



AHEAD OF THE CURVE

2006 ANNUAL REPORT

TENNECO

Our mission is to be recognized by our customers as the number one technology-driven, global manufacturer and marketer of value-differentiated ride control, emission control and elastomer products and systems. We will strengthen our leading position through a shared-value culture of employee involvement, where an intense focus on continued improvement delivers shareholder value in everything we do.

CORPORATE PROFILE

Tenneco Inc. 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 aftermarket. The company became an independent corporation in 1999, allowing singular focus on strategies to maximize global results.

Tenneco markets its products primarily under the Monroe®, Walker®, Gillet™, and Clevite® Elastomers brand names. Leading manufacturers worldwide use our products in their vehicles, attracted principally by our advanced technologies. We are one of the top suppliers to the automotive aftermarket, offering exceptionally strong brand recognition among consumers and trade personnel.

SAFE HARBOR STATEMENT

Please see the Safe Harbor Statement, risk factors and the description of our original equipment (OE) revenue forecast under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the accompanying Form 10-K, which is incorporated herein by reference.

TABLE OF CONTENTS

Gatefold	Tenneco at a Glance
Page 1	Financial Highlights
Page 2	Chairman’s Letter
Page 4	Targeting Growing Markets with Technology
Page 6	Emission Technologies for Environmental Mandates
Page 12	Advanced Technology for Superior Ride and Handling
Page 14	Elastomers: Innovative Solutions for Noise, Vibration and Harshness
Page 16	Board of Directors and Officers
Page 17+	Form 10-K
Inside Back Cover	Investor Information
Back Cover	Transfer Agent Contact and Website Information

TENNECO INC.

ORIGINAL EQUIPMENT

OPERATIONS	2006 SALES	APPLICATIONS	PRODUCTS	BRANDS	COMPETITORS	KEY ADVANTAGES	TOP FIVE CUSTOMERS	TOP FIVE PLATFORMS 2006	MARKET OPPORTUNITIES
Emission Control	\$2,592 million	<ul style="list-style-type: none">Passenger carsLight trucksCommercial vehiclesIndustrial applicationsMotorbikesBuses	<ul style="list-style-type: none">Complete emission-control systemsFabricated manifoldsManifold-converter modulesCatalytic convertersMufflers and resonatorsDiesel particulate filter systemsSCR, NOx abatement systemsExhaust heat exchangersExhaust isolators and hanging systems	 	<ul style="list-style-type: none">ArvinMeritorFaureciaEberspächerBosalDelphiNelson (Cummins Inc.)	Emission and Ride Control <ul style="list-style-type: none">Advanced technologiesExperienced teamProduct/process qualityGlobal program managementJapanese alliancesJoint ventures in China, Thailand and U.K.Customer relationshipsBroad product rangeFull-service supplierJust-In-Time (JIT) assemblyTest and validation systemsKnowledge-based engineering	<ul style="list-style-type: none">General Motors Corp.DaimlerChrysler AGVolkswagen AGFord Motor Co.PSA Peugeot/Citroën	<ul style="list-style-type: none">DaimlerChrysler Mercedes E - ClassDodge Ram H.D. diesel/gas; L.D. gas; SRT-10 gasGM Opel Vectra, Pontiac G6, Pontiac MalibuVolkswagen Golf, Jetta, Audi A3Volkswagen Audi A4	<ul style="list-style-type: none">Additional content due to emission regulationsDiesel after-treatmentCustomized sound attenuationEmerging marketsCommercial vehicle segmentAdjacent markets
Ride Control	\$1,016 million	<ul style="list-style-type: none">Passenger carsLight trucksCommercial vehiclesGolf cartsOff-road recreationalRail carsBuses	<ul style="list-style-type: none">Shocks and strutsSuspension bushingsCoil, air and leaf springsTorque rodsEngine and body mountsSuspension modules and systemsControl arms, bars and linksCabin dampersComputerized electronic suspension systemsAnti-roll systemsSeat dampers	    	<ul style="list-style-type: none">ZF SachsDelphiArvinMeritorKayaba (KYB)Magneti MarelliHitachi		<ul style="list-style-type: none">Ford Motor Co.General Motors Corp.Volkswagen AGNissan Motor Co., Ltd.DaimlerChrysler AG	<ul style="list-style-type: none">GM Silverado, Tahoe, Yukon, Suburban, Avalanche, SierraFord Focus, Mazda 323, Volvo S40Ford FiestaVolkswagen TransporterDaimlerChrysler Town & Country, Caravan	<ul style="list-style-type: none">Vehicle stability/safety requirementsModular assemblyNew technologiesAdjacent marketsElectronic technologiesEmerging marketsSeat damping systemsCabin damping systemsCommercial vehicle segment

