TENNECO

THIRD QUARTER 2016

Earnings Conference Call
October 28, 2016

Agenda

- **Highlights and Strategic Overview** — **Gregg Sherrill**, *Chairman & CEO*
- **Segment Results** — **Brian Kesseler**, *Chief Operating Officer*
- **Financial Overview** — **Ken Trammell**, *Chief Financial Officer*
- **Outlook** — **Gregg Sherrill**
- **Questions and Answers**

Safe Harbor Statement / Non-GAAP Results:
Please see the safe harbor statement and the tables that reconcile GAAP results with non-GAAP results at the end of this presentation and in Tenneco's financial results press release, which is incorporated herein by reference.

Third Quarter Overview

$ Millions, except as noted	3Q'16	3Q'15	B/(W)	% Change
Total Revenue	2,096	2,025	71	4%
Value-add Revenue Δ	1,612	1,550	62	4%
EBIT	152	116	36	31%
EBIT (% of VA Revenue)	9.4%	7.5%	1.9%	25%
Adjusted EBIT †	159	151	8	5%
Adjusted EBIT † (% of VA Revenue)	9.9%	9.7%	0.2%	2%
Adjusted EBITDA *†	212	200	12	6%
Net Income	180	52	128	246%
EPS ($)	$3.21	$0.88	$2.33	265%
Adjusted Net Income †	86	73	13	18%
Adjusted EPS ($) †	$1.53	$1.22	$0.31	25%
Cash Flow From Operations	139	106	33	31%
Net Debt / Adjusted LTM EBITDA*†	1.3x	1.4x	0.1x	7%

* Including noncontrolling interests.
† Adjusted for restructuring activities, refinancing costs and tax adjustments.

Δ Value-add Revenue is total revenue less substrate sales.

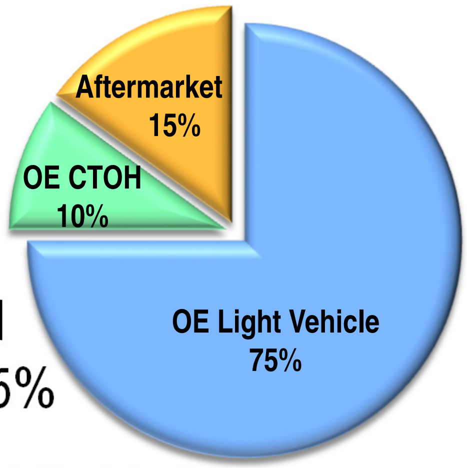
Quarter Highlights

- **We delivered another excellent quarter**
- **Highest-ever third quarter:**
  - Revenue
  - Reported and adjusted EBIT
  - Reported and adjusted net income
  - Reported and adjusted earnings per share
  - Cash from operations
- **Another quarter of margin improvement**

Revenue

- **Total revenue $2.096B, up 4%**
- **In constant currency, total revenue up 5% to $2.135B**
  - OE light vehicle up 9%, led by Europe, China, India, and South America almost doubling global LV production of 5%
  - OE commercial truck & off-highway down 10%; Clean Air revenue down 7% on lower off-highway volumes in North America and Ride Performance revenue down 18% on weak commercial truck production in NA and Brazil and reduced by the sale of the Marzocchi specialty business
  - Aftermarket down slightly compared to last year
- **In constant currency, value-add revenue up 6%**
  - Clean Air up 7%; Ride Performance up 5%

3Q 2016 Total Revenue



EBIT

- **Adjusted EBIT grew 5% to $159M**
  - Light vehicle revenue growth outpacing industry production in both product lines
- **VA adjusted EBIT margin increased 20 bps to 9.9%**
  - Another quarter of improved margins
- **Converting earnings growth into cash generation with record third quarter cash from operations of $139M**

Industry Production – YoY% Change

Major Regions	3Q'16	4Q'16	FY'16
North America	2%	1%	2%
Europe	-2%	1%	2%
South America	-10%	2%	-12%
India	14%	4%	8%
China	24%	-2%	8%
Global Industry Production	5%	1%	3%

Source: IHS Automotive October 2016 global light vehicle production forecast.

