



Tenneco Reports Improved Year-Over-Year Financial Results

October 29, 2009

- *EBIT increases 25% year-over-year on 16% lower revenues*
- *\$77 million in cash flow generated from operations, up from \$40 million a year ago*
- *Net debt reduced by \$66 million compared with September 30, 2008*

Lake Forest, Illinois, October 29, 2009 – Tenneco Inc. (NYSE: TEN) reported a third quarter net loss of \$8 million, or 17-cents per diluted share, compared with a loss of \$136 million, or \$2.92 per diluted share in third quarter 2008. Adjusted for the items below, net income was \$3 million, or 7-cents per diluted share, versus net income of less than \$1 million, or 1-cent per diluted share a year ago. The tables in this press release reconcile GAAP results to non-GAAP results.

EBIT (earnings before interest, taxes and noncontrolling interests) was \$35 million, up 25% over \$28 million a year ago. Adjusted EBIT was \$46 million, up 36% from \$34 million in third quarter 2008. EBITDA including noncontrolling interests (EBIT before depreciation and amortization) was \$90 million, an increase over \$84 million in third quarter 2008. Adjusted EBITDA including noncontrolling interests was \$101 million, compared with \$90 million a year ago.

"The actions we have taken to help counter overall weak industry conditions helped improve our profitability this quarter and position Tenneco to capitalize on an improving production environment going forward. We were also encouraged by our stronger sequential revenue improvement this quarter versus last," said Gregg Sherrill, chairman and CEO, Tenneco. "Our results are a testament to the hard work of our employees worldwide who have done an outstanding job executing on our cost management and cash generation initiatives while continuing to develop and deliver quality products and services to our customers."

Adjusted third quarter 2009 and 2008 results:

	Q3 2009				Q3 2008			
	EBITDA	EBIT	Net Loss attributable to Tenneco Inc.	Per Share	EBITDA	EBIT	Net Income attributable to Tenneco Inc.	Per Share
Earnings Measures	\$ 90	\$ 35	\$ (8)	\$ (0.17)	\$ 84	\$ 28	\$ (136)	\$ (2.92)
Adjustments (reflects non-GAAP measures):								
Restructuring/restructuring related expenses	11	11	7	0.16	6	6	4	0.09
Net tax adjustments	-	-	4	0.08	-	-	132	2.84
Non-GAAP earnings measures	\$ 101	\$ 46	\$ 3	\$ 0.07	\$ 90	\$ 34	\$ -	\$ 0.01

Download and print this summary table (PDF): [Adjusted third quarter 2009 and 2008 results](#)

Third quarter 2009 adjustments:

- Restructuring and related expenses of \$11 million pre-tax, or 16-cents per diluted share;

- Non-cash tax charges of \$4 million, or 8-cents per diluted share, primarily related to the impact of recording a valuation allowance against our tax benefit for losses in the U.S. and certain foreign jurisdictions.

Third quarter 2008 adjustments:

- Restructuring and related expenses of \$6 million pre-tax, or 9-cents per diluted share;
- Non-cash tax charges of \$132 million, or \$2.84 per diluted share primarily for recording a valuation allowance against the company's deferred tax assets and repatriating \$40 million in cash from Brazil.

REVENUE

Third quarter 2009 revenue was \$1.254 billion, down from \$1.497 billion in third quarter 2008 but up from \$1.106 billion in second quarter 2009. Excluding the negative currency impact of \$63 million and substrate sales, revenue was \$1.058 billion, down 6% from \$1.129 billion the prior year. The year-over-year revenue decrease was primarily driven by lower OE production volumes in Europe, North America and Australia and declining Europe aftermarket sales, partially offset by stronger OE production volumes in China and South America and higher North America aftermarket sales.

GROSS MARGIN AND SGA&E

Gross margin in the quarter was 16.8%, an improvement versus 13.3% a year ago despite higher year-over-year restructuring costs in third quarter 2009. The gross margin performance was driven by the benefits of restructuring actions implemented in 2008, cost reductions including temporary salary reductions, efficiency improvements, managing material costs and lower substrate sales as a percent of revenue versus a year ago.