AFTERMARKET

OPERATIONS	2006 SALES	APPLICATIONS	PRODUCTS	BRANDS	COMPETITORS	KEY ADVANTAGES	TOP FIVE CUSTOMERS	LEADING PRODUCTS	MARKET OPPORTUNITIES
Emission Control	\$385 million	<ul style="list-style-type: none">Passenger carsLight trucksCommercial vehiclesPerformance vehicles	<ul style="list-style-type: none">MufflersPipesTubingMounting componentsCatalytic convertersPerformance mufflersHeadersRetrofit diesel particulate filters	     	<ul style="list-style-type: none">OE ServiceBosalGoerlich's Exhaust SystemsInternational Muffler Company	Emission and Ride Control <ul style="list-style-type: none">Brand dominanceRelationships with all major wholesale distributors/retailersGlobal presenceLeading market sharesProduct innovationProduct qualityExtensive product and vehicle coverageTargeted marketing programsIntroduction of service partsDistribution channels	<ul style="list-style-type: none">TEMOT AutoteileNAPAAutomotive Distribution International (ADI)Uni-SelectGroup Auto Union (GAU)	<ul style="list-style-type: none">Quiet-Flow3® Mufflers/AssembliesDynomax® Ultra-Flo Stainless/Welded Mufflers/SystemsDNX™ performance exhaust systemsSoundFX™ mufflersClean Air™ catalytic convertersWalker retrofit diesel particulate filters	<ul style="list-style-type: none">Growing number of vehicles on the roadOE ServiceNew technologiesEmission regulationsPerformance-product demand
Ride Control	\$692 million	<ul style="list-style-type: none">Passenger carsLight trucksCommercial vehiclesPerformance vehiclesTrailers	<ul style="list-style-type: none">ShocksStrutsCartridgesMounting kitsPerformance shocks, struts and filtersTorque rodsSuspension bushingsEngine mountsCoil springsCar-appearance productsSuspension lift kitsBrake pads	     	<ul style="list-style-type: none">ArvinMeritorKayaba (KYB)OE ServiceZF Sachs		<ul style="list-style-type: none">NAPAAdvance Auto PartsO'Reilly AutomotiveTEMOT AutoteileAutomotive Distribution International (ADI)	<ul style="list-style-type: none">Reflex® shocks and strutsSensa-Trac® shocks and strutsRancho® shocks, struts and suspension lift kitsQuick Strut™Gas-Magnum® shocksMonro-Matic Plus® shocksDuPont™ car-care lineMonroe springsMonroe dynamics and ceramic brake pads	<ul style="list-style-type: none">Growing number of vehicles on the roadOE ServiceNew technologiesUnperformed maintenancePremium mix expansionBroader product coverageHeavy-duty truck penetrationSafety/installer educationTesting/diagnostic equipment

	2006	2005
Revenues (millions)	\$4,685	\$4,441
Emission Control/ Ride Control Balance	64/36	62/38
Original Equipment/ Aftermarket Balance	77/23	77/23



*EBIT is earnings before interest expense, taxes, and minority interest.

