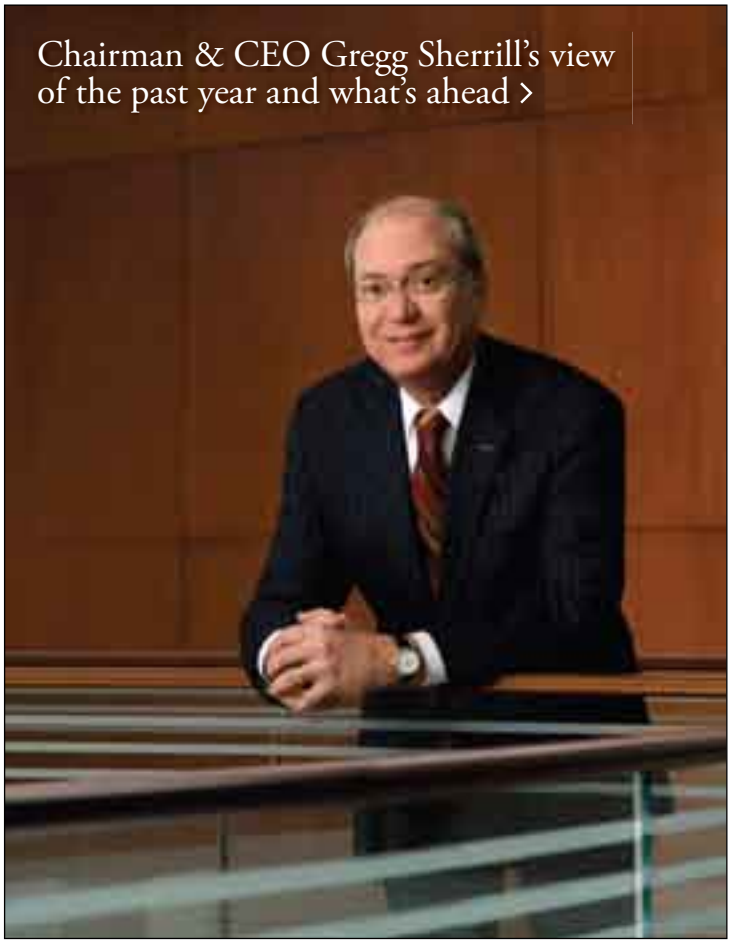
Flexible–Tenacious–Driven

Industry downturn–
Tenneco Response ›



Chairman & CEO Gregg Sherrill's view
of the past year and what's ahead ›

Q&A

Tenneco's financial
flexibility and
liquidity ›

8.8%

2008 SGA&E

Keeping down
SGA&E costs as a
percentage of sales ›

Advanced technology
driving growth ›

To Our Shareholders

2008 – An Extraordinary Year

"We are acting swiftly and aggressively to weather this economic and industry storm." Gregg Sherill, Chairman and CEO, Tenneco Inc.

Many words have been used to describe 2008 business conditions – unprecedented, challenging, crisis, and unrelenting. For the automotive industry, it was all of these and more. Tenneco began 2008 on a high note with a strong global team, the right strategies in place and an ever-evolving portfolio of advanced technologies; all of which positioned us to build on our successes and take advantage of new market opportunities.

However, in one short year our industry was hit by a series of crises, coming from all directions. First, we were impacted by the strike of a major supplier to the vehicle manufacturers in North America, virtually shutting down a number of assembly plants. This had a ripple effect on the supply base including Tenneco. Just as the industry in North America was recovering from these shutdowns in late May, we saw the spike in oil and gasoline prices, setting off alarms worldwide and driving down production of SUVs and light trucks, mostly in North America, where consumers opted for more fuel-efficient vehicles. Steel and other commodity material prices were also at record highs.

The negative conditions for our industry gathered steam in the early fall with signs of trouble in the banking and investment industry and our credit-based economy in general. The severe impact from the banking and credit crisis erupted first in North America and then quickly expanded worldwide. As the global meltdown intensified, we were plunged into a worldwide recession with seized-up credit markets, rising unemployment, low consumer confidence, record low vehicle sales and falling vehicle production volumes.

For Tenneco, we battled through tough conditions in our North America operations for most of the year and then saw the crisis expand to our operations worldwide, particularly in key European markets and even to faster-growing markets including China. This worldwide decline hit us with unprecedented force and speed, however, we are determined to differentiate Tenneco by the way we respond to these historic business conditions. This is a time of great testing for our business and our industry. Some will falter, some will fail. I am convinced that Tenneco will come through this crisis leaner, stronger, more innovative and ultimately more profitable - a leader in our industry. And in the meantime, we are acting swiftly and aggressively to weather this economic and industry storm.

Meeting Challenges – 2009 and the Road Ahead

I want to assure you that we are confronting these industry challenges head on and pursuing every opportunity to continuously improve our cash position, reduce costs and strengthen our operations. I am grateful for the dedication of our 21,000 employees around the world who are pulling together, staying aligned and successfully executing these actions.

Our immediate priority continues to be an intense focus on reducing costs and generating cash. To this end, we launched a global restructuring program that we expect will generate $58 million when fully implemented by the end of 2009. Among the key elements of the program: eliminating 1,100 jobs worldwide, in addition to 1,150 jobs eliminated earlier

To Our Shareholders

2008 – An Extraordinary Year continued

in 2008; closing three North American manufacturing plants and an engineering facility in Australia; suspending matching contributions to retirement plans and reducing spending on certain information technology and sales and marketing programs.

Additionally, we continue to drive productivity improvements and cost savings through our company-wide Six Sigma and Lean manufacturing initiatives. We are also aggressively flexing our operations to match market demand. This includes temporary layoffs of hourly workers at our plants worldwide impacted by low customer production schedules and plant shutdowns.

We froze 2009 salaries at 2008 levels, eliminated bonuses for bonus-eligible employees and cut total compensation, on average, for the top 50 executives by more than 60 percent. We have also implemented a variety of other actions to reduce our global salary expense. These actions are specific to the markets where we operate and include furloughs for salaried employees, temporary pay cuts for salaried employees, eliminating temporary workers and shortened work hours.

While many of these actions have been very painful, I am proud of the continuing support and determined attitude of our employees around the world. They have shouldered the burden of many of our cost reduction actions and I thank them for making individual sacrifices for Tenneco's ultimate success.