Results by Product Line

$ Millions

Clean Air

3Q 2016	North America	Europe SA & India	Asia Pacific	Total
Total Revenue	$ 716	$ 487	$ 257	$ 1,460
Less: Substrate sales	248	181	55	484
Value-add revenue	$ 468	$ 306	$ 202	$ 976
Adjusted EBIT	$ 44	$ 31	$ 38	$ 113
Adjusted EBIT as a % of revenue	6.1%	6.4%	14.8%	7.7%
Adjusted EBIT as a % of value-add revenue	9.4%	10.1%	18.8%	11.6%

3Q 2015	North America	Europe SA & India	Asia Pacific	Total
Total Revenue	$ 720	$ 453	$ 235	$ 1,408
Less: Substrate sales	251	166	58	475
Value-add revenue	$ 469	$ 287	$ 177	$ 933
Adjusted EBIT	$ 58	$ 16	$ 33	$ 107
Adjusted EBIT as a % of revenue	8.1%	3.5%	14.0%	7.6%
Adjusted EBIT as a % of value-add revenue	12.4%	5.6%	18.6%	11.5%

Ride Performance

3Q 2016	North America	Europe SA & India	Asia Pacific	Total
Total Revenue	$ 306	$ 258	$ 72	$ 636
Less: Substrate sales	-	-	-	-
Value-add revenue	$ 306	$ 258	$ 72	$ 636
Adjusted EBIT	$ 42	$ 11	$ 15	$ 68
Adjusted EBIT as a % of revenue	13.7%	4.3%	20.8%	10.7%
Adjusted EBIT as a % of value-add revenue	13.7%	4.3%	20.8%	10.7%

3Q 2015	North America	Europe SA & India	Asia Pacific	Total
Total Revenue	$ 330	$ 236	$ 51	$ 617
Less: Substrate sales	-	-	-	-
Value-add revenue	$ 330	$ 236	$ 51	$ 617
Adjusted EBIT	$ 40	$ 8	$ 10	$ 58
Adjusted EBIT as a % of revenue	12.1%	3.4%	19.6%	9.4%
Adjusted EBIT as a % of value-add revenue	12.1%	3.4%	19.6%	9.4%

Clean Air – Revenue

- **Clean Air VA revenue of $976M up 5%; in constant fx up 7%**
  - **NA VA revenue $468M, flat year-over-year**
    - LV revenue growth of 5% with ramp-up on recent launches for GM's Acadia, Enclave and Traverse (C1XX) and the Malibu, Impala and LaCrosse (E2XX)
    - Commercial truck & off-highway revenue down 22% on lower off-highway volumes
  - **ESI VA revenue $306M, up 7%; in constant currency up 10%:**
    - LV revenue growth of 12% primarily in Europe on new platforms like the Mercedes E-Class and increased volumes on Renault X82, Chevy Cruze, Opel Astra and several Jaguar models as well as higher LV volumes in South America and India
    - Commercial truck & off-highway revenue up 5% primarily driven by the ramp-up on Stage 4 off-highway products in Europe and the launch of BS IV on-road commercial truck business in India
  - **Asia Pacific VA revenue $202M, up 14%; in constant currency up 19%:**
    - LV revenue up 20% on strong industry production in China and new launches with Beijing Hyundai and SGM.
    - Commercial truck & off-highway revenue up 10% with higher on-road commercial truck volumes in China partially offset by lower off-highway volumes in Japan

Clean Air – EBIT and Margin

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- **Clean Air adjusted EBIT up 6% to $113M, including $1M in negative currency comparison**
- **Clean Air VA adjusted EBIT margin of 11.6%, up 10 bps**
  - Higher light vehicle volumes in North America, Europe, South America, India and China
  - New platforms and operational cost improvements in Europe and China
  - Offsetting steep declines in North America off-highway volumes and slower than expected ramp-ups on two light truck programs also in North America

Ride Performance – Revenue

- **Ride Performance revenue of $636M, up 3%; in constant currency up 5%**
  - **NA revenue $306M, down 7%:**
    - LV revenue down 8% primarily due to retired programs
    - Commercial truck down 19% on lower production volumes
    - Aftermarket sales down 3% vs. prior year which included the Carquest inventory load
  - **ESI revenue $258M, up 9%; in constant currency up 12%:**
    - LV revenue growth of 18% outpaced industry production in all three regions, with Europe outperformance driven by new programs with Jaguar, VW and Renault as well as the launch and ramp-up of programs with MONROE® Intelligent Suspension technology with Renault, VW and Ford.
    - CTOH down due to the sale of the Marzocchi specialty business ($5M in 3Q'15)
    - Aftermarket revenue growth of 10% driven by Europe and South America
  - **Asia Pacific revenue $72M, up 41%; in constant currency up 47%** with LV revenue growth of 64% on strong volumes in China including new launches with Beijing Hyundai, SGM and Chery Automobile.

