



Tenneco Automotive Reports Record Revenue And Earnings

July 20, 2004

- Highest ever quarterly revenue of \$1.114 billion
- Record quarterly net income and EPS of \$30 million, or 69-cents per share
- Record low debt net of cash balances at \$1.253 billion
- European EBIT improves 27 percent; adjusted European EBIT up 55 percent

LAKE FOREST, ILLINOIS, JULY 20, 2004 - Tenneco Automotive (NYSE: TEN) announced today that the company reported a 25 percent increase in net income and a 19 percent increase in earnings per diluted share with second quarter net income of \$30 million, or 69-cents per diluted share, versus net income of \$24 million, or 58-cents per diluted share, in the second quarter of 2003. The company reported a 15 percent improvement in EBIT (earnings before interest, taxes, and minority interest) to \$76 million over second quarter 2003 EBIT of \$67 million. EBITDA (EBIT before depreciation and amortization) in the quarter increased 12 percent to \$120 million compared with \$108 million a year earlier. (See the table that reconciles EBITDA in attachment 2 to the press release.)

Adjusted for the items described below, second quarter 2004 net income improved 55 percent to \$31 million and earnings per share was up 43 percent to 70-cents per diluted share. Second quarter EBIT was up 24 percent to \$84 million and EBITDA improved 17 percent to \$128 million.

Adjusted second quarter 2004 and 2003 results:

	Q2 2004				Q2 2003			
	EBITDA	EBIT	Net Income	Per Share	EBITDA	EBIT	Net Income	Per Share
Earnings Measures	\$ 120	\$ 76	\$ 30	\$ 0.69	\$ 108	\$ 67	\$ 24	\$ 0.58
Adjustments:								
Restructuring/restructuring related expenses	5	5	3	0.07	1	1	1	0.03
New Aftermarket customer changeover costs	2	2	1	0.02	-	-	-	-
Consulting fees indexed to stock price	1	1	1	0.01	-	-	-	-
Debt issuance cost write off	-	-	-	-	-	-	3	0.07
Tax Adjustments	-	-	(4)	(0.09)	-	-	(8)	(0.19)
Non-GAAP earnings measures	\$ 128	\$ 84	\$ 31	\$ 0.70	\$ 109	\$ 68	\$ 20	\$ 0.49

Additional information regarding Non-GAAP financial results, including a reconciliation of EBITDA and a reconciliation of other Non-GAAP earnings measures are included in the tables that appear in attachment 2 to this press release.

Second quarter 2004 adjustments:

‡ Restructuring related expenses of \$5 million pre-tax, or 7-cents per diluted share; ‡ Expenses of \$2 million pre-tax, or 2-cents per diluted share, associated with continuing changeover costs for a new aftermarket customer acquired in the first quarter; ‡ Expenses of \$1 million pre-tax, or 1-cent per diluted share, for consulting fees indexed to the stock price based on a 1999 agreement for implementing EVA®; ‡ A tax benefit of \$4 million, or 9-cents per diluted share.

Second quarter 2003 adjustments:

‡ Restructuring related expenses of \$1 million pre-tax, or 3-cents per diluted share; ‡ Expenses of \$5 million pre-tax, or 7-cents per diluted share, related to the write-off of debt issuance costs; ‡ Tax benefits of \$8 million, or 19-cents per diluted share.

"Our strategies for top-line growth, cash generation and aggressive cost management continue to prove effective as we posted another solid quarter with strong revenues and improved operational performance," said Mark P. Frissora, chairman and CEO, Tenneco Automotive. "We are well-positioned with the flexibility to adapt quickly to changing market conditions. Going forward, we will continue to benefit from our strong geographical balance, highly variable cost structure and more efficient manufacturing operations."

The company reported its highest ever quarterly revenue of \$1.114 billion compared with \$998 million in second quarter 2003, driven by higher volumes on top-selling vehicle platforms worldwide and strengthening aftermarket sales in North America and South America. Favorable currency exchange rates benefited revenue by \$27 million.

Tenneco Automotive was awarded approximately \$495 million in new business, over the life of the contracts, in the second quarter for OE platforms expected to begin production in 2006-2007 and approximately \$5 million annualized in new aftermarket business. The new business includes one of the company's largest ever contracts to supply the full diesel exhaust system on a major pick-up truck platform in North America.

The company's cost management activities and operational efficiency programs continued to generate savings in the second quarter. SGA&E (selling, general, administrative and engineering) expense decreased to 10.7 percent of sales, versus 11.0 percent one year ago, on track toward an annual goal of less than 11.5 percent of sales. Six Sigma initiatives generated \$7 million in savings and the company realized \$3 million in savings from Project Genesis restructuring activities. The company's gross margin in the quarter was 21.5 percent, versus 21.9 percent one year ago. Excluding restructuring related expenses, gross margin was flat year-over-year. Gross margin in the quarter was also impacted by a shifting business mix as the company's global OE growth outpaced higher margin aftermarket growth.

A record low net debt of \$1.253 billion was driven by improved cash flow performance in the quarter. Cash balances were \$166 million at quarter-end and total debt was \$1.419 billion.