Diverse Customer Base

Top Customers as a % of Total 2006 Revenues

Largest Original Equipment Customers

14.0%	General Motors Corp.
11.2%	Ford Motor Co.
10.5%	DaimlerChrysler AG
10.5%	Volkswagen AG
4.7%	PSA Peugeot Citroën
3.3%	Toyota Motor Co.
2.7%	Nissan Motor Co.
2.6%	BMW AG
2.0%	Shanghai Automotive (SAIC)
1.8%	Honda Motor Co.

Largest Aftermarket Customers

1.7%	NAPA
1.6%	TEMOT Autoteile GmbH
1.2%	Advance Auto Parts
1.0%	ADI (Automotive Distribution Int'l)
0.8%	Uni-Select
0.7%	O'Reilly Automotive
0.4%	GAU (Group Auto Union)
0.4%	KFE (Kwik-Fit Europe)
0.3%	Mekonomen Grossist AB
0.3%	CSK Auto

Profile

People	Approx. 19,000
Manufacturing and Just-In-Time Facilities	83
Engineering Centers	14
Countries Served	134

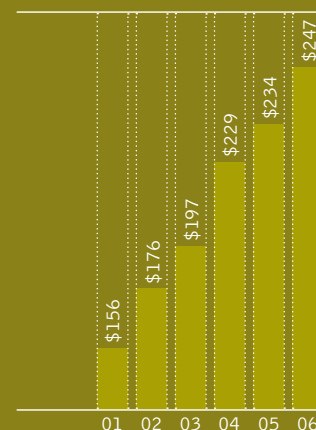
FINANCIAL HIGHLIGHTS

(dollars in millions except share and per share data)	2006	2005	2004	2003	2002	2001
Net sales and operating revenues	\$4,685	\$ 4,441	\$ 4,213	\$ 3,766	\$ 3,459	\$ 3,364
Earnings before interest expense, taxes and minority interest	\$ 196	\$ 215	\$ 174	\$ 174	\$ 169	\$ 90
Depreciation and amortization	\$ 184	\$ 177	\$ 177	\$ 163	\$ 144	\$ 153
EBITDA*	\$ 380	\$ 392	\$ 351	\$ 337	\$ 313	\$ 243
Net income (loss) before changes in accounting principles	\$ 51	\$ 58	\$ 15	\$ 26	\$ 31	\$ (131)
Earnings (loss) per share before changes in accounting principles	\$ 1.10	\$ 1.29	\$ 0.35	\$ 0.62	\$ 0.74	\$ (3.47)
Capital expenditures	\$ 170	\$ 144	\$ 130	\$ 130	\$ 138	\$ 127
Average diluted shares outstanding	46,755,573	45,321,225	44,180,460	41,767,959	41,667,815	38,001,248
Total debt	\$1,378	\$ 1,378	\$ 1,420	\$ 1,430	\$ 1,445	\$ 1,515
Cash and cash equivalents	\$ 202	\$ 141	\$ 214	\$ 145	\$ 54	\$ 53
Debt net of cash balances	\$1,176	\$ 1,237	\$ 1,206	\$ 1,285	\$ 1,391	\$ 1,462

*EBITDA represents income from continuing operations before cumulative effect of changes in accounting principles, interest expense, income taxes, minority interest and depreciation and amortization. EBITDA is not a calculation based upon generally accepted accounting principles. The amounts included in the EBITDA calculation, however, are derived from amounts included in the historical statements of income data. In addition, EBITDA should not be considered as an alternative to net income or operating income as an indicator of our performance, or as an alternative to operating cash flows as a measure of liquidity. We have reported EBITDA because we believe EBITDA is a measure commonly reported and widely used by investors and other interested parties as an indicator of a company's performance. We believe EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon many factors. However, the EBITDA measure presented in this document may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

