, better than most of our competitors, mitigating the cyclicity in demand from the automakers. The Automotive Aftermarket Industry Association says an estimated \$62 billion of vehicle maintenance goes unperformed each year. Based on this data, sector sales could increase substantially if consumers were educated on the safety value of proper maintenance.

We are now supplementing our hard replacement parts — mufflers and shocks — with a new emphasis on service parts, products that are replaced more frequently like car-care chemicals, high-performance air filters and premium brake components. We intend to expand our service parts business, now in its infancy, by leveraging our sales and distribution assets and our brand names.

Canadian Tire



“Consumers and professional installers alike recognize Monroe as a top-quality brand of shocks and struts. Our research indicates there is no limit to extending the brand to other automotive parts associated with safety, durability

and performance. The introduction of Monroe brakes provides a valuable new product offering and is important to the goals of our strategic partnership, which include moving consumers up the value ladder, and increasing profitability and customer satisfaction.”

Board of Directors and Officers



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Executive Vice President, Finance & Technology, and Chief Financial Officer
Avon Products, Inc.

Timothy R. Donovan
Executive Vice President
Strategy and Business Development
and General Counsel
Tenneco Inc.

M. Kathryn Eickhoff-Smith^{1,3}
Retired President and
Chief Economist
Eickhoff Economics, Inc.

Mark P. Frissora
Chairman, Chief Executive Officer
President
Tenneco Inc.

Frank E. Macher¹
President and
Chief Executive Officer
Collins & Aikman Corporation

Roger B. Porter^{2,3}
IBM Professor of Business
and Government
Harvard University

Bottom row, left to right:

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Chief Executive Officer
and President
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Accenture Professor of Business
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Jane L. Warner²
Group President
Finishing Systems
Illinois Tool Works Inc.

¹ Audit Committee

² Compensation/Nominating/
Governance Committee

³ Three-Year Independent Director
Evaluation Committee

Orange numbers indicate
the committee chair.

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Vice President
Finance and Administration
Europe

James A. Perkins
Vice President and Controller

James K. Spangler
Vice President
Global Communications

J. Jeffrey Zimmerman
Vice President, Law

Investor Information

Corporate Headquarters

Tenneco Inc.
500 North Field Drive
Lake Forest, Illinois 60045
847.482.5000

Web Site

www.tenneco.com

Corporate Information

Individuals interested in receiving the company's latest quarterly earnings press release or other company literature should write the Investor Relations Department at the corporate headquarters address or call 847.482.5146.

Information about Tenneco Inc. is also available on the company's web site.†

Stock Listing

Tenneco's common stock is listed under the ticker symbol TEN.

TEN is traded primarily on the New York Stock Exchange and also on the following exchanges: Chicago, Pacific and London.

As of February 20, 2006, there were approximately 23,610 holders of record of the company's common stock, par value \$0.01 per share.

Investor Inquiries

Securities analysts, portfolio managers and representatives of financial institutions seeking information about the company should contact the Investor Relations department: 847.482.5042.

† The information on our web site is not part of this annual report

Stockholder Inquiries

For stockholder services such as exchange of certificates, issuance of certificates, lost certificates, change of address, change in registered ownership or share balance, write, call or e-mail the company's transfer agent:

American Stock Transfer & Trust Company,
as agent for Wachovia Bank, N.A.
59 Maiden Lane
New York, New York 10038
866.839.3259 Toll Free

www.amstock.com

Click on "Shareholder Account Access"

Dividends

The company expects that for the foreseeable future it will follow a policy of retaining earnings in order to finance the continued development of its business. Additional information on the company's dividend policy and restrictions on the payment of dividends can be found in Part II, Item 5 and in Management's Discussion and Analysis in the Annual Report on Form 10-K for the year ended December 31, 2005.

Annual Meeting

The Annual Meeting of Stockholders will be held at 10:00 a.m. Central Time on Tuesday, May 9, 2006, at Tenneco Inc. headquarters, 500 North Field Drive, Lake Forest, Illinois 60045.

Reconciliation of Adjusted Operating Income and Earnings Per Share

(see Chairman's Letter, page 2)

	Year Ended Dec. 31, 2005		Year Ended Dec. 31, 2004	
	EBIT (Millions)	Earnings Per Share	EBIT (Millions)	Earnings Per Share
Earnings measures	\$215	\$1.29	\$174	\$0.35
Adjustments (reflect non-GAAP measures):				
Restructuring and restructuring-related expenses	12	0.17	40	0.56
New aftermarket customer-changeover costs	10	0.15	8	0.12
Consulting fees indexed to stock price	—	—	4	0.06
Tax adjustments	—	(0.09)	—	(0.47)
Costs related to refinancing of debt	—	—	—	0.60
Non-GAAP earnings measures	\$237	\$1.52	\$226	\$1.22

Stock Price Data

	2006 Sales Prices		2005 Sales Prices		2004 Sales Prices		2003 Sales Prices	
	High	Low	High	Low	High	Low	High	Low
First Quarter*	\$23.17	\$19.61	\$17.36	\$12.07	\$14.88	\$ 6.73	\$4.32	\$2.01
Second Quarter			\$17.22	\$11.55	\$15.34	\$10.09	\$4.65	\$2.25
Third Quarter			\$20.06	\$16.30	\$14.51	\$11.95	\$7.45	\$3.61
Fourth Quarter			\$19.95	\$15.70	\$17.49	\$10.93	\$7.32	\$4.66

* 2006 First Quarter through February 17, 2006

