



Tenneco Automotive Reports Record Third Quarter Revenue And Net Income

October 25, 2005

- *Earnings per share improves 64%*
- *Earnings before interest, taxes and minority interest up 17%*
- *14th consecutive quarter of year-over-year revenue growth*
- *15th consecutive quarter of year-over-year adjusted EBITDA improvement*

LAKE FOREST, ILLINOIS, OCTOBER 25, 2005 - Tenneco Automotive (NYSE: TEN) reported record third quarter revenue and net income since becoming a stand-alone company. The company reported third quarter net income of \$10 million, or 23-cents per diluted share, up from net income of \$6 million, or 14-cents per diluted share in third quarter 2004. Adjusted for the items below, net income rose to \$12 million, or 27-cents per diluted share, compared with \$7 million, or 16-cents per diluted share a year ago. The company reported third quarter revenue of \$1.096 billion, up from \$996 million a year ago.

EBIT (earnings before interest, taxes and minority interest) was \$50 million compared with \$44 million in third quarter 2004. EBITDA (EBIT before depreciation and amortization) was \$94 million, up from \$86 million the previous year. On an adjusted basis, EBIT was \$52 million, up from \$46 million a year ago and EBITDA was \$96 million, 10% higher than \$88 million the previous year. See the tables attached to the press release, which reconcile GAAP results to non-GAAP results.

Adjusted third quarter 2004 and 2005 results:

	Q3 2005				Q3 2004			
	EBITDA	EBIT	Net Income	Per Share	EBITDA	EBIT	Net Income	Per Share
Earnings Measures	\$ 94	\$ 50	\$ 10	\$ 0.23	\$ 86	\$ 44	\$ 6	\$ 0.14
Adjustments (reflects non-GAAP measures):								
Restructuring/restructuring related expenses	2	2	2	0.04	2	2	2	0.04
Tax Adjustments	-	-	-	-	-	-	(1)	(0.02)
Non-GAAP earnings measures	\$ 96	\$ 52	\$ 12	\$ 0.27	\$ 88	\$ 46	\$ 7	\$ 0.16

Download and print this summary table (PDF): [Adjusted third quarter 2005 and 2004 results](#)

Third quarter 2005 adjustments:

- Restructuring related expenses of \$2 million pre-tax, or 4-cents per diluted share

Third quarter 2004 adjustments:

- Restructuring related expenses of \$2 million pre-tax, or 4-cents per diluted share;
- Tax benefit of \$1 million, or 2-cents per diluted share.

The quarterly revenue of \$1.096 billion was the company's 14th consecutive quarter of year-over-year revenue growth. The increase over \$996 million in third quarter 2004 was driven by higher global original equipment (OE) production volumes and \$19 million in favorable currency.

Tenneco Automotive's performance in the third quarter was driven by its platform mix with products on strong selling vehicles globally; improved aftermarket ride control volumes in North America and Europe; benefits from the company's ongoing manufacturing efficiency programs; and reduced costs through tight controls on discretionary spending. These efforts helped offset the negative impact of higher material costs and higher transportation costs due to fuel surcharges.

"We delivered another solid quarter in spite of very challenging market conditions," said Mark P. Frissora, chairman, CEO and president, Tenneco Automotive. "Our ability to execute on consistent strategies for growing the top-line while managing costs is proving successful despite lower OE industry production volumes in North America and Europe, our two largest markets, and the impact of higher material and fuel costs globally."

Cash generated by operations in the quarter was \$33 million, which on a year-over-year comparison basis includes a \$9 million negative impact from the discontinuation of General Motor's advanced payment program and a \$20 million cash outflow for incremental pension contributions. Cash generated by operations was \$76 million for the same period one year ago. The remaining difference in the year-over-year comparison was due to working capital requirements - primarily in accounts receivables - to support approximately \$100 million in higher revenue in the quarter.

At quarter-end, total debt was \$1.429 billion, compared with \$1.423 billion the previous year. Debt net of cash was \$1.340 billion versus \$1.220 billion a year ago, primarily due to the discontinuation of advance payment programs by General Motors, Ford and DaimlerChrysler, which increased debt by \$103 million over the last 12 months. Debt net of cash at June 30, 2005 was \$1.346 billion.

During the quarter, Tenneco resolved a commercial lawsuit that is recorded as other income and settled a customer issue, which is netted against revenue. The net of these transactions had no financial impact on the company's operating results.

The company's gross margin decreased 1.2 percentage points year-over-year to 18.9%. Gross margin was negatively impacted by higher steel costs, fuel surcharges on transportation costs and a shifting business mix between Europe and North America, and between OE and aftermarket businesses. Additionally, resolution of the OE customer issue mentioned above reduced gross margin. These factors offset savings and improved efficiencies from Lean manufacturing, Six Sigma and other cost reduction initiatives.