Additionally, we are reducing capital expenditures without compromising Tenneco's long-term growth prospects. We're eliminating or deferring regional expansion projects, cutting spending related to delayed customer launches, and eliminating all discretionary capital spending.

Tenneco has a good track record of generating cash flow through working capital improvements and we see more opportunities to do so in 2009, particularly in inventory. The rapid global production decline in the fourth quarter resulted in a high level of days on hand inventory at the end of 2008 compared with the year before. We are currently bringing those levels down and taking advantage of this opportunity to produce cash flow. We also tightly manage receivables and payables and are pursuing other opportunities to generate cash from working capital.

As for our engineering investments, we are focusing on technologies tied to business launching within the next two to three years and for many future programs have arrangements where the customer is paying up front for engineering and advanced technology developments. This allows us to continue all programs critical to our growth while minimizing the near-term impact on cash flow.

Finally, as always, we continue to focus intensely on eliminating all discretionary spending.

Financial Flexibility
Financial flexibility has always been a key strategic focus for Tenneco and never more important than during these challenging times. In response to the unprecedented global decline in vehicle production, we completed an amendment of our senior secured credit facility, which revised the financial covenant ratios under the facility for each quarter, beginning with the first quarter of 2009 and continuing through second quarter 2011. The size and availability of the facility remain unchanged but we now have more flexibility in meeting our quarterly ratio requirements in light of continuing low OE production volumes. We were pleased with the support from our lenders, who we believe recognized that the situation we face is driven by external factors and that Tenneco has strong prospects ahead, driven by growth factors not entirely dependent on an economic recovery.

A Promising Future – Strategic Growth
As we manage for short-term challenges, we are in no way losing focus on our longer-term prospects. We continue to

To Our Shareholders

2008 – An Extraordinary Year continued

execute our growth strategies and invest in new technologies and new markets that will play a central role in our future — a future that has never been more promising. One contributor to our growth comes from our opportunities in BRIC economies — Brazil, Russia, India and China — where we are well-positioned to meet growing customer demands with well-established manufacturing operations and global engineering capabilities. As a matter of fact, about 60 percent of new business won with Japan-based OEMs in 2008 will launch in these countries and in Thailand.

At Tenneco, with our leadership in emissions control technology, we are at the forefront of the industry's "green" movement. With countries throughout the world becoming increasingly concerned about the environment, we have a unique opportunity to drive significant global growth over the next five years as we capitalize on stricter emissions regulations. These regulations are opening up opportunities to expand content on vehicles, expand geographically and grow market share in adjacent markets including commercial vehicles where we exceeded our expectations in winning new business in 2008. We now have development or production contracts with 11 on-road and six off-road commercial vehicle customers.

Regarding adjacent market growth, we were pleased to announce last October that Tenneco is the global diesel emission control systems integration supplier to Caterpillar, Inc. We are working with Caterpillar to develop and produce diesel engine aftertreatment systems for Caterpillar engines that will comply with stricter emissions standards that begin to phase in early next year.

Our emissions technology expertise is also being sought out in new markets to Tenneco including the locomotive market. We signed a joint development agreement with General Electric that expands our nitrogen oxides (NOx) reduction technology portfolio and further strengthens our position to grow in adjacent markets. We are working with GE Transportation to further develop hydrocarbon-selective catalytic reduction (HC-SCR) aftertreatment technology into complete diesel aftertreatment systems for locomotive and off-highway vehicle markets. This technology, along with our ELIM-NOx urea-based SCR aftertreatment solutions, gives customers choices from a full suite of NOx reduction technology solutions. As part of the agreement with GE, Tenneco was awarded a development contract for GE locomotive projects.

Our technology-driven growth strategy is expanding our ride control business as well. Tenneco's Continuously Controlled Electronic Shock system (CES) is now on 16 vehicle models and the millionth CES shock was just produced at our facility in Ermua, Spain. In the aftermarket, we maintained our leading ride control market share in key European markets and grew ride control share in North America by adding new customers. We are also extending our business with growing sales of Monroe® springs and Monroe® brakes. We continue to look for new product opportunities that leverage our unmatched brands and strong distribution system.

In closing, although there is great concern today about the automotive industry and its ability to adapt to the new realities of the marketplace, I want to reiterate that we are closely managing today's challenges in a way that positions Tenneco to take advantage of an eventual economic and industry recovery. At the same time, we have not wavered from executing on our growth strategies. Given our global presence, operational excellence, customer focus and advanced technology position, Tenneco is uniquely qualified to take the lead in the years ahead.

All of us at Tenneco take pride in being part of this industry, even during these challenging times. I am confident — thanks in great part to the hard work, sacrifice and determination of the men and women of Tenneco — we are on the right course for success with a rewarding future for Tenneco.

Gregg Sherrill, Chairman and Chief Executive Officer
Tenneco Inc.

Tenneco at a Glance

Our Vision
Pioneering global ideas for cleaner, quieter, smoother, and safer transportation.

Corporate Profile
Tenneco Inc. is one of the world's largest designers, manufacturers and marketers of emission control and ride control products and systems for the vehicle original equipment market and aftermarket. The company became an independent corporation in 1999, allowing singular focus on strategies to maximize global results.

Tenneco markets its products primarily under the Monroe®, Walker®, Gillet™, and Clevite® Elastomers brand names. Leading manufacturers worldwide use our products in their vehicles, attracted principally by our advanced technologies. We are one of the top suppliers to the automotive aftermarket, offering exceptionally strong brand recognition, marketing support and outstanding distribution capabilities.

Safe Harbor Statement
Please see the Safe Harbor Statement and risk factors under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the accompanying Form 10-K, which is incorporated herein by reference.

Tenneco at a Glance

Original Equipment-Emission Control

2008 Sales
$3,621 million

Applications
- Passenger cars
- Light trucks
- Commercial vehicles
- Industrial
- Motorbikes
- Buses

Products
- Complete emission control systems
- Fabricated manifolds
- Manifold-converter modules
- Catalytic converters
- Mufflers and resonators
- Diesel particulate filter systems
- SCR, NOx abatement systems
- Exhaust heat exchangers
- Exhaust isolators and hanging systems

Brands

Gillet® WALKER EXHAUST SYSTEMS

Primary Competitors
- EMCON Technologies
- Faurecia
- Eberspächer
- Bosal
- Nelson (Cummins Inc.)