Tenneco Automotive outperformed the requirements of its bank debt covenants in the quarter. At June 30, the leverage ratio was 3.78, below the maximum limit of 5.00; the fixed charge coverage ratio was 2.04, exceeding the minimum required ratio of 1.10; and the interest coverage ratio was 3.15, exceeding the minimum coverage ratio of 2.00.

NORTH AMERICA

- North American original equipment revenue was \$379 million, up 4 percent compared with \$365 million in second quarter 2003. The company outperformed the market's flat production rate due to its strong position on better-selling platforms and higher heavy-duty truck volumes.
- North American aftermarket revenue was \$144 million, a 7 percent increase versus \$136 million in second quarter 2003. An 11 percent improvement in ride control sales drove the increase and offset a 3 percent decline in exhaust sales.
- EBIT for North American operations was \$50 million, flat with second quarter 2003. Excluding the items below, EBIT increased 6 percent, driven by manufacturing efficiencies and cost savings.
- Second quarter 2004 EBIT results include \$1 million in restructuring costs, \$2 million for an aftermarket customer changeover costs, and \$1 million associated with stock price indexed consulting fees.

EUROPE

- European original equipment revenue was \$343 million in the quarter, a 20 percent increase over second quarter 2003 revenue of \$286 million. Excluding \$18 million in favorable currency, revenue was up 14 percent compared with one year ago. The launch of new ride control platforms and higher exhaust volumes drove the increase.
- European aftermarket revenue was \$103 million, flat with second quarter 2003. Excluding the impact of favorable currency, revenue was \$99 million. The decrease was due to lower sales in both product lines.
- European EBIT was \$14 million, including \$1 million in favorable currency, compared with second quarter 2003 EBIT of \$11 million. Excluding the items below, EBIT increased 55 percent to \$18 million, versus \$12 million one year ago. The improvement was driven by OE volume increases, manufacturing efficiencies and lower overhead costs.
- Second quarter 2004 EBIT results include \$4 million in restructuring related expenses. Second quarter 2003 EBIT results include \$1 million in restructuring related expenses.

REST OF WORLD

- Revenue from Asian operations increased 47 percent to \$58 million from \$40 million in second quarter 2003, primarily driven by a 58 percent increase in China OE revenues.
- Revenue from South America operations was \$36 million, a 22 percent increase versus \$29 million in second quarter 2003. The increase was the result of higher OE volumes and stronger aftermarket sales.
- Australian operations generated revenue of \$51 million, a 27 percent increase compared with \$40 million a year earlier. Excluding the impact of \$4 million in favorable currency, revenue increased 15 percent, due to higher OE volumes and stronger aftermarket sales.
- Reported combined EBIT for Asia, South America and Australia was \$12 million versus \$7 million in second quarter 2003, primarily driven by higher OE volumes.

"Despite some market uncertainties, we are cautiously optimistic that our improving performance will continue over the second half of 2004 due to our geographical balance, strong position on top-selling vehicles globally, upcoming new platform launches and strong foothold in growing markets such as China and commercial vehicles," said Frissora. "Our intense focus on reducing discretionary spending, improving operational efficiency and leveraging our global supply chain management system should also help counter any changes in the marketplace."

Attachment 1 to this press release provides additional information on Tenneco Automotive's second quarter results:

- [Statements of Income - 3 Months](#)
- [Statements of Income - 6 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 Net Income to EBITDA - 6 months](#)
- [Reconciliation of GAAP to Non-GAAP Earnings Measures - 6 months](#)
- [Reconciliation of GAAP Revenues to Non-GAAP Revenue Measure - 3 months](#)
- [Reconciliation of GAAP Revenues to Non-GAAP Revenue Measure - 6 months](#)

These files are provided in a PDF format.

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CONFERENCE CALL

The company will host a conference call on July 20, 2004 at 10:30 a.m. EDT. The dial-in number is 888-455-9642 (domestic) or 210-839-8504 (international). The passcode is Tenneco Auto. The call will be available on the financial section of the Tenneco Automotive web site at www.tenneco-automotive.com. A copy of the press release is available on the financial and news sections of the Tenneco Automotive web site. A recording of this call will be available one hour following completion of the call on July 20, 2004 through July 27, 2004. To access this recording, dial 800-297-0768 (domestic) or 402-220-3822 (international).

THE COMPANY

Tenneco Automotive is a \$3.8 billion manufacturing company with headquarters in Lake Forest, Illinois and approximately 19,200 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 within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "will," "should," "continue" 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) 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; (ii) governmental actions, including the ability to receive regulatory approvals and the timing of such approvals; (iii) 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; (iv) 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; (v) 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 cyclicity 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; (vi) the cost and outcome of existing and any future legal proceedings, and compliance with changes in regulations, including environmental regulations; (vii) workforce factors such as strikes or labor interruptions; (viii) material substitutions and increases in the costs of raw materials; (ix) 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; (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 Financing Accounting Standards Board or other accounting regulatory bodies of 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 we operate 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

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