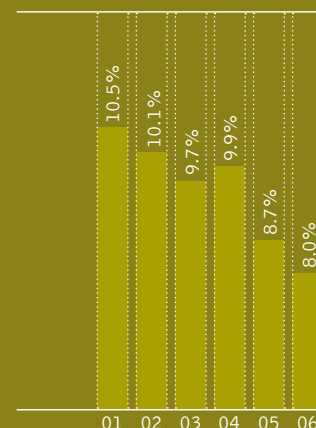
REVENUE PER EMPLOYEE

\$ In thousands



SG&A*

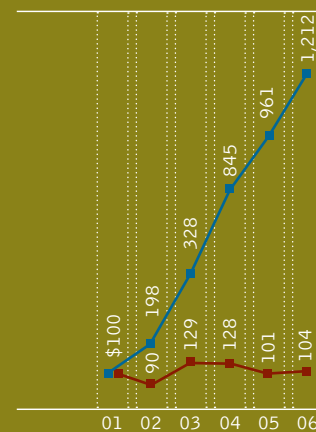
As percentage of revenue



*Selling, general and administrative expenses

STOCK PRICE PERFORMANCE

Based on an initial investment of \$100 on December 31, 2001



■ Tenneco Inc. ■ S&P 1500 Auto Parts Index

Six-Year Compounded Annual

Growth Rate

Tenneco: 65%

S&P 1500 Auto Parts Index: 1%

“In January 2007, the Board of Directors selected Gregg Sherrill as Tenneco’s new Chairman and Chief Executive Officer. This was an important decision for the Board and for the future of Tenneco. We knew we had a solid team and a good strategy in place, so our goal was to find someone that could complement and add value to what we had. Gregg’s impressive 30-year track record over a range of automotive areas led us to make what we believe was the right decision. Gregg has a passion for what he does. He’s a proven leader. And he brings a fresh perspective and direct experience working with global automakers and aftermarket customers alike. We’re looking forward to his contributions in taking Tenneco to the next level.”

–Paul Stecko, Board Member and Lead Director of Tenneco’s CEO Search Committee

To Our Shareholders:

For Tenneco, 2006 was a year of transition and continued market leadership.

While global automotive production increased 4% as a result of higher volumes in Europe and 26% growth in China, North American production fell 3%. Detroit’s automakers suffered even more, reducing domestic production by 7%. And the highly profitable light-truck segment was down 9% in the face of rising gas prices, aging pickup-truck platforms and 2005’s heavy sales incentives, which we believe pulled forward some 2006 truck purchases.

Balance is Key

Tenneco’s revenue increased nearly 6% in 2006, though total operating income adjusted* for certain items slipped 4% primarily due to the significant production decline in light trucks in North America, which represent a majority of our domestic original equipment (OE) revenue. Additionally, we incurred higher raw material costs, mostly related to rising steel prices. Yet Tenneco’s global balance and diversity of markets, products, platforms and customers mitigated these external hurdles. China revenues soared 84% on a broader customer base and new business. The rapidly growing Japanese original equipment manufacturers (OEM) represented 20% of our total North American OE revenues in 2006. And our Europe, South America and India segment’s adjusted operating income rose 44% on higher revenue and improved efficiencies. Moreover, cash flow from operations increased by \$68 million over 2005, despite higher receivable and inventory investments for our sizeable new platform launches.

Commitment and Resolve

This performance speaks volumes about the commitment and resolve of Tenneco’s employees. There are always challenges in the automotive industry, but some years are more difficult than others. And clearly, the industry is very tough right now. Detroit’s automakers are working their way through major cost-structure issues. Competition among the European auto manufacturers is intense as they restructure their businesses and move aggressively into lower-cost Eastern Europe. Adding to the pressure, the

Japanese and Korean producers are rapidly gaining market share globally, and the Chinese OEMs plan to export vehicles in the near future. Yet this evolving industry creates significant opportunities for us to continue to grow our business.

