



Tenneco Reports Third Quarter Results

October 28, 2011

- Revenue of \$1.773 billion, up 15%
- Highest-ever third quarter net income of \$30 million
- \$63 million year-over-year improvement in cash from operations

Lake Forest, Illinois, October 28, 2011 – Tenneco Inc. (NYSE: TEN) reported a significant increase in net income to \$30 million, or 49-cents per diluted share, versus \$10 million, or 17-cents per diluted share, in third quarter 2010. On an adjusted basis, net income also increased to \$42 million, or 67-cents per diluted share, versus \$24 million, or 39-cents per diluted share, a year ago. The tables in this press release reconcile GAAP results to non-GAAP results.

“Our revenue this quarter reflects Tenneco’s excellent growth opportunities with our position on strong-selling vehicles worldwide and expansion into the commercial vehicle segment, where our launch execution is on track and delivering results,” said Gregg Sherrill, chairman and CEO, Tenneco. “Our earnings continue to improve, driven by strong performances globally, despite headwinds of higher year-over-year operational costs in the North America OE ride control business.”

REVENUE

Total revenue in the quarter was \$1.773 billion, up 15% from \$1.542 billion a year ago. Value-add revenue (revenue minus substrate pass thru sales) was \$1.373 billion, up 16% year-over-year versus \$1.185 billion. Stronger OE volumes on current and new platforms drove the increase, coupled with a 9% rise in global aftermarket sales. The launch and ramp-up of new commercial vehicle platforms grew commercial and specialty vehicle OE revenue to 12% of total OE revenue. Revenue included \$51 million in favorable currency.

EBIT AND EBIT MARGIN

EBIT (earnings before interest, taxes and noncontrolling interests) was \$84 million, a record-high for the third quarter and up from \$67 million a year ago. Adjusted EBIT improved to \$99 million, compared with \$77 million in third quarter 2010. The EBIT improvement was driven by higher OE light vehicle volumes, new commercial vehicle business and higher global aftermarket sales; together contributing a \$25 million increase. Partially offsetting these factors was \$10 million in higher year-over-year operational costs in the North America OE ride control business, which faced headwinds in material costs and manufacturing inefficiencies. Currency had a \$7 million favorable impact on EBIT.

The company also took an \$11 million goodwill impairment charge for its Australian operations and benefited from a \$10 million expense reduction this quarter for deferred and long-term compensation indexed to the company’s stock price.

“We remain focused on continuing to improve our operating margins globally including in North America where we are addressing operational issues in our ride control business as we transition and consolidate production at one of our plants,” said Sherrill.

EBIT as a percent of revenue and EBIT as a percent of value-add revenue improved year-over-year as noted in the chart below.

	Q3 2011	Q3 2010
EBIT as a percent of revenue	4.7%	4.3%
EBIT as a percent of value-add revenue	6.1%	5.7%
Adjusted EBIT as a percent of revenue	5.6%	5.0%

Adjusted EBIT as a percent of value-add revenue

7.2%

6.5%

In addition to the factors above, EBIT margin was negatively impacted by a mix shift due to a lower percentage of total revenue generated by the higher-margin aftermarket business.

ADJUSTED THIRD QUARTER 2011 AND 2010 RESULTS

(millions except per share amounts)	Q3 2011				Q3 2010			
	EBITDA*	EBIT	Net income attributable to Tenneco Inc.	Per Share	EBITDA*	EBIT	Net income (loss) attributable to Tenneco Inc.	Per Share
Earnings Measures	\$ 135	\$ 84	\$ 30	\$ 0.49	\$ 122	\$ 67	\$ 10	\$ 0.17
Adjustments (reflects non-GAAP measures):								
Restructuring and related expenses	4	4	3	0.05	3	6	4	0.06
Goodwill impairment charge	11	11	7	0.11	-	-	-	-
Pension charge	-	-	-	-	4	4	2	0.04
Costs related to refinancing	-	-	-	-	-	-	4	0.06
Net tax adjustments	-	-	2	0.02	-	-	4	0.06
Non-GAAP earnings measures	\$ 150	\$ 99	\$ 42	\$ 0.67	\$ 129	\$ 77	\$ 24	\$ 0.39

* EBITDA including noncontrolling interests (EBIT before depreciation and amortization)

Third quarter 2011 adjustments:

- Restructuring and related expenses of \$4 million pre-tax, or 5-cents per diluted share;
- Non-cash goodwill impairment charge of \$11 million pre-tax, or 11-cents per diluted share, related to the Australian operations;
- Net tax charges of \$2 million or 2-cents per diluted share, primarily related to tax adjustments based on filed tax returns.

