

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

	<u>2006</u>	<u>2005</u>
Net sales and operating revenues	<u>\$ 1,209</u>	<u>\$ 1,064</u>
Costs and Expenses		
Cost of Sales (exclusive of depreciation shown below)	1,021 (a)	865 (f)
Engineering, Research and Development	20	19
Selling, General and Administrative	87 (a) (b) (c) (d)	98 (f) (g)
Depreciation and Amortization of Other Intangibles	<u>48</u>	<u>43</u>
Total Costs and Expenses	<u>1,176</u>	<u>1,025</u>
Loss on sale of receivables	(2)	(1)
Equity Income	2	1
Other Income	<u>3</u>	<u>(1)</u>
Total Other Income / (Expense)	<u>3</u>	<u>(1)</u>
Income before Interest Expense, Income Taxes, and Minority Interest		
North America	16 (a) (b) (c) (d)	19 (f) (g)
Europe, South America & India	15 (a)	13 (f)
Asia Pacific	<u>5</u>	<u>6</u>
	36	38
Less:		
Interest expense (net of interest capitalized)	35	33
Income tax (benefit)	(15) (e)	(4) (h)
Minority interest	<u>2</u>	<u>1</u>
Net Income	<u>14</u>	<u>8</u>
Average common shares outstanding:		
Basic	<u>45.1</u>	<u>43.5</u>
Diluted	<u>47.2</u>	<u>45.6</u>
Earnings per share of common stock:		
Basic	<u>\$ 0.31</u>	<u>\$ 0.19</u>
Diluted	<u>\$ 0.30</u>	<u>\$ 0.18</u>

(a) Includes restructuring and restructuring related charges of \$6 million pre-tax, \$4 million after tax or \$0.08 per share. Of the adjustment \$4 million is recorded in cost of sales and \$2 million is recorded in SG&A. Geographically, \$3 million is recorded in North America and \$3 million in Europe, South America and India.

(b) 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.

(c) 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.

(d) 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.

(e) Includes a \$13 million or \$0.28 per share tax benefit primarily related to FAS 109 adjustment, prior year true-up and Czech investment tax credit.

(f) Includes restructuring and restructuring related charges of \$5 million pre-tax, \$3 million after-tax or \$0.06 per share. Of the adjustment \$4 million is recorded in cost of sales and the remaining \$1 million is in SG&A. Geographically, \$3 million is recorded in Europe, South America and India and \$2 million in North America.

(g) 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.

(h) Includes a \$5 million or \$0.11 per share tax benefit primarily related to favorable resolution of foreign tax contingencies.