Ride Performance – EBIT and Margin

- **Ride Performance adjusted EBIT up 17% to $68M, including $1M in positive currency comparison**
- **Adjusted EBIT margin of 10.7%, up 130 bps**
  - Reflects higher light vehicle volumes in Europe, India and China and stronger aftermarket sales in Europe and S. America
  - Sequential cost improvement on a number of MONROE® Intelligent Suspension program launches in Europe and expect the improvement to continue
  - Operational cost improvements

Quarter Recap

- **Another strong quarter of executing on growth strategies and delivering record earnings**
- **Focused on operational excellence and aligned around processes to:**
  - Drive revenue growth
  - Deliver flawless launches
  - Continuously improve utilization and efficiency
- **Full year margins will improve this year and we expect the annual margin improvement to continue in future years**

Third Quarter Adjustments

- **Net tax benefit of $105M, or $1.87 per diluted share, for tax adjustments related to foreign tax credits available for carryforward**
- **Restructuring and related expense of $7M pre-tax, or 10-cents per diluted share, for cost improvement initiatives**
  - $5M in North America (RP)
  - $1M in Europe (CA)
  - $1M in China (CA)
- **Refinancing costs of $8M in the third quarter, or 9-cents per diluted share**
  - In July we completed the refinancing of $500M of 6 7/8% notes with new 5.0% notes due in 2026, annual interest savings of $9M
    - Recorded an additional $8M of refinancing costs in 3Q to complete the redemption of the remaining outstanding 6 7/8% notes that were not tendered in June

Tax Expense and Noncontrolling Interests

- **Tax benefit of $69M**
  - Includes tax benefit of $1M on restructuring and related costs and $3M on debt refinancing costs, as well as a net tax benefit of $105M for adjustments related to foreign tax credits available for carryforward
  - Before those 3Q items, adjusted tax expense is $40M
    - Effective tax rate of 28% in the quarter and 29% year-to-date
  - 3Q cash tax payments were $30M
- **2016 tax expectations**
  - Still expect a full year effective tax rate between 29% and 30%
  - Now expect cash taxes in the range of $120M to $130M
- **Net income attributable to noncontrolling interests was $17M in Q3, up $3M compared to last year**
  - Noncontrolling interests are driven by growth in China JVs
  - Historically has sequentially increased in Q4, when China LV production is seasonally highest

Debt and Cash Position

$ Millions

	September 30, 2016	September 30, 2015
Total Debt	$ 1,434	$ 1,341
Cash Balances	326	222
Net Debt	$ 1,108	$ 1,119

- **3Q16 adjusted interest expense of $16M**
  - Adjusted for the additional $8M of refinancing costs in 3Q to complete the redemption of the remaining outstanding 6 7/8% notes that were not tendered in June
- **Still expect 2016 annual interest expense of about $70M**
- **Net debt / Adjusted LTM EBITDA* ratio was 1.3x at the end of the quarter, compared to 1.4x a year ago**

* Including noncontrolling interests.

Cash Flow

- **Cash generated from operations of $139M in the quarter, up 31% compared to $106M last year**
  - Continued strong working capital performance
- **YTD cash from operations $239M, up 27%, compared to $188M last year**

Working Capital Metrics (L3M):

	3Q'16	3Q'15	B(W)
DSO excl. factoring	65	65	-
DOH	39	38	(1)
DPO	75	72	3

- **Capital expenditures of $90M in the quarter primarily to support new programs in North America, Europe and China**
  - For full year 2016, we still expect capital expenditures of about $360M
- **Repurchased 1.65 million shares in 3Q for $89M**
  - Since we announced the buyback at the beginning of 2015, we have repurchased 7.0 million shares for $359M, representing 11% of shares outstanding at that time.
  - Remaining authorization of $191M which we expect to complete out of free cash flow during 2017

