

TENNECO INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF INCOME
Unaudited
TWELVE MONTHS ENDED DECEMBER 31,
(Millions per share amounts)

	<u>2005</u>	<u>2004</u>
Net sales and operating revenues	<u>\$ 4,441</u>	<u>\$4,213</u> (d)
Costs and Expenses		
Cost of Sales (exclusive of depreciation shown below)	3,583 (a)	3,368 (e)
Engineering, Research and Development	83	76
Selling, General and Administrative	385 (a) (b)	417 (d) (e) (f)
Depreciation and Amortization of Other Intangibles	<u>177</u>	<u>177</u>
Total Costs and Expenses	<u>4,228</u>	<u>4,038</u>
Gain on sale of assets	-	1
Loss on sale of receivables	(3)	(1)
Other Income (Expense)	<u>5</u>	<u>(1)</u>
Total Other Income (Expense)	<u>2</u>	<u>(1)</u>
Income before Interest Expense, Income Taxes, and Minority Interest		
North America	145 (a) (b)	133 (d) (e) (f)
Europe & South America	54 (a)	21 (e) (f)
Asia Pacific	<u>16</u>	<u>20</u> (e) (f)
	215	174
Less:		
Interest expense (net of interest capitalized)	130	179 (g)
Income tax expense (Benefit)	25 (c)	(24) (h)
Minority interest	<u>2</u>	<u>4</u>
Net income	<u>\$ 58</u>	<u>\$ 15</u>
Average common shares outstanding:		
Basic	<u>43.1</u>	<u>41.5</u>
Diluted	<u>45.3</u>	<u>44.2</u>
Earnings per share of common stock:		
Basic	<u>\$ 1.35</u>	<u>\$ 0.37</u>
Diluted	<u>\$ 1.29</u>	<u>\$ 0.35</u>

(a) Includes restructuring and restructuring related charges of \$12 million pre-tax, \$8 million after tax or \$0.17 per share. Of the adjustment \$10 million is recorded in cost of sales and \$2 million is in SG&A. Geographically, \$4 million is recorded in North America and \$8 million in Europe and South America.

(b) Includes changeover costs for new aftermarket customers of \$10 million pre-tax, \$7 million after-tax or \$0.15 per share. The adjustment is recorded in SG&A. Geographically, the entire amount is recorded in North America.

(c) Includes a \$4 million or \$0.09 per share tax benefit primarily related to favorable resolution of foreign tax contingencies.

(d) Includes changeover costs for a new aftermarket customer acquired in the first quarter of \$8 million pre-tax, \$5 million after-tax or \$0.12 per share. Of the adjustment \$6 million is recorded in Sales and \$2 million is recorded in SG&A. Geographically all of the charge is recorded in North America.

(e) Includes restructuring and restructuring related charges of \$40 million pre-tax, \$25 million after tax or \$0.56 per share. Of the adjustment \$20 million is recorded in SG&A and the remaining \$20 million is in cost of sales. Geographically, \$11 million is recorded in North America, \$26 million in Europe and South America and \$3 million in Asia Pacific.

(f) Includes consulting fees indexed to stock price of \$4 million pre-tax, \$3 million after-tax or \$0.06 per share. The entire charge is recorded in SG&A. Geographically \$2 million of the charge is recorded in North America, \$1 million in Europe and South America and \$1 million in Asia Pacific.

(g) Includes a pre-tax expense of \$42 million, \$27 million after-tax or \$0.60 per share related to the call premium fee, additional interest expense and the write off of debt issuance costs that related to the \$500 million bond refinancing in November of 2004.

(h) Includes a \$21 million or \$0.47 per share tax benefit related to the resolution of outstanding tax issues and to recognize benefits related to previous tax losses in foreign operations.