Third quarter 2010 adjustments:

- Restructuring and related expenses of \$6 million pre-tax, or 6-cents per diluted share;
- A charge of \$4 million pre-tax, or 4-cents per diluted share, related to an actuarial loss for a lump-sum pension payment;
- Costs of \$5 million pre-tax, or 6-cents per diluted share, related to refinancing the company's 10.25 percent notes with new 7.75 percent notes;
- Non-cash tax charges of \$4 million, or 6-cents per diluted share, primarily related to the impact of recording a valuation allowance against our tax benefit for losses in certain foreign jurisdictions.

CASH

Cash from operations was \$80 million, up significantly from \$17 million a year ago. The improvement was due to a \$51 million improvement in cash used for working capital, primarily accounts receivables and inventories.

Tenneco continues to invest in growth. Capital expenditures in the quarter were \$50 million versus \$34 million a year ago. These investments were primarily to support emission control technology applications for new customer programs and continued capacity investments for expanding business in China. The company still expects its capital expenditures to be in the range of \$190 million to \$210 million for full-year 2011. Separately, Tenneco paid \$4 million to acquire the remaining 25% interest in the company's emission control joint venture in Thailand, now wholly-owned by Tenneco.

In the third quarter, Tenneco repurchased 129,500 shares of its outstanding common stock for \$5 million, completing a previously announced 400,000 share stock buyback plan to offset dilution from shares issued to employees in 2011.

DEBT

Net debt at September 30, 2011 was \$1.141 billion, versus \$1.113 billion a year ago.

The leverage ratio (net debt to adjusted LTM EBITDA including noncontrolling interests) improved to 1.9x, compared with 2.2x at the end of third quarter 2010.

OUTLOOK

Overall, IHS Automotive forecasts that production will increase 2% in the regions where Tenneco operates. Light vehicle production is expected to be up 12% in North America, 2% in China, 1% in South America and 8% in Australia. Europe is forecasted to be down 2% and India down 8%.

Tenneco continues to launch and ramp-up production on new commercial vehicle programs in North America, Europe, China and South America. The company remains confident in its total OE revenue guidance for 2011. It now expects that commercial vehicle OE revenue will be approximately \$650 million for the full year, entirely due to lower volumes related to launch timing and ramp-up schedules, primarily in the Europe segment.

“In the fourth quarter, we expect our revenue growth to continue outpacing global industry light vehicle production due to our strong platform position worldwide and incremental commercial vehicle revenue,” said Sherrill. “We are executing well on our growth plans fueled by our advanced technology, application engineering capabilities and expanding presence in the fastest-growing markets. In the third quarter, we expanded our commercial vehicle customer base by winning new emission control business with a commercial vehicle customer in Japan.”

THIRD QUARTER REPORTING SEGMENT

NORTH AMERICA

(millions except percents)	Q3 11 Revenues	% Change vs. Q3 10	Q3 11 Revenues Excluding Currency & Substrate Sales	% Change vs. Q3 10
North America Original Equipment				
Ride Control	\$ 149	13%	\$ 148	12%
Emission Control	\$ 500	9%	\$ 275	14%
Total North America Original Equipment	\$ 649	10%	\$ 423	13%
North America Aftermarket				
Ride Control	\$ 133	7%	\$ 132	6%
Emission Control	\$ 60	25%	\$ 59	24%
Total North America Aftermarket	\$ 193	12%	\$ 191	11%
Total North America	\$ 842	10%	\$ 614	12%