Total steel cost increases in the third quarter were \$33 million, which were largely offset by the company's cost reduction efforts, including SGA&E restructuring savings, material cost savings, Six Sigma program savings and Lean manufacturing efficiencies as well as steel cost recovery from OE and aftermarket customers. Based on the company's efforts to offset increased steel costs and trends in the steel market, the company doesn't currently anticipate a significant year-over-year impact on operating results through the remainder of 2005.

Sales, General, Administrative and Engineering (SGA&E) expense in the quarter was 10.8% of sales versus 11.3% a year ago. SGA&E improvement was driven by higher revenues, cutbacks on discretionary spending and benefits from previously announced restructuring programs.

Tenneco Automotive continued to outperform its bank debt covenants in the quarter. At September 30, the leverage ratio was 3.39, lower than the maximum limit of 4.50; the fixed charge ratio was 2.05, exceeding the minimum ratio of 1.10; and the interest coverage ratio was 3.12, exceeding the minimum ratio of 2.00.

NORTH AMERICA

- North American OE revenue was up 9% to \$369 million, versus \$338 million a year ago. Excluding the impact of currency and catalytic converter pass-through sales, revenue was up 11%, outperforming a light vehicle market production decline of 2%. The increase was driven by the company's platform mix with products on strong selling vehicles.
- North American aftermarket revenue was \$133 million, up 5% year-over-year. Stronger ride control volumes and price increases in both product lines helped offset lower emission control volumes.
- EBIT for North American operations was \$37 million, versus \$31 million in third quarter 2004. Stronger OE volumes and manufacturing efficiencies more than offset unrecovered steel costs, higher advertising costs to support the company's ride control aftermarket product lines and the launch costs for its new line of aftermarket brake products.

EUROPE, SOUTH AMERICA, INDIA

- European OE revenue was \$341 million, versus \$305 million a year ago. Adjusted for favorable currency, catalytic converter pass-through sales and a change in reporting for a customer contract, revenue was up 14%. The year-over-year improvement - despite a market production decline of 1% - was driven by the continued ramp up of new launches and a favorable platform mix with product on many of the better selling vehicles.
- European aftermarket revenue was \$97 million, versus \$94 million the previous year. The 3% improvement was primarily due to stronger ride control volumes and price increases in both product lines.
- South America and India revenue was \$62 million, including \$8 million in favorable currency, compared with \$45 million a year ago. Stronger OE volumes drove the increase.
- EBIT for Europe, South America and India was \$9 million, versus \$10 million in third quarter 2004. The EBIT decrease was the result of currency transactional losses with a \$2 million negative impact, manufacturing inefficiencies due to inventory reductions in the quarter, costs for implementing a resource planning system for the company's European emission control business and a reserve increase related to a pending legal settlement.
- Third quarter 2004 and 2005 EBIT results include \$2 million in restructuring related expenses.

ASIA PACIFIC

- Asia operations generated \$38 million in revenue, versus \$37 million a year ago.
- Australian revenue increased to \$56 million from \$50 million the previous year, largely driven by \$4 million in favorable currency.
- EBIT for Asia Pacific operations was \$4 million, up from \$3 million a year ago. EBIT was up despite OE revenue weakness in China and investments to increase Tenneco's aftermarket presence there.

YEAR-TO-DATE RESULTS

Through the first nine months of the year, Tenneco Automotive reported net income of \$50 million, or \$1.11 per diluted share, versus net income of \$34 million, or 78-cents per diluted share for the first nine months of 2004. On an adjusted basis, year-to-date 2005 net income was \$56 million, or \$1.24 per diluted share, versus adjusted net income of \$44 million, or \$1.01 per diluted share for the same period one year ago.

Year-to-date EBIT was \$177 million, compared with EBIT of \$153 million for the first nine months of 2004. Adjusted EBIT was \$184 million versus \$177 million a year ago. Year-to-date 2005 EBITDA was \$311 million, compared with \$284 million a year ago, and adjusted EBITDA was \$318 million, versus adjusted EBITDA of \$308 million for the same period a year ago.

OUTLOOK

"We do not expect an immediate turnaround in OE production rates in North America or Europe, and we are closely monitoring the aftermarket in those regions for a potential drop in consumer spending on vehicle maintenance due to higher fuel prices. This landscape, coupled with continuing increases in material costs and the impact of higher fuel costs on our transportation expenses, creates a tough operating environment going forward," Frissora said. "As a result, we will continue to focus on those areas within our control—namely executing with discipline on the fundamentals and maintaining a relentless focus on costs. We should also continue to benefit from our balance and diversification in terms of products, markets served and customers. Finally, we will capitalize on opportunities to win incremental OE and aftermarket business from our competitors."