Key Advantages
- Advanced technologies
- Experienced team
- Product/process quality
- Global program management
- Japanese alliances
- Joint ventures in China, Thailand and U.K.
- Strong customer relationships
- Broad product range
- Broad and diverse customer base
- Full-service supplier
- Just-In-Time (JIT) assembly
- Test and validation systems
- Knowledge-based Manufacturing and Engineering
- Global manufacturing footprint
- Global engineering capabilities
- Lean manufacturing expertise

Top Five Customers
- General Motors Corp.
- Ford Motor Co.
- Daimler AG
- Volkswagen AG
- Toyota Motor Co.

Top Five Platforms 2008
- Chevy Malibu, Saturn Aura, Opel Insignia, Pontiac G6
- VW Golf, VW Jetta, Audi A3, Skoda Octavia
- GM Silverado/Sierra HD Gas/Diesel
- Daimler Mercedes-Benz E-Class
- Ford Super Duty Gas/Diesel

Market Opportunities
- Additional content due to emissions regulations
- Diesel aftertreatment
- Customized sound attenuation
- Emerging markets
- Commercial vehicle segment
- Adjacent markets

Tenneco at a Glance

Original Equipment-Ride Control

2008 Sales
$1,177 million

Applications
- Passenger cars
- Light trucks
- Commercial vehicles
- Golf carts
- Off-road recreational
- Rail cars
- Buses
- Motorbikes

Products
- Shocks and struts
- Suspension bushings
- Coil, air and leaf springs
- Torque rods
- Engine and body mounts
- Suspension modules and systems
- Control arms, bars and links
- Cabin dampers
- Continuously Controlled Electronic Suspension systems
- Anti-roll systems
- Seat dampers

Brands
MONROE, AXIOS, CLEVITE Elastomers, Kinetic, MARZOCCHI SUSPENSIONS, Fric-Rot

Primary Competitors
- ZF Sachs
- Delphi
- ArvinMeritor
- KYB
- Magneti Marelli

Key Advantages
- Advanced technologies
- Experienced team
- Product/process quality
- Global program management
- Japanese alliances
- Joint ventures in China, Thailand and U.K.
- Strong customer relationships
- Broad product range
- Broad and diverse customer base
- Full-service supplier
- Just-In-Time (JIT) assembly
- Test and validation systems
- Knowledge-based Manufacturing and Engineering
- Global manufacturing footprint
- Global engineering capabilities
- Lean manufacturing expertise

Top Five Customers
- General Motors Corp.
- Ford Motor Co.
- Volkswagen AG
- Renault
- Nissan Motor Co.

Top Five Platforms 2008
- GM Silverado, Sierra, Tahoe, Yukon, Avalanche, Suburban
- Ford Focus, Mazda 323, Volvo S40
- VW Golf, Caddy
- VW Transporter
- GM Chevy Impala, Buick LaCrosse

Market Opportunities
- Vehicle stability/safety concerns
- Electronic technologies
- New valve technologies
- Modular assemblies
- Emerging markets
- Adjacent markets
- Commercial vehicle segment
- Seat damping systems
- Cabin damping systems

Tenneco at a Glance

Aftermarket-Emission Control

2008 Sales
$358 million

Applications
- Passenger cars
- Light trucks
- Commercial vehicles
- Performance vehicles

Products
- Mufflers
- Pipes
- Tubing
- Mounting components
- Catalytic converters
- Performance mufflers
- Headers

Brands
WALKER EXHAUST SYSTEMS
Thrush Turbo
LUKEY PERFORMANCE EXHAUST
Fonos
DYNOMAX Performance Exhaust

Primary Competitors
- OE Service
- Bosal
- AP Exhaust Products
- International Muffler Company
- Klarius Group

Key Advantages
- Brand leadership
- Relationships with all major wholesale distributors/retailers
- Global presence
- Leading market shares
- Product innovation
- Product quality
- Extensive product and vehicle coverage
- Targeted marketing programs
- Distribution channels

Top Five Customers
- TEMOT International
- NAPA
- Automotive Distribution International (ADI)
- Uni-Select
- Advance Auto Parts

Leading Products
- Quiet-Flow3® mufflers/assemblies
- Dynomax® Ultra-Flo Stainless/Welded Mufflers/Systems
- SoundFX™ mufflers
- Clean Air™ catalytic converters

Market Opportunities
- Growing number of vehicles on the road
- OE Service
- New technologies
- Emission regulations
- Performance-product demand

Tenneco at a Glance

Aftermarket-Ride Control

2008 Sales
$761 million

Applications
- Passenger cars
- Light trucks
- Commercial vehicles
- Performance vehicles
- Trailers

Products
- Shock absorbers
- Struts and strut assemblies
- Cartridges
- Mounting kits
- Performance shocks and struts
- Torque rods
- Suspension bushings
- Engine mounts
- Coil springs
- Suspension lift kits
- Brake pads

Brands

MONROE AXIOS CLEVITE Elastomers RANCHO MONROE Reflex SHOCKS AND STRUTS Fric-Rot

Primary Competitors
- ArvinMeritor
- KYB
- OE Service
- ZF Sachs

Key Advantages
- Brand leadership
- Relationships with nearly all major wholesale distributors/retailers
- Global presence
- Leading market shares
- Product innovation
- Product quality
- Extensive product and vehicle coverage
- Targeted marketing programs
- Distribution channels

Top Five Customers
- Advance Auto Parts
- NAPA
- TEMOT International
- O'Reilly Automotive
- Uni-Select

Leading Products
- Reflex® shocks and struts
- Sensa-Trac® shocks and struts
- Rancho® shocks, struts and suspension lift kits
- Quick Strut™
- Gas-Magnum® shocks
- Monro-Matic Plus® shocks
- Monroe springs
- Monroe brake pads
- Monro-Magnum® shocks

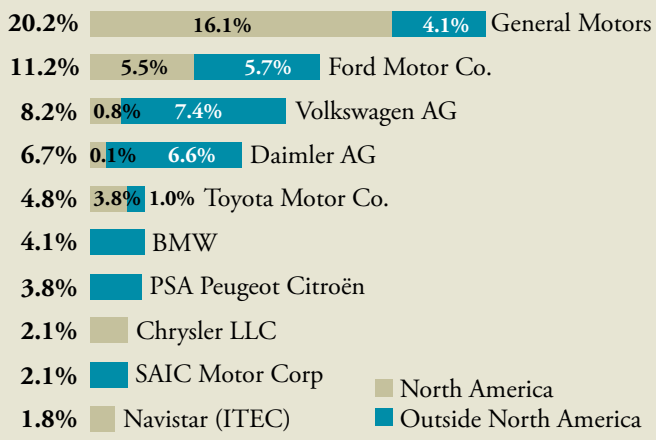
Market Opportunities
- Growing number of vehicles on the road
- OE service
- New technologies
- Unperformed maintenance
- Premium mix expansion
- Broader product coverage
- Heavy-duty truck penetration
- Safety/installer education
- Testing/diagnostic equipment