Outlook

- **In 4Q we expect revenue growth of 3%, assuming constant currency**
  - Light vehicles expected to be the key driver of growth with revenues outpacing industry production driven by our key structural growth drivers
  - Expecting on-road commercial truck revenue in line with industry production of -1%*
  - Expecting lower off-highway revenues due to further deterioration in North America and weakness in Europe
  - Resulting in total commercial truck and off-highway revenue expected to be comparable with 3Q'16 and down about 10% vs. last year
  - Expect solid contribution to revenue from global aftermarket
- **For the full year we continue to expect to outpace aggregate industry production by 3 percentage points for total revenue growth of 6%, assuming constant currency**
- **Adjusted margin will improve for full year 2016**
- **Continue to expect to outpace industry production by 3 to 5 percentage points in 2017 and 2018** (confirming guidance)

*Source: Power Systems Research October 2016 global commercial truck and buses forecast

Commercial Truck and Off-Highway Diesel Aftertreatment Customers

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North America

Truck
- Chrysler (LV 3/4 ton +)
- GM (LV 3/4 ton +)
- Ford (LV 3/4 ton +, CTrk Med-duty)
- Customer A (CTrk)

Off-Highway
- Caterpillar / Perkins
- Deere

Brazil

Commercial Truck
- Daimler Trucks
- IVECO
- MAN
- MWM
- Scania

Europe

Commercial Truck
- Daimler Trucks
- Scania
- Customer B

Off-Highway
- AGCO
- Caterpillar / Perkins
- Deere
- Deutz
- MAN
- Scania

China

Commercial Truck
- China National Heavy-Duty Truck Co.
- Dalian Diesel Engine Co.
- FAW
- JND
- Shanghai Diesel Engine Co.
- Weichai
- YuChai

India

Commercial Truck
- Daimler Trucks
- Mahindra
- MAN Trucks India (MTI)
- Tata Motors
- VE Commercial Vehicles
- Volvo Trucks

Japan

Off-Highway
- Caterpillar / Perkins – Exported from N. America
- Kubota

Appendix: Commercial Truck, Off-Highway and Other Revenue Details

$ Millions, Unaudited

	2016						2015					
	Q1		Q2		Q3		Q1		Q2		Q3	
	Revenues	Value-add Revenues	Revenues	Value-add Revenues	Revenues	Value-add Revenues	Revenues	Value-add Revenues	Revenues	Value-add Revenues	Revenues	Value-add Revenues
Clean Air Division												
North America	$ 92	$ 66	$ 86	$ 58	$ 63	$ 41	$ 86	$ 55	$ 87	$ 56	$ 81	$ 54
Europe, South America & India	73	44	79	49	64	40	73	44	75	44	65	39
Asia Pacific	35	21	36	22	33	21	31	19	26	16	31	20
Total Clean Air Division	**$ 200**	**$ 131**	**$ 201**	**$ 129**	**$ 160**	**$ 102**	**$ 190**	**$ 118**	**$ 188**	**$ 116**	**$ 177**	**$ 113**

Appendix:
Pension and OPEB

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$ Millions

Pension	2013	2014	2015	3Q'16	2016E
Defined Benefit Expense	$26	$15*	$15	$4	$13*
Defined Benefit Contributions	$57	$46	$25	$4	$44

OPEB	2013	2014	2015	3Q'16	2016E
Expense	$3	$3	$8	$2	$9
Cash Payments	$8	$8	$9	$2	$9

* Does not include settlement or curtailment amounts

Appendix:
Tenneco's Revenue Projections

Tenneco's revenue projections for 2016 are as of October 2016. Revenue assumptions are based on projected customer production schedules, IHS Automotive October 2016 forecasts and Power Systems Research October 2016 forecasts.

Tenneco's revenue projections for 2017 and 2018 are as of January 2016. Revenue assumptions are based on projected customer production schedules, IHS Automotive December 2015 forecasts and Power Systems Research January 2016 forecasts.

In addition to the information set forth on this slide and slide 18, Tenneco's revenue projections are based on the type of information set forth under "Outlook" in Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set forth in Tenneco's Annual Report on Form 10-K for the year ended December 31, 2015. Please see that disclosure for further information. Key additional assumptions and limitations described in that disclosure include:

- Revenue projections are based on original equipment manufacturers' programs that have been formally awarded to the company; programs where the company is highly confident that it will be awarded business based on informal customer indications consistent with past practices; and Tenneco's status as supplier for the existing program and its relationship with the customer.
- Revenue projections are based on the anticipated pricing of each program over its life.
- Revenue projections assume a fixed foreign currency value. This value is used to translate foreign business to the U.S. dollar.
- Revenue projections are subject to increase or decrease due to changes in customer requirements, customer and consumer preferences, the number of vehicles actually produced by our customers, and pricing.