

TENNECO INC.
RECONCILIATION OF NON-GAAP MEASURES
Debt net of cash / Adjusted EBITDA - LTM

	Quarter Ended September 30				
	2006		2005		
Total debt	\$	1,403		\$	1,429
Cash and cash equivalents		116			89
Debt net of cash balances ⁽¹⁾		1,287			1,340
Adjusted LTM EBITDA		420			413
Ratio of net debt to adjusted LTM EBITDA ⁽²⁾		3.1x			3.2x

	Q4 05	Q1 06	Q2 06	Q3 06	Q3 06 LTM
Net income	8	7	24	6	45
Minority interest	1	1	1	2	5
Income tax expense	(4)	-	15	3	14
Interest expense (net of interest capitalized)	33	34	33	34	134
EBIT, Income before interest expense, income taxes and minority interest (GAAP measure)	38	42	73	45	198
Depreciation and amortization of other intangibles	43	44	47	45	179
Total EBITDA ⁽³⁾	81	86	120	90	377
Restructuring and restructuring related expenses	5	6	8	7	26
Stock based compensation accounting change ⁽⁴⁾	-	1	-	-	1
New Aftermarket customer changeover costs ⁽⁵⁾	10	-	6	-	16
Total Adjusted EBITDA ⁽⁶⁾	<u>96</u>	<u>93</u>	<u>134</u>	<u>97</u>	<u>420</u>

	Q4 04	Q1 05	Q2 05	Q3 05	Q3 05 LTM
Net income	(19)	7	33	10	31
Minority interest	-	1	-	-	1
Income tax expense	(35)	4	18	7	(6)
Interest expense (net of interest capitalized)	75	32	32	33	172
EBIT, Income before interest expense, income taxes and minority interest (GAAP measure)	21	44	83	50	198
Depreciation and amortization of other intangibles	46	46	44	44	180
Total EBITDA ⁽³⁾	67	90	127	94	378
Restructuring and restructuring related expenses	28	3	2	2	35
Total adjusted EBITDA ⁽⁶⁾	<u>95</u>	<u>93</u>	<u>129</u>	<u>96</u>	<u>413</u>

⁽¹⁾Tenneco presents debt net of cash balances because management believes it is a useful measure of Tenneco's credit position and progress toward reducing leverage. The calculation is limited in that the company may not always be able to use cash to repay debt on a dollar-for-dollar basis.

⁽²⁾Tenneco presents the above reconciliation of the ratio debt net of cash to the last twelve months (LTM) of adjusted EBITDA to show trends that investors may find useful in understanding the company's ability to service its debt. For purposes of this calculation, adjusted LTM EBITDA is used as an indicator of the company's performance over the most recent twelve months and debt net of cash is presented as an indicator of our credit position and progress toward reducing our financial leverage. LTM adjusted EBITDA is used to reflect annual values and remove seasonal fluctuations. This reconciliation is provided as supplemental information and not intended to replace the company's existing covenant ratios or any other financial measures that investors may find useful in describing the company's financial position. See notes (1), (3) and (4) for a description of the limitations of using debt net of cash, EBITDA and adjusted EBITDA.

⁽³⁾EBITDA represents income before 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 the company's operating performance, or as an alternative to operating cash flows as a measure of liquidity. Tenneco Inc. has presented EBITDA because it regularly reviews EBITDA as a measure of the company's performance. In addition, Tenneco believes its debt holders utilize and analyze our EBITDA for similar purposes. Tenneco also believes 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 may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

⁽⁴⁾ 2006 includes adjustments to eliminate the additional stock based compensation expense and the impact on the diluted shares calculation associated with FAS 123R, which the company adopted in 2006. The company plans to continue making this adjustment for the remainder of 2006 to enhance investors' understanding of the comparability between 2006 and 2005 results. See also Attachment I, Statements of Income footnote (b) for the nine months ended September 30.

⁽⁵⁾ Represents costs associated with changing new aftermarket customers from their prior suppliers to an inventory of our products. Although our aftermarket business regularly incurs changeover costs, we specifically identify in the table above the changeover costs that, based on the size or number of customers involved, we believe are of an unusual nature for the quarter in which they were incurred.

⁽⁶⁾ Adjusted EBITDA is presented in order to reflect the results in a manner that allows a better understanding of operational activities separate from the financial impact of decisions made for the long term benefit of the company and other items impacting comparability between the periods. Adjustments similar to the ones reflected above have been recorded in earlier periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. The company believes investors find the non-GAAP information helpful in understanding the ongoing performance of operations separate from items that may have a disproportionate positive or negative impact on the company's financial results in any particular period.