Tenneco at a Glance

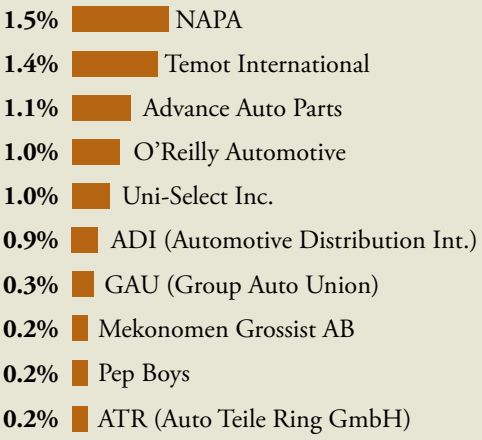
Metrics

Diverse Customer Base
Top Customers as a % of Total 2008 Revenues

Largest Original Equipment Customers



Largest Aftermarket Customers



2008 Sales–Dec. 31, 2008

	2008	2007
North America	44%	47%
Europe, South America and India	47%	44%
Asia Pacific	09%	09%

2008 EBIT*

	2008	2007
North America	$(107)	$120
Europe, South America and India	$85	$99
Asia Pacific	$19	$33

*EBIT is earnings before interest expense, taxes and minority interest.

Revenue

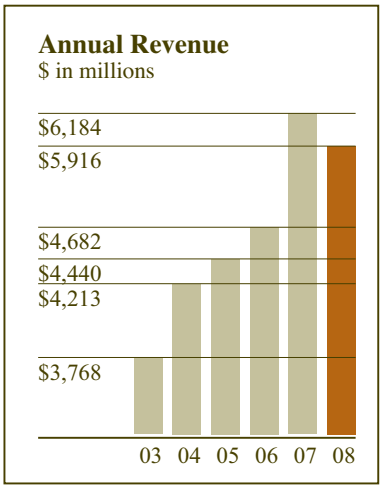
	2008	2007
Revenues (millions)	$5,916	$6,184
Total Emission Control/ Ride Control Balance	67/33	70/30
Original Equipment/ Aftermarket Balance	81/19	82/18

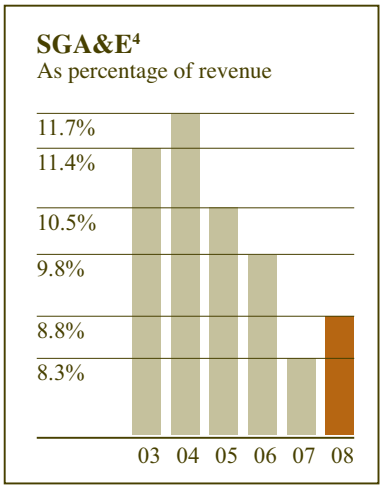
Profile

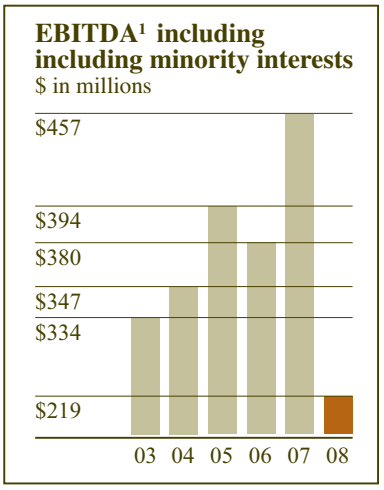
People	Approx. 21,000
Manufacturing & Just-In-Time Facilities	80
Engineering Centers	14
Countries Served	142

Financial Highlights

(dollars in millions except share and pre share data)	2008	2007	2006	2005	2004	2003
Net sales & operating revenues	$5,916	$6,184	$4,682	$4,440	$4,213	$3,768
Earnings before interest expense, taxes & minority interest (EBIT)	$ (3)[1]	$ 252	$ 196	$ 217	$ 170	$ 171
Depreciation & amortization	$ 222	$ 205	$ 184	$ 177	$ 177	$ 163
EBITDA[2] including non controlling interests	$ 2191	$ 457	$ 380	$ 394	$ 347	$ 334
Net income (loss) before changes in accounting principles	$ (415)[3]	$ (5)	$ 49	$ 56	$ 9	$ 25
Earnings (loss) per diluted share before changes in accounting principles	$(8.95)[3]	$(0.11)	$ 1.05	$ 1.24	$ 0.21	$ 0.58
Capital expenditures	$ 221	$ 198	$ 170	$ 143	$ 131	$ 130
Average diluted shares outstanding	46,406,095	45,809,730	46,755,573	45,321,225	44,180,460	41,767,959
Total debt	$1,451	$1,374	$1,385	$1,383	$1,421	$1,430
Cash and cash equivalents	$ 126	$ 188	$ 202	$ 141	$ 214	$ 145
Debt net of cash balances	$1,325	$1,186	$1,183	$1,242	$1,207	$1,285







[1]Includes restructuring and restructuring related charges of $40 million, a goodwill impairment charge of $114 million and customer changeover costs of $7 million.

[2]EBITDA including minority interest represents income from continuing operations before cumulative effect of changes in accounting principles, interest expense, income taxes, minority interest and depreciation and amortization. EBITDA including minority interest is not a calculation based upon generally accepted accounting principles. The amounts included in the EBITDA including minority interest calculation, however, are derived from amounts included in the historical statements of income data. In addition, EBITDA including minority interest should not be considered as an alternative to net income or operating income as an indicator of our performance, or as an alternative to operating cash flows as a measure of liquidity. We have reported EBITDA including minority interest because we believe EBITDA including minority interest is a measure commonly reported and widely used by investors and other interested parties as an indicator of a company's performance. We believe EBITDA including minority interest 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 including minority interest measure presented in this document may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

[3]Includes restructuring and restructuring related expenses of $27 million or $0.58 per diluted share, $4 million in aftermarket changeover costs or $0.09 per diluted share, goodwill impairment charge of $114 million or $2.45 per diluted share and $290 million or $6.25 per diluted share in net tax adjustments.