SGA&E (selling, general, administrative and engineering) expense was \$117 million, relatively even with \$116 million in third quarter 2008. Tenneco realized savings from its restructuring and cost reduction actions, including the temporary salary reductions and 401(k) match suspension. Higher year-over-year expense for other compensation related costs and the 2008 Marzocchi acquisition offset these savings. SGA&E as a percent of sales increased to 9.3% from 7.7% a year ago due to lower year-over-year revenues. SGA&E in third quarter 2008 included \$3 million in restructuring and related costs.

CASH AND DEBT POSITION

The company's continued emphasis on generating cash resulted in \$77 million in cash flow from operations in the quarter, compared with \$40 million in third quarter 2008. The improved cash performance was driven by working capital improvements, particularly in inventory and from increased use of the available accounts receivable securitization programs.

The company's worldwide factored receivables were \$208 million as of September 30 compared with \$226 million a year ago and up from \$172 million at June 30 of this year. Factored receivables had a cash flow impact of \$36 million in the quarter, compared with \$10 million a year ago. Capital spending was \$22 million in the quarter. Tenneco continues to closely manage and prioritize spending without compromising investments needed for new business launches, technology development and future growth opportunities including redeploying available capacity to commercial vehicle applications. The company now expects that its capital spending will be approximately \$125 million for 2009.

At September 30, 2009, Tenneco's leverage ratio under its senior credit facility was 5.17, below the maximum level of 7.90. The interest coverage ratio was 2.16, above the minimum of 1.55. At the end of the quarter, Tenneco had an EBITDA cushion of \$74 million against its tightest ratio.

The company continued to strengthen its liquidity in the quarter and reduced net debt by \$66 million year-over-year.

(\$ millions)	September 30,	
	2009	2008
Total Debt	\$ 1,468	\$ 1,524
Cash Balances	137	127
Net Debt	\$ 1,331	\$ 1,397
Unused Borrowing Capacity	\$ 390	\$ 328

NORTH AMERICA

- OE revenue was \$428 million, down from \$520 million a year ago. Excluding substrate sales and the negative impact of currency, revenue was \$282 million, a 15% decrease from \$332 million the prior year. The decline was driven by lower OE production volumes as industry light vehicle production was down 21% year-over-year. Industry commercial vehicle Class 8 production fell 42% and Class 5-7 fell 32%.
- Aftermarket revenue increased 4% to \$150 million from \$142 million a year ago. Currency had a \$1 million negative impact on revenue. The increase was driven by stronger ride control volumes and pricing, partially offset by lower emission control

volumes.

- North America EBIT was \$17 million, compared with a loss of \$2 million in third quarter 2008. Efforts to reduce costs, improve manufacturing efficiency and manage material costs as well as the benefits from higher aftermarket sales and new OE launches more than offset the negative impact from lower production volumes. Third quarter 2009 EBIT includes \$4 million in favorable currency.
- Adjusted for the following items, EBIT was \$28 million, versus \$3 million in third quarter 2008. Third quarter 2009 EBIT includes \$11 million in restructuring and related expenses for the closure of a North America ride control plant. Third quarter 2008 EBIT includes \$5 million in restructuring and related expenses.

EUROPE, SOUTH AMERICA AND INDIA

- Europe OE revenue was \$342 million, down from \$481 million a year ago. Excluding substrate sales and the negative impact of currency, revenue declined 10% to \$310 million, compared with \$346 million in third quarter 2008. The decline was driven by lower production volumes, primarily on emission control supplied platforms. New ride control platform launches including new CES business, and a favorable ride control vehicle segment mix partially offset the volume declines. Industry light vehicle production in the quarter was down 15% year-over-year.
- Europe aftermarket revenue decreased to \$96 million from \$111 million in third quarter 2008. Excluding the negative impact of currency, revenue was \$101 million, driven by lower sales in both product lines, especially heavy duty ride control sales and ride control sales in Eastern Europe.
- South America and India revenue was \$103 million versus \$115 million a year ago. Excluding substrate sales and the negative impact of currency, revenue increased 3% to \$101 million versus \$98 million a year ago, driven by higher OE production volumes.
- EBIT for Europe, South America and India was \$10 million, compared with \$24 million in third quarter 2008. The benefits from restructuring actions, cost reductions, managing material costs and new platform launches were more than offset by lower OE production volumes and related manufacturing fixed cost absorption and declining aftermarket sales. Third quarter 2008 EBIT includes \$1 million in restructuring and related expenses. Third quarter 2009 EBIT includes \$5 million in unfavorable currency.