Attachment 1:

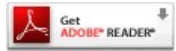
- [Statements of Income - 3 Months](#)
- [Statements of Income - 9 Months](#)
- [Balance Sheet](#)
- [Statements of Cash Flow](#)

Attachment 2:

- [Reconciliation of GAAP Net Income to EBITDA - 3 months](#)
- [Reconciliation of GAAP to Non-GAAP Earnings Measures - 3 months](#)
- [Reconciliation of GAAP Revenues to Non-GAAP Revenue Measures - 3 months](#)
- [Reconciliation of GAAP Net Income to EBITDA - 9 months](#)
- [Reconciliation of GAAP to Non-GAAP Earnings Measures - 9 months](#)
- [Reconciliation of GAAP Revenues to Non-GAAP Revenue Measures - 9 months](#)

These files are provided in a PDF format.

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CONFERENCE CALL

The company will host a conference call on Tuesday, October 25, 2005 at 10:30 a.m. EDT. The dial in number is 888-790-1408 (domestic) or 1-773-756-0157 (international). The pass code is Tenneco Auto. The call and accompanying slides will be available on the financial section of the Tenneco Automotive web site at www.tenneco-automotive.com. A recording of the call will be available one hour following completion of the call on October 25, 2005. To access this recording, dial 866-365-2447 domestic or 203-369-0216 international. The purpose of the call is to discuss the company's operations for the third quarter, as well as other matters that may impact the company's outlook. A copy of the press release is available on the financial and news sections of the Tenneco Automotive web site.

Tenneco Automotive is a \$4.2 billion manufacturing company with headquarters in Lake Forest, Illinois and approximately 18,400 employees worldwide. Tenneco Automotive is one of the world's largest designers, manufacturers and marketers of emission control and ride control products and systems for the automotive original equipment market and the aftermarket. Tenneco Automotive markets its products principally under the Monroe®, Walker®, Gillet® and Clevite® Elastomer brand names. Among its products are Sensa-Trac® and Monroe Reflex® shocks and struts, Rancho® shock absorbers, Walker® Quiet-Flow® mufflers, Dynomax® performance exhaust products, and Clevite® Elastomer noise, vibration and harshness control components.

This press release contains forward-looking statements. Words such as "continue," "will," "expects," "believe," "plans," and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the company (including its subsidiaries). Because these forward-looking statements involve risks and uncertainties, the company's plans, actions and actual results could differ materially. Among the factors that could cause these plans, actions and results to differ materially from current expectations are: (i) changes in automotive manufacturers' production rates and their actual and forecasted requirements for the company's products, including the overall highly competitive nature of the automotive parts industry, and the company's resultant inability to realize the sales represented by its awarded book of business which is based on anticipated pricing for the applicable program over its life, and is subject to increases or decreases due to changes in customer requirements, customer and consumer preferences, and the number of vehicles actually produced by customers; (ii) increases in the costs of raw materials, including the company's ability to successfully reduce the impact of any such cost increases through materials substitutions, cost reduction initiatives and other methods; (iii) the cyclical nature of the global vehicular industry, including the performance of the global aftermarket sector, and changes in consumer demand and prices, including longer product lives of automobile parts and the

cyclicality of automotive production and sales of automobiles which include the company's products, and the potential negative impact on the company's revenues and margins from such products; (iv) the company's continued success in cost reduction and cash management programs and its ability to execute restructuring and other cost reduction plans and to realize anticipated benefits from these plans; (v) the general political, economic and competitive conditions in markets and countries where the company and its subsidiaries operate, including the strength of other currencies relative to the U.S. dollar and currency fluctuations and other risks associated with operating in foreign countries; (vi) governmental actions, including the ability to receive regulatory approvals and the timing of such approvals; (vii) changes in capital availability or costs, including increases in the company's costs of borrowing (i.e., interest rate increases), the amount of the company's debt, the ability of the company to access capital markets and the credit ratings of the company's debt; (viii) the cost and outcome of existing and any future legal proceedings, and compliance with changes in regulations, including environmental regulations; (ix) workforce factors such as strikes or labor interruptions; (x) the company's ability to develop and profitably commercialize new products and technologies, and the acceptance of such new products and technologies by the company's customers and the market; (xi) further changes in the distribution channels for the company's aftermarket products, further consolidations among automotive parts customers and suppliers, and product warranty costs; (xii) changes by the Financial Accounting Standards Board or other accounting regulatory bodies to authoritative generally accepted accounting principles or policies; (xiii) acts of war, riots or terrorism, including, but not limited to the events taking place in the Middle East, the current military action in Iraq and the continuing war on terrorism, as well as actions taken or to be taken by the United States or other governments as a result of further acts or threats of terrorism, and the impact of these acts on economic, financial and social conditions in the countries where the company operates and (xiv) the timing and occurrence (or non-occurrence) of transactions and events which may be subject to circumstances beyond the control of the company and its subsidiaries. The company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this press release. Additional information regarding these risk factors and uncertainties is detailed from time to time in the company's SEC filings, including but not limited to its report on Form 10-K for the year ended December 31, 2004. Further information can be found on the company's web site at www.tenneco-automotive.com.

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