

TENNECO INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF INCOME
Unaudited
THREE MONTHS ENDED JUNE 30,
(Millions except per share amounts)

	<u>2006</u>	<u>2005</u>
Net sales and operating revenues	<u>\$ 1,222</u>	<u>\$ 1,180</u>
Costs and Expenses		
Cost of Sales (exclusive of depreciation shown below)	972 (a)	941 (c)
Engineering, Research and Development	22	18
Selling, General and Administrative	107 (a) (b)	93
Depreciation and Amortization of Other Intangibles	<u>47</u>	<u>44</u>
Total Costs and Expenses	<u>1,148</u>	<u>1,096</u>
Loss on sale of receivables	(1)	(1)
Other Loss	-	-
Total Other Loss	<u>(1)</u>	<u>(1)</u>
Income before Interest Expense, Income Taxes, and Minority Interest		
North America	37 (a) (b)	52
Europe & South America	34 (a)	27 (c)
Asia Pacific	<u>2 (a)</u>	<u>4</u>
	73	83
Less:		
Interest expense (net of interest capitalized)	33	32
Income tax expense	15	18 (d)
Minority interest	<u>1</u>	<u>-</u>
Net Income	<u>24</u>	<u>33</u>
Average common shares outstanding:		
Basic	<u>44.5</u>	<u>43.0</u>
Diluted	<u>47.2</u>	<u>45.1</u>
Earnings per share of common stock:		
Basic	<u>\$ 0.56</u>	<u>\$ 0.75</u>
Diluted	<u>\$ 0.53</u>	<u>\$ 0.71</u>

(a) Includes restructuring and restructuring related charges of \$8 million pre-tax, \$5 million after tax or \$0.12 per share. Of the adjustment \$7 million is recorded in cost of sales and \$1 million is recorded in SG&A. Geographically, \$4 million is recorded in North America, \$3 million in Europe and South America and \$1 million is recorded in Asia Pacific.

(b) Includes customer changeover costs of \$6 million pre-tax, \$4 million after-tax or \$0.08 per share.

(c) Includes restructuring and restructuring related charges of \$2 million pre-tax, \$1 million after tax or \$0.03 per share. The entire \$2 million adjustment is recorded in cost of sales and geographically in Europe and South America.

(d) Includes a \$1 million or \$0.03 per share tax expense primarily related to adjusting state tax net operating loss carry forwards.