Innovation Drives \$1 Billion Revenue Growth

In 2007, we’re launching five of our largest, most strategic platforms for emission control. In addition to being part of the much anticipated Toyota Tundra introduction, we’re also producing advanced exhaust systems for our first commercial-vehicle business in North America. And, we’ve captured 100% of this region’s light-duty diesel truck platforms.

This year we’ll also be a part of General Motors’ newest crossover product, which includes the 2007 Saturn Outlook and GMC Acadia, as well as the 2008 Buick Enclave. We have a growing position in this increasingly popular, more fuel-efficient vehicle segment. Industry experts predict that by 2009, crossovers – sport utility vehicle bodies built on a lighter-weight, passenger-car frame – will represent more than 20% of all vehicles sold in the U.S.

Additionally, we are capitalizing on the market’s escalating demand for electronics. Tenneco’s high-performance Computerized Electronic Suspension (CES) offers superior ride and handling capabilities, and is gaining popularity in the European luxury-vehicle segment. Over time, we expect CES will garner mass-market appeal.

The efficiencies achieved over the past few years from Lean Manufacturing and Six Sigma methodologies are allowing us to incorporate all of this new business into our existing manufacturing facilities, realizing fixed-cost advantages.

Global Leadership Supports Growth Opportunities

Heightened environmental concerns are driving more stringent emission requirements in markets around the world. As an innovative emission supplier with clean-diesel technology in production for more than a decade, this worldwide movement brings opportunities for increased content and value. Adjacent-market penetration – off-road and two-wheel vehicles, and small engines – beckons.

*An explanation of these adjustments can be found in the Management’s Discussion and Analysis of the attached Form 10-K. Additionally, a reconciliation of the results is detailed on the inside back cover of this report.



GREGG SHERRILL CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Tenneco's leading market share in emission control in China is also advantageous because China recently became the world's second-largest market for automotive sales behind the U.S. An annual market growth rate of 11% has been projected through 2009. We just opened our first technology center in China, which will provide our customers greater value in engineering and design. This is especially compelling as this region begins phasing in stricter emission regulations in 2008.

Finally, our leadership in the replacement-parts market reflects strong global brands, new product lines and efficient distribution capabilities. We are capitalizing on the inherent synergies between the OE and aftermarket by standardizing components to consolidate manufacturing, introducing premium replacement parts from products we developed for the OE market, and increasing our value with the automakers by sharing our aftermarket intelligence to help them develop improved original-equipment products.

Tenneco has a technology portfolio that is in great demand at the right time. We have one of the widest geographic footprints, a flexible cost structure, superior product quality and unrivaled delivery. Our focus is on operational excellence. And our value comes from working collaboratively with our customers to expedite products that benefit their strategies.

For me, joining Tenneco was an easy decision. When you look at the past performance of the company, how far it's come, and where it's positioned for the future, the possibilities are exciting. As this industry continues to evolve, we will anticipate impending changes, staying ahead of the innovation curve to deliver profitable growth that translates into value for our shareholders. At the same time, debt reduction will continue to be a priority. It's all about commitment, resolve and innovation, which Tenneco's employees have demonstrated time and again.

Gregg Sherrill
Chairman and Chief Executive Officer
Tenneco Inc.

Joined Tenneco as Chairman and CEO,
January 2007

Experience

- Previously spent eight years at Johnson Controls, Inc., a leading automotive equipment and systems supplier
 - President, Power Solutions Group, the global automotive battery business of Johnson Controls; Established business in Asia with operations in China and Korea; Strong aftermarket focus
- Group Vice President and Managing Director of Europe, South Africa and South America for Johnson Controls' Auto Supply Group, which produces seating and interiors for original equipment automobile manufacturers
- Vice President and General Manager for North American operations of Johnson Controls
- Twenty-two years with Ford Motor Company in a broad range of engineering and manufacturing positions
 - Director of Suppliers Technical Assistance
 - Chief Engineer Global Steering Components
 - Plant Manager, Dearborn, MI, engine plant