[4]Selling, General, Administrative and Engineering

Industry Downturn – Tenneco Response

Tenneco's Response to Industry Downturn

Balancing cost management with a laser focus on serving our customers.

Tenneco moved decisively in 2008 to deal with an unprecedented deterioration in the global economy and the severe downturn in the automotive industry, carefully balancing cost management with laser-like focus on customer service.

The company implemented restructuring and operational flexing programs that will:

- close three manufacturing plants in North America and an engineering facility in Australia;
- eliminate 2,250 positions worldwide;
- suspend matching contributions to employee 401(k) programs; and
- cut spending on information technology, sales and marketing.

Other actions included adapting work hours, adjusting employee compensation, cutting discretionary spending in all areas and maximizing Six Sigma and Lean manufacturing programs. Here's a closer look at how Tenneco is responding.

Cost and Cash Management

In North America, Tenneco announced the closing of its elastomer plant in Milan, Ohio, and its just-in-time (JIT) emission control facilities in Emigsville, Penn. and Evansville, Ind. In addition to these and other restructuring actions, the company implemented numerous "flexing" actions at all of its North American manufacturing operations, primarily by taking numerous down days throughout the year in response to customers' reduced production schedules.

Outside North America, labor agreements are often more complex and allow less flexibility in adjusting employment levels. In addition to reducing permanent staff, managers employed a number of other means, such as reducing the number of contract employees, offering sabbatical leave and using attrition by not replacing all employees who resigned or took early retirement.

Through negotiations with labor representatives, Tenneco also succeeded in reducing work hours and commensurate compensation at operations in Germany, the United Kingdom, Belgium, and Spain.

"Over the years, we have built good relationships, trust and a spirit of cooperation with our works councils," says Wolfgang Fries, executive director, human resources, Europe. "We drew on the cumulative goodwill to negotiate cost reduction measures that will help provide long-term employment and still meet our cost reduction goals."

Tenneco's global aftermarket operations also responded to challenging market conditions by cutting costs and reducing inventories to help generate cash.

In North America, the aftermarket team met its annual revenue goal and exceeded prior year totals despite higher fuel costs earlier in the year, which negatively impacted consumers' discretionary spending, and the negative economic

Industry Downturn – Tenneco Response

Tenneco's Response to Industry Downturn continued

developments in the fourth quarter. Despite stronger revenue, the North America aftermarket contended with increasing freight and material costs, which impacted earnings. To partially offset these increases and maximize financial results, the group managed costs by curtailing travel, cutting discretionary spending and making targeted reductions in other overhead costs.

"We were able to offset a sharp decline in the fourth quarter brought on by the recessionary economy by making strong gains in the previous months," says Joe Pomaranski, vice president, North America aftermarket. "Much of the sales gain came from winning business from our competitors."

The European aftermarket also reduced inventories and restructured its organization in response to market conditions. During the year, the group launched new emission control products and increased its market share, while extending its ride control line and maintaining sales levels.

Meeting Customer Commitments

A common element in these and other measures is a focus on maintaining Tenneco's dedication to quality and ability to respond to customers' current needs while continuing to develop advanced technology for future programs.

Serving General Motors almost exclusively, the ride control plant in Owen Sound, Ontario, Canada, adjusted throughout the year to wide swings in demand. Despite this uneven pattern, Owen Sound achieved a consistent high level of product quality, earning its third consecutive internal award, recognizing Owen Sound as the best overall quality performer among Tenneco's North American ride control plants. It also won Tenneco's Gold Standard Award for achieving near zero defects of 2 parts per million.

"We delivered a consistently high level of product quality through our excellent workforce," says Bob MacDougall, plant manager, Owen Sound. "Our team's application of Lean manufacturing principles and Six Sigma quality assurance programs sets us apart."

Global aftermarket operations responded to challenging market conditions by cutting costs and reducing inventories to help generate cash.

European operations developed a creative solution for reducing costs while meeting customer requirements. Tenneco rents space within one of its just-in-time (JIT) production facilities in France to another exhaust component manufacturer who supplies the same platform. While both companies assemble exhaust systems using their own components, Tenneco retains responsibility for sequencing both company's exhaust systems into the customer's production line, as well as for all shared services and logistics.

"The decision to share our plant is a first for Tenneco in Europe and has significant advantages for the customer," said Enrique Orta, executive operations director, emission control Europe. "We have enhanced our service and it also helped absorb a portion of the plant's fixed costs."

Meeting customer commitments also required closely managing time and focusing engineering resources to deliver uninterrupted engineering support of existing and new customers.

Industry Downturn – Tenneco Response

Tenneco's Response to Industry Downturn continued

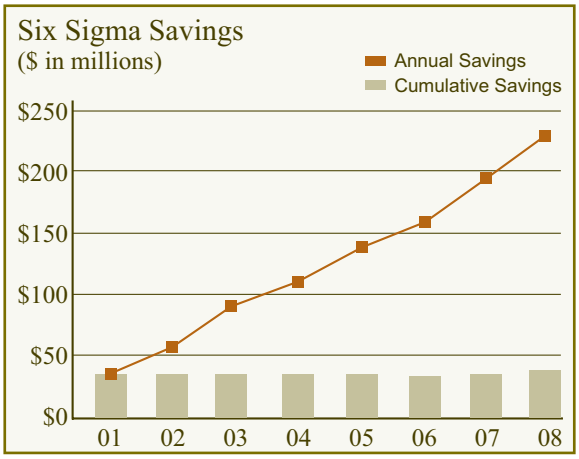
"We had no magic solution to getting the job done despite staff reductions and budget constraints", said Tim Bombrys, chief engineer, product engineering, North America ride control. "Our engineering team simply made extra effort, set priorities and did what was needed to meet customer requirements."

Part of this engineering effort supported the acquisition of ride control assets in Kettering, Ohio, from Delphi. The transfer of operation required continued supply of products for existing platforms and the launch of several new platforms including engineering support for the Multi-tuned Valve that also went into production at two other North American plants.

In South America, Tenneco combined managing costs with focusing on customer needs. While employing measures such as reduced work weeks, the Brazilian team increased ride control market share by six points to 24 percent by maintaining existing customers and winning new business.

Tenneco remained the sole supplier for the new Ford Ka launched in 2008 and solidified its position as supplier for the Volkswagen Gol, Brazil's top-selling vehicle for the last two decades.