ASIA PACIFIC

- Asia revenue was \$102 million, up from \$77 million a year ago. Excluding substrate sales, revenue was \$81 million, up 51% from \$53 million in third quarter 2008. The increase was driven by higher OE production volumes in China.
- Australia revenue was \$33 million, compared with \$51 million in third quarter 2008. Excluding substrate sales and the negative impact of currency, revenue was \$32 million, a 29% decrease versus \$47 million the prior year. The decrease was due to production volume declines as OE customers adjusted production to declining vehicle sales. Industry light vehicle production in the quarter was down 33% year-over-year.
- Asia Pacific EBIT was \$8 million, compared with \$6 million in third quarter 2008, driven by OE production volume increases in China, partially offset by production volume declines in Australia and related manufacturing fixed cost absorption. Third quarter 2009 EBIT includes \$1 million in unfavorable currency.

OUTLOOK

Tenneco expects that fourth quarter industry production in North America and Europe will increase sequentially; China and India will continue to see robust light vehicle production growth year-over-year; and the global aftermarket will remain stable year-over-year, following its typical seasonal pattern.

Given the company's cash flow and earnings performance, coupled with this more stable industry outlook, Tenneco is announcing that effective October 1, it has begun restoring salaries for all salaried employees worldwide, which were reduced approximately 10% on April 1, 2009. This temporary action delivered about \$7 million in savings in both the second and third quarters of 2009.

"We are confident that we will see a more positive overall production environment going forward in the fourth quarter and into next year, albeit with some caution in Europe as the various countries' scrappage incentives come to an end," Sherrill said. "We will stay focused on executing our program launches, flexing operations as required and continue driving our cost and cash management processes."

"The operational improvements we have made over the past year will allow us to leverage our performance during an industry recovery," said Sherrill. "Our growth plans are on track and we continue to invest the necessary resources to support that growth, especially in the commercial vehicle market and in rapidly growing markets such as China."

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 – 3 Months](#)
- [Reconciliation of GAAP to Non-GAAP Earnings 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 Revenue to Non-GAAP Revenue Measures – 3 Months](#)
- [Reconciliation of GAAP Revenue to Non-GAAP Revenue Measures – 9 Months](#)
- [Reconciliation of Non-GAAP Measures – Debt Net of Cash](#)

These files are provided in a PDF format.

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CONFERENCE CALL

The company will host a conference call on Thursday, October 29, 2009 at 10:30 a.m. EDT. The dial-in number is 888-469-2055 (domestic) or 312-470-7117 (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 29, 2009 through November 29, 2009. To access this recording, dial 866-469-5762 (domestic) or 203-369-1461 (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 21,000 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," "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) changes in automotive manufacturers' production rates and their actual and forecasted requirements for the company's products such as recent and significant production cuts by automotive manufacturers in response to difficult economic conditions;*
- (ii) 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;*
- (iii) 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;*
- (iv) 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;*
- (v) 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;*
- (vi) 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;*
- (vii) governmental actions, including the ability to receive regulatory approvals and the timing of such approvals;*
- (viii) 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 particularly in light of the current global financial and liquidity crisis, and the credit ratings of the company's debt;*
- (ix) the recent volatility in the credit markets, the losses which may be sustained by our lenders due to their lending and other financial relationships and the general instability of financial institutions due to a weakening economy;*
- (x) 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;*
- (xi) workforce factors such as strikes or labor interruptions;*
- (xii) 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;

(xiii) further changes in the distribution channels for the company's aftermarket products, further consolidations among automotive parts customers and suppliers, and product warranty costs;

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

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

(xvi) 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

(xvii) 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, 2008.

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