- Tenneco's content on strong selling vehicles including the Ford F-150 pick-up, Ford Focus and the VW Jetta drove a 13% OE revenue increase, excluding currency and substrate sales, versus a 6% increase in industry light vehicle production. Incremental revenue from commercial vehicle programs also contributed to the increase.
- Aftermarket revenue increased on continued strong demand in both product lines.
- EBIT was \$46 million, compared with \$42 million a year ago, which included restructuring and a pension charge. Adjusted EBIT was \$46 million, versus \$51 million. Both include \$5 million in negative currency. Higher OE volumes and aftermarket sales, the impact of new commercial vehicle programs and lower deferred and long-term compensation expense were offset by higher operational costs in the North America OE ride control business.

EUROPE, SOUTH AMERICA AND INDIA

(millions except percents)	Q3 11 Revenues	% Change vs. Q3 10	Q3 11 Revenues Excluding Currency & Substrate Sales	% Change vs. Q3 10

Europe Original Equipment			
Ride Control	\$ 138	26%	\$ 130 19%
Emission Control	\$ 335	24%	\$ 206 14%
Total Europe Original Equipment	\$ 473	25%	\$ 336 16%
Europe Aftermarket			
Ride Control	\$ 57	12%	\$ 55 8%
Emission Control	\$ 35	(12%)	\$ 33 (18%)
Total Europe Aftermarket	\$ 92	1%	\$ 88 (3%)
South America & India	\$ 162	13%	\$ 133 12%
Total Europe, South America & India	\$ 727	19%	\$ 557 11%

- Europe OE revenue was up 16%, excluding currency and substrate sales, versus an industry light vehicle production increase of 2%. Strong volumes on key platforms including the Mercedes CLS, VW Polo, Daimler CLS and Audi A4 drove the gain.
- Higher aftermarket ride control revenue was more than offset by lower emission control revenue due to market declines.
- South America and India revenue, excluding currency and substrate sales, was up 12% versus industry light vehicle production increases of 4% in South America and 3% in India.
- Europe, South America and India EBIT increased to \$36 million, from \$15 million a year ago. Adjusted for \$1 million in restructuring costs this year, EBIT rose to \$37 million versus \$15 million. The increase was driven by higher OE volumes in all regions and lower deferred and long-term compensation expense, partially offset by a Europe aftermarket mix shift toward Eastern Europe. 2011 EBIT includes \$10 million in positive currency.

ASIA PACIFIC

(millions except percents)	Q3 11 Revenues	% Change vs. Q3 10	Q3 11 Revenues Excluding Currency & Substrate Sales	% Change vs. Q3 10
Asia	\$ 159	25%	\$ 125	24%
Australia	\$ 45	14%	\$ 36	(2%)
Total Asia Pacific	\$ 204	23%	\$ 161	17%

- Asia revenue, up 24% excluding currency and substrate sales, was driven by volume strength in China on key platforms with Nissan, Audi and Volkswagen.
- Australia revenue excluding currency and substrate sales declined on lower OE volumes.
- Asia Pacific EBIT was \$2 million, compared with \$10 million a year ago. Adjusted EBIT was \$16 million, up from \$11 million in third quarter 2010, driven by higher China volumes and lower deferred and long-term compensation expense, partially offset by volume declines in Australia. This year's quarter includes the goodwill impairment charge of \$11 million and \$3 million in restructuring costs, related to permanently eliminating 53 positions in Australia. The company expects its Australia performance to stabilize with the positive impact of these actions. Third quarter 2010 includes a restructuring charge of \$1 million. Currency has a \$2 million positive impact on 2011 EBIT.