"Technological innovation continues to play a key role in winning new business and growing our market share," said Guillermo Minuzzi, managing director, South America.



Improving Engineering Efficiency
Tenneco's European operations achieved significant savings by increasing product standardization without compromising customers' specific needs, using tools such as Tenneco's Knowledge-Based Manufacturing and Engineering technology. This knowledge management tool captures and updates knowledge from the company's most successful design and production processes and shares experience across engineering groups to significantly reduce development time and match product designs to manufacturing capabilities.

"We intensified standardization of emission control products over the last five years to achieve significant benefits," says Alfred Baumann, manager, product release and standardization, emission control Europe. "We are also working with our North American counterparts to establish standard global emission control processes."

In North America, engineers at the Grass Lake, Michigan emission control engineering center are using standardized procedures and Lean and Six Sigma techniques to improve testing and finite element analysis (FEA). As a result, Tenneco is benefiting in this cost- conscious environment from greater FEA output and more testing, using far fewer resources.

Global Purchasing Power
Tenneco's continuing emphasis on maximizing its global purchasing power also grew in importance as the challenges in 2008 intensified.

Global Supply Chain Management (GSCM) restructured its organization to provide Tenneco's worldwide business units more direct, focused support while reducing manpower needs by about 15 percent. In addition, to improve economical

Industry Downturn – Tenneco Response

Tenneco's Response to Industry Downturn continued

sourcing, GSCM placed local managers in China and South Korea to enhance supplier development and the interface between commodity purchasing groups, business units and suppliers.
This improved efficiency was complemented by aggressively negotiating agreements on stainless steel, tubing and stampings contracts, as well as material substitutions where possible without compromising product performance and quality.

"No one could have predicted the unprecedented challenges that confronted our industry over the last twelve months, which required us to take actions that tested the resilience of our employees worldwide," said Neal Yanos, executive vice president, North America. "I am impressed by their hard work, innovative thinking and actions, all of which have been key to our survival."

Financial Flexibility

Q. Do you believe Tenneco's debt level is appropriate for an automotive supplier?

We believe an appropriate leverage ratio for an auto supplier is a net debt/adjusted EBITDA ratio of 2.0x. It is important to understand that we have been intensely focused on reducing our leverage since becoming a stand-alone company in November 1999. At the end of 1999, our net debt was $1.550 billion and by the end of 2007 it had declined to $1.186 billion, a $364 million reduction in net borrowings. More importantly, operational improvements and business growth had improved our earnings such that our net debt to adjusted EBITDA ratio leverage had declined from a peak of 4.9x at the end of 2001 to 2.4x at December 31, 2007. We had made significant progress in reducing our debt, which unfortunately was reversed by the effects of today's global economic recession. However, regardless of today's negative climate, we remain committed to reaching our 2.0x leverage goal.

Q. What is Tenneco's debt maturity profile?

As a non-investment grade company, we have always adhered to a strategy of accessing the credit markets when the markets are ready rather than waiting until Tenneco requires capital. As a result, our senior secured credit facility is in place through March of 2012. Our first significant debt maturity is an amortization payment of $54 million on our Term Loan A in 2010, and our first bond maturity is in 2013. So, we do not have the pressure in this difficult credit market of needing to refinance any of our debt.

Q. What is your liquidity situation and what is Tenneco doing to generate cash?

We use a combination of our $680 million in revolving credit facilities and cash balances for our short term financing. At the end of 2008, we had $394 million of undrawn revolving borrowing capacity and $126 million in cash balances. We must comply with the covenant ratios in our senior secured credit facility to maintain access to our revolving borrowing capacity. Therefore, in February 2009, we successfully amended our credit facility to give us more room under our debt covenant ratios. We also renewed our U.S. securitization facility for $100 million through February 22, 2010. Our limit for securitizing receivables is $250 million and we have the flexibility of using sources globally in order to maximize the amounts under the cap.

Operationally, we continue to aggressively reduce our costs and implement actions to generate and preserve cash. We began stepping up our cost reduction efforts in North America in the second quarter of 2008 in response to a decrease in revenues due to the impact of the American Axle strike on General Motors, our largest customer. We were also working to offset record-high commodity costs worldwide. As we moved into the summer months, our aftermarket businesses experienced softer sales, likely due to higher gasoline prices that resulted in lower consumer spending on vehicle maintenance and repairs. On the OE side of our business, the higher fuel costs caused a dramatic decline in SUV and pick up truck sales, vehicles on which Tenneco has a strong presence. We responded in July with targeted restructuring programs in our North American businesses designed to generate $10 million in cost savings.

As the global economic crisis accelerated over the final four months of 2008, we quickly stepped up our efforts to take costs out of the organization and generate cash. These efforts included a global restructuring program that we expect to generate about $58 million in annual savings when fully implemented by the end of 2009, primarily through facility closures and permanent layoffs; salary and benefit reductions; temporary employee layoffs; reductions in capital spending and engineering investments; and aggressive cuts in discretionary spending.

Financial Flexibility

Finally, we are using the discipline we have built around our working capital management to generate our own liquidity. Inventories in particular should be a source of cash flow for us this year. And, continued tight control over receivables, payables and other working capital components, such as tooling produced for our customers, will help us manage through this economic crisis.

Q. Why did Tenneco amend its senior secured credit facility both in the fourth quarter of 2008 and again in the first quarter of 2009?

Our decision to amend our credit facility was driven by the external operating environment. After analyzing third-party production forecasts and other economic indicators, we felt it was a necessary step in our financial strategy for managing through this global industry crisis. I want to emphasize that we have good relationships with our lenders and they have been very supportive of Tenneco and our strategic direction over the years. In addition, there seems to be recognition that Tenneco has strong longer-term growth potential, particularly with the commercial vehicle emission control business that we begin launching in early 2010.

Initially, we went back to our lenders at the end of the fourth quarter of 2008 to amend our leverage ratio for the quarter, which was a precautionary step as we saw OE production volumes rapidly decline toward the end of the year. Subsequently, in February of this year, we successfully completed a broader amendment that included revising the financial covenant ratios for each quarter, beginning with first quarter 2009 and continuing through second quarter 2011. We are required to meet two compliance ratios under our agreement; a maximum leverage ratio (net debt/EBITDA) and a minimum interest coverage ratio (EBITDA/interest expense). The specific ratio requirements for each quarter can be found in our Form 10-K filing.

