

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

	<u>2006</u>	<u>2005</u>
Net sales and operating revenues	<u>\$ 4,685</u>	<u>\$ 4,441</u>
Costs and Expenses		
Cost of Sales (exclusive of depreciation shown below)	3,838 (a)	3,583 (h)
Engineering, Research and Development	88	83
Selling, General and Administrative	377 (a) (b) (c) (d) (e) (f)	385 (h) (i)
Depreciation and Amortization of Other Intangibles	<u>184</u>	<u>177</u>
Total Costs and Expenses	<u>4,487</u>	<u>4,228</u>
Loss on sale of receivables	(6)	(3)
Equity Income	3	1
Other Income	<u>1</u>	<u>4</u>
Total Other Income / (Expense)	<u>(2)</u>	<u>2</u>
Income before Interest Expense, Income Taxes, and Minority Interest		
North America	103 (a) (b) (c) (d) (e) (f)	145 (h) (i)
Europe, South America & India	81 (a)	54 (h)
Asia Pacific	<u>12 (a)</u>	<u>16</u>
	196	215
Less:		
Interest expense (net of interest capitalized)	136	130
Income tax expense	3 (g)	25 (j)
Minority interest	<u>6</u>	<u>2</u>
Net Income	<u>51</u>	<u>58</u>
Average common shares outstanding:		
Basic	<u>44.6</u>	<u>43.1</u>
Diluted	<u>46.8 (b)</u>	<u>45.3</u>
Earnings per share of common stock:		
Basic	<u>\$ 1.15</u>	<u>\$ 1.35</u>
Diluted	<u>\$ 1.10 (b)</u>	<u>\$ 1.29</u>

(a) Includes restructuring and restructuring related charges of \$27 million pre-tax, \$17 million after tax or \$0.39 per share, of which \$23 million is recorded in cost of sales and \$4 million is recorded in SG&A. Geographically, \$13 million is recorded in North America, \$8 million in Europe, South America and India and \$6 million in Asia Pacific.

(b) Includes \$1 million pre-tax and after tax increase in stock compensation expense associated with the adoption of FAS 123R. Adoption of this accounting standard also increased the calculated number of diluted shares by .6 million for a combined impact of \$0.02 per share.

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

(d) Includes pension replacement benefit of \$7 million pre-tax, \$5 million after tax or \$0.10 per share. The entire \$7 million adjustment is recorded in SG&A and geographically in North America.

(e) Includes Stock option expense adjustment of \$2 million pre-tax and \$1 million after tax or \$0.02 per share. The entire \$2 million adjustment is recorded in SG&A and geographically in North America.

(f) Includes reserve for receivables from former affiliate adjustment of \$3 million pre-tax and \$2 million after tax or \$0.04 per share. The entire \$3 million adjustment is recorded in SG&A and geographically in North America.

(g) Includes a \$16 million or \$0.34 per share tax benefit primarily related to FAS 109 adjustment, prior year true-up, Czech investment tax credit and resolution of tax issues with former affiliates.

(h) 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, South America and India.

(i) 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.

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