Attachment 1:

- [Statements of Income – 3 Months](#)
- [Statements of Income – 9 Months](#)
- [Balance Sheets](#)
- [Statements of Cash Flows – 3 Months](#)
- [Statements of Cash Flows – 9 Months](#)

Attachment 2:

- [Reconciliation of GAAP Net Income to EBITDA including noncontrolling interests – 3 Months](#)

- Reconciliation of GAAP to Non-GAAP Earnings Measures - 3 Months
- Reconciliation of GAAP Net Income to EBITDA including noncontrolling interests - 9 Months
- Reconciliation of GAAP to Non-GAAP Earnings Measures - 9 Months
- Reconciliation of GAAP to Non-GAAP Revenue Measures - 3 Months
- Reconciliation of GAAP to Non-GAAP Revenue Measures - 9 Months
- Reconciliation of GAAP to Non-GAAP Revenue Measures - 3 and 9 Months
- Reconciliation of Non-GAAP Measures – Debt Net of Cash/Adjusted LTM EBITDA including noncontrolling interests
- Reconciliation of GAAP Revenue to Non-GAAP Revenue Measures – 3 and 9 Months
- Reconciliation of GAAP Revenue and Earnings to Non-GAAP Revenue and Earnings Measures – 3 and 9 Months

These files are provided in a PDF format.

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CONFERENCE CALL

The company will host a conference call on Friday, October 28, 2011 at 8:00 a.m. ET. The dial-in number is 888 831-8968 (domestic) or 210 234-0106 (international). The passcode is TENNECO. The call and accompanying slides will be available on the financial section of the Tenneco web site at www.tenneco.com. A recording of the call will be available one hour following completion of the call on October 28, 2011 through November 28, 2011. To access this recording, dial 800 551-8154 (domestic) or 402 344-6861(international). The purpose of the call is to discuss the company's operations for the 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 web site.

Tenneco is a \$5.9 billion global manufacturing company with headquarters in Lake Forest, Illinois and approximately 22,000 employees worldwide. Tenneco 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 markets its products principally under the Monroe®, Walker®, Gillet™ and Clevite®Elastomer brand names.

This press release contains forward-looking statements. Words such as "may," "expects," "anticipate," "projects," "will," and "outlook" 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) general economic, business and market conditions;*
- (ii) the company's ability to source and procure needed materials, components and other products and services in accordance with customer demand and at competitive prices, including any impact on the company's ability to source and procure such items and services due to supply disruptions caused by the recent earthquake and tsunami in Japan;*
- (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 at favorable rates, and the credit ratings of the company's debt;*
- (iv) changes in consumer demand, prices and our ability to have our products included on top selling vehicles, including any shifts in consumer preferences to other lower margin vehicles, for which we may or may not have supply contracts;*
- (v) changes in automotive manufacturers' production rates and their actual and forecasted requirements for the company's products such as the significant production cuts during recent years by automotive manufacturers in response to difficult economic conditions;*
- (vi) the overall highly competitive nature of the automobile and commercial vehicle parts industries, and any resultant inability to realize the sales represented by the company's awarded book of business which is based on anticipated pricing for the applicable program over its life;*
- (vii) the loss of any of our large original equipment manufacturer ("OEM") customers (on whom we depend for a substantial portion of our revenues), or the loss of market shares by these customers if we are unable to achieve increased sales to other OEMs;*
- (viii) workforce factors such as strikes or labor interruptions;*
- (ix) 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, customer recovery and other methods;*
- (x) the negative impact of higher fuel prices on transportation and logistics costs, raw material costs and discretionary purchases of vehicles or aftermarket products;*
- (xi) the cyclical nature of the global vehicular industry, including the performance of the global aftermarket sector and longer product lives of automobile parts;*
- (xii) 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;*

(xiii) product warranty costs;

(xiv) the cost and outcome of existing and any future legal proceedings, and the impact of changes in and compliance with laws and regulations, including environmental laws and regulations and the adoption of the current mandated timelines for worldwide emissions regulations;

(xv) economic, exchange rate and political conditions in the countries where we operate or sell our products;

(xvi) 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;

(xvii) changes by the Financial Accounting Standards Board or other accounting regulatory bodies to authoritative generally accepted accounting principles or policies;

(xviii) changes in accounting estimates and assumptions, including changes based on additional information;

(xix) governmental actions, including the ability to receive regulatory approvals and the timing of such approvals, as well as the impact of changes to and compliance with laws and regulations pertaining to environmental concerns, pensions or other regulated activities;

(xx) acts of war and/or 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

(xxi) 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, 2010.

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