Q. Is there a risk that Tenneco will violate the covenants in 2009?

We worked diligently to get as much cushion as possible since it is very difficult to predict when we'll start to see a recovery in production volumes and overall economic conditions. That being said, we can't control the negative external factors affecting our business. So, we really can't guarantee that external conditions won't impact our performance against the revised covenant ratios. What we are doing is staying intensely focused on all the actions that we can control to help us counter the impact of these conditions including cost reduction initiatives and efforts to generate and preserve cash.

Q. What is Tenneco's accounts receivable exposure to GM, Ford and Chrysler in North America?

In total, as of December 31, 2008, we had $142 million in net receivables due from General Motors, Ford and Chrysler in North America.

Q. If one of your major customers went bankrupt, would Tenneco follow?

There are really too many uncertainties for me to speculate about a customer bankruptcy or the potential impact on Tenneco. We focus our energies on making sure that we're doing everything possible to keep our cash position strong, take out costs and operate as efficiently as possible. These efforts will help us through the near-term and keep us well-positioned operationally for an eventual economic and industry recovery. We have not deviated from our growth strategies during this industry crisis. We are staying focused on opportunities that are driving our longer-term growth including expansion in new vehicle and geographic markets.

Financial Flexibility

Q. Why did Tenneco receive a notice in March 2009 from the New York Stock Exchange regarding your listing?

Our average market capitalization was less than $75 million over a 30-day trading period in late February and early March and our last reported stockholders equity was less than $75 million. It is our understanding that a number of listed companies have received similar notices, driven by the tough global economic conditions that all companies are facing. We are working with NYSE to demonstrate that Tenneco can comply with the listing standards within 18 months, which is the timeframe the exchange requires. We are confident in our plan.

Q. Are you concerned about your supply base?

It is important to remember that steel is Tenneco's largest commodity purchase, which means we are working with large global steel suppliers who are better positioned than many other industries. Another significant piece of our purchase costs is substrate, where the suppliers are also in better financial health. We are monitoring our supply base very closely during this industry downturn. So far, we have not had any significant problems. Our global supply chain team is paying close attention to our suppliers and developing strategies as needed including identifying alter native global sourcing options

Technology-Driven Growth

Progress on Growth Plans

Tenneco added Caterpillar Inc. as a customer in 2008, when it became a global diesel emission control system integration supplier to CAT, the world's leading manufacturer of construction and mining equipment and diesel engines.

Dealing with the immediate challenges posed by the current business environment is only one task facing automotive suppliers. In addition to managing costs, successful companies must maintain and strengthen their capabilities in preparation for a future recovery.

Tenneco continued to lay the groundwork in 2008 for long-term growth. That preparation included targeted investments in the technologies and capabilities needed to help customers meet stricter emissions regulations as well as demands for improved ride comfort and safety. Tenneco also strengthened its global footprint, expanded business with growing customers — especially in some of the fastest growing automotive markets — and continued its strategic expansion into adjacent markets.

Adjacent Markets

Tenneco bolstered its expansion into the commercial vehicle on and off-road market last summer when it announced that it had become a global diesel emission control system integration supplier to Caterpillar Inc., the world's leading manufacturer of construction and mining equipment, and diesel engines. Tenneco is working with Caterpillar to develop and produce diesel engine aftertreatment systems for Caterpillar engines. These aftertreatment systems, along with Caterpillar's leading engine emissions reduction technology, will be used globally to meet stricter diesel emissions regulations that phase in beginning early in the next decade.

Our European team is using advanced design tools to develop selective catalytic reduction (SCR) systems for light and heavy duty trucks under global contracts, including with Daimler-Benz, Volkswagen, and Mahindra. Frank Terres, director, hot-end engineering for emission control Europe, says: "Continuous improvement of our engineering tools for SCR systems development helped us win significant new business at greatly reduced time and cost for Tenneco and our customers. The combination of simulation tools, CFD (computational fluid dynamics) analysis for uniformity, hot vibration testing, verification in the flow laboratory, and engine dynamometer validation, all combined to create an optimized SCR system design."

Tenneco is partnering with General Electric's Transportation unit to leverage the respective expertise of each company. The joint research is aimed at developing hydrocarbon-selective catalytic reduction (HC-SCR) to reduce nitrogen oxide emissions from diesel engines as required by future emissions regulations. GE has done extensive development of catalysts and substrates, while Tenneco brings its knowledge of emission control technology and system integration.

Tenneco has its own ELIM-NOx™ SCR system that uses urea. The effort with GE is aimed at developing and producing a hydrocarbon-selective catalytic reduction technology that will use diesel fuel in place of urea.

"The systems are complementary in that they have different applications," says Adam Kotrba, chief engineer, advanced engineering emission control North America. "The hydrocarbon-selective catalytic reduction technology is useful for vehicles where it is impractical to carry an additional fluid or there is a lack of infrastructure to support urea."

Applications include a range of construction vehicles from small bulldozers to large cranes, as well as locomotives, which represent additional adjacent markets for Tenneco. The system could also be used in future passenger car applications.

Technology-Driven Growth

Progress on Growth Plans continued

Tenneco has teamed with other suppliers to expand its technology offering. A joint effort with Woodward Governor Co., a manufacturer of components for the aerospace, transportation and other industries, is helping perfect Tenneco's T.R.U.E.-Clean™ diesel particulate filter product. Woodward's experience in developing combustion devices complements Tenneco's extensive knowledge of emission control systems.

The T.R.U.E-Clean device is a new product that provides a means for regenerating diesel particulate filters that must periodically burn off accumulated exhaust soot. Vehicles that extensively idle engines or make frequent stops, such as buses or waste-collection trucks, do not reach sufficient running temperatures to accomplish this task – a problem that T.R.U.E-Clean addresses by using diesel fuel to sufficiently raise exhaust temperatures.

"We are also discussing with potential customers the use of the T.R.U.E.-Clean system for large construction equipment and in conjunction with diesel aftertreatment systems on locomotives," says Hank Sullivan, director, advanced engineering emission control North America.

Tenneco's ride control business made a major adjacent market move with the acquisition of the suspension business of Gruppo Marzocchi. This leading supplier of suspension parts for two-wheeled vehicles throughout the world includes such well-known names as BMW and Ducati in its customer roster.

"Acquiring the Marzocchi suspension business further diversifies our business by expanding our presence in the two-wheeler specialty market," says Sandro Paparelli, vice president and deputy general manager, ride control Europe. "This purchase brings together strong brands, leading products and advanced technology capabilities that allow us to provide customers with integrated suspension systems for motorcycles and other applications."

Traditional Markets

While adding to future growth through acquisitions and expanding the scope of applications for its technology, Tenneco's advanced engineering also continued to attract business in traditional vehicle markets last year.

New business awarded during 2008 included awards from Volvo and Volkswagen for our advanced Continuously Controlled Electronic Suspension (CES). The CES shock absorber is a component of Volkswagen's Adaptive Chassis Control DCC on the new Volkswagen Passat CC, as well as offered as an option on the Volvo SC60, continuing a relationship that dates back to 2003. Since that time, CES has also won business from Ford, Audi and Mercedes-Benz for a number of vehicle models.

"A vehicle's ride and handling performance are among the top influences in consumer buying decisions," says Rudi Schurmans, engineering director, ride control Europe. "Our reputation for helping vehicle manufacturers deliver enhanced ride and handling has driven greater demand for high-performance suspension systems like our CES shock absorbers."

Tenneco continued to grow its share of the global electronic suspension market with its Continuously Controlled Electronic Suspension (CES) shock, winning new business in 2008 with Volvo and Volkswagen.

By 2011, the company anticipates expanding its share of the global electronic suspension market by four times.

Technology-Driven Growth

Progress on Growth Plans continued

In North America, the company expanded its relationship with Toyota with the launch of new emission control business on the 2008 Toyota Sequoia. Tenneco also grew its relationship with Ford. The company announced it will supply components (including catalytic converters) that make up the "hot end" of the exhaust system for the Ford F-150 light-duty truck, Ford Expedition, Lincoln Navigator and the Ford Econoline vehicles. Tenneco already had the cold-end (mufflers and pipes) business for these models. For the 2010 model-year, Tenneco was awarded emission control business for some of Ford's mid and upper mid-size passenger vehicle lines. This represents growth in the car segment with Ford and supports Tenneco's global strategy to increase its share of passenger car business in North America.

Growth Customers and Markets

Tenneco's global footprint helped the company attract new business despite difficult industry conditions. This new business included contracts with several Japan-based manufacturers for 13 different vehicle platforms, launching between late 2009 and 2011. Most of this business will be produced in the expanding markets of Brazil, Russia, India, China and Thailand, enabling Tenneco to expand operations in these fast-growing emerging markets. In 2007 and 2008, the company has won more than $265 million annualized in new business with Japanese OEMs.

"We continued to move forward on our strategy to grow our business with the Japan-based OEMs in 2008," said Jeff Jarrell, Tenneco's managing director for Japan and vice president of global Japanese OEM business. "Tenneco's worldwide annual revenues generated with Japanese customers have doubled over the last seven years as a result of our global capabilities and commitment to building long-term business relationships with our Japan-based customers."

Approximately 60% of the new business Tenneco won in 2008 with Japan-based vehicle manufacturers will launch in fast-growing markets, including China, between 2009 and 2011.

In China, Tenneco is working towards finalizing an emission control joint venture with Beijing Automotive Industry (Holding) Corp. (BAIC), Tenneco already operates a ride control joint venture with BAIC in Beijing, and the expanded relationship with BAIC will result in Tenneco's first-ever ride control and emission control business with Hyundai Motor Company.

"Our commitment to growing with and supporting our customers in markets around the world remains as strong as ever, regardless of the current environment," says Hari Nair, president of Tenneco International. "We have been able to address today's challenges and maintain our strategic focus thanks to the hard work, dedication and teamwork of our people worldwide."

Leadership

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Dennis J. Letham[1]
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Hari N. Nair
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Tenneco Inc.

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Chairman and Chief Executive Officer, Packaging Corporation of America

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Illinois Tool Works Inc.

1 Audit Committee
2 Compensation/Nominating/Governance Committee

Bold numbers indicate the committee chair.

Leadership

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Maritza Gibbons
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Strategic Planning and Business
Development

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Kevin Swint
Vice President
General Manager,
North America Original Equipment
Ride Control

Karel Van Bael
Vice President
General Manager,
Europe Original Equipment
Ride Control

Investor Relations

Corporate Information
Individuals interested in receiving the company's latest quarterly earnings press release or other company literature should write the Investor Relations Department at the corporate headquarters address, or call 847.482.5607.

Information about Tenneco Inc. is also available on the company's web site www.tenneco.com*

Stock Listing
Tenneco's common stock is listed under the ticker symbol TEN. TEN is traded primarily on the New York Stock Exchange and also on the Chicago Stock Exchange.

As of February 23, 2009, there were approximately 21,403 holders of record of the company's common stock, par value $0.01 per share.

Investor Inquiries
Securities analysts, portfolio managers and representatives of financial institutions seeking information about the company should contact the Investor Relations department: 847.482.5607.

Dividends
The company expects that for the foreseeable future it will follow a policy of retaining earnings in order to finance the continued development of its business. Additional information on the company's dividend policy and restrictions on the payment of dividends can be found in Part II, Item 5 and in the Management's Discussion and Analysis in the Annual Report on Form 10-K for the year ended December 31, 2008.

Annual Meeting
The Annual Meeting of Stockholders will be held at 10:00 a.m. Central Time on Wednesday, May 13, 2009, at Tenneco Inc. headquarters, 500 North Field Drive, Lake Forest, Illinois 60045.

Corporate Headquarters
Tenneco Inc.
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847.482.5000
www.tenneco.com

Stockholder Inquiries
For stockholder services such as exchange of certificates, issuance of certificates, lost certificates, change of address, change in registered ownership or share balance, write, call or e-mail the company's transfer agent:

Wells Fargo Bank, N.A.
Shareowner Services
161 N. Concord Exchange
South St. Paul, MN 55075
866.839.3259 (Toll Free)
651.450.4064
www.wellsfargo.com/shareownerservices

*The information on our web site is not part of this annual report.

Total Cumulative Return

Based upon an initial investment of $100 on December 31, 2003, with dividends reinvested

At December 31	2008	2007	2006	2005	2004	2003
Tenneco Inc.	$44.10	$389.69	$369.51	$293.12	$257.70	$100
S&P 500 Index	$89.53	$142.10	$134.70	$116.33	$110.88	$100
Peer Group (see listing in 10-K)	$69.61	$164.30	$125.10	$108.17	$110.56	$100