Education

- B.S., Mechanical Engineering, Texas A&M University
- M.B.A., Indiana University Graduate School of Business

TARGETING GROWING



FOCUS ON FIVE KEY GROWTH AREAS

- 1 Emission controls to meet environmental requirements worldwide,
- 2 Electronic technology to improve ride comfort and handling stability,
- 3 Expansion in Asia, capitalizing on the world's fastest-growing automotive markets,
- 4 Building relationships with growth OEMs like the Japanese and Koreans, and
- 5 Maintaining our leading position in the replacement-parts market with an increasing array of premium products.

1

EMISSION TECHNOLOGIES FOR ENVIRONMENTAL MANDATES

More than 60% of our revenue comes from emission controls, primarily for gas-engine automobiles. A new opportunity is arising in diesel vehicles. We expect that diesel platforms will represent about 23% of our global OE revenues in 2007, up from 6% in 2005. Industry analysts project the global market share for diesel-powered cars and light trucks will reach 26% by 2015.

Meanwhile emission standards are tightening around the world, requiring more complex exhaust systems. Not limited to automobiles, these pollution regulations are unlocking opportunities in adjacent markets like commercial trucks, off-road and two-wheel vehicles, and small engines.

2

ELECTRONIC TECHNOLOGY FOR IMPROVED HANDLING

Tenneco is a leader in differentiated mechanical and hydraulic technologies for shock absorbers. Electronics is now assuming a prominent role in product development. By integrating mechanical and electronic functions within a vehicle, auto manufacturers improve vehicle handling and reduce costs.

Our Computerized Electronic Suspension product increases our content revenues seven-fold compared with a standard shock. Unique valve technologies, anti-roll suspensions, and fluid-filled elastomers (rubber bonded to metal) that reduce noise and vibration, are highly influential in customers' buying decisions.

MARKETS WITH TECHNOLOGY



2007 Toyota Tundra



3

ASIA FOR RAPID GROWTH

Lower-cost vehicles, rising income levels, and infrastructure developments are driving significant growth in the Asian automotive market. Tenneco is the top exhaust manufacturer and a leading supplier of shocks, struts and elastomer products in China, the world's fastest-growing automotive market. We recently opened an engineering center in Shanghai, supporting complex design, testing and prototype development.

India is also compelling. It is the second largest two-wheeler market in the world, fourth largest commercial-vehicle market, and 11th largest passenger-car market—expected to be the seventh largest by 2016. In India since 1996, Tenneco produces primarily for that domestic OE and aftermarket.

4

GROWTH OEMs FOR ENHANCED CUSTOMER MIX

A key strategy is to expand business with the fast-growing Japan-based auto manufacturers worldwide. Today Tenneco serves seven Japanese OEMs in 14 countries, accounting for 10% of our 2006 global OE revenue and 20% of North American OE revenue. Global sales to Japanese customers are expected to increase significantly through 2008 due to new-business wins, like the Toyota Tundra.

Additional opportunities come from building relationships with Korean carmakers, who are expected to increase their global market position 46% by 2012.

5

NEW AFTERMARKET PRODUCTS FOR INCREMENTAL SALES

Tenneco is the leader in emission- and ride-control products for the replacement-parts market in North America and Europe. Global aftermarket revenues contributed 23% to total-company sales on 6% growth in 2006. Demand is largely determined by four factors—vehicle miles driven, vehicles in operation, vehicle age and product life span.

The global strength of our Monroe and Walker brands, manufacturing in low-cost countries, adapting OEM products to the aftermarket and adding more frequently replaced service parts, like Monroe brake pads, to our portfolio, are key to our growth in this counter-cyclical segment.

EMISSION CONTROL

Advanced emission-control systems for cars and trucks are mandatory in accordance with new global regulations aimed at further curtailing air pollution. Tenneco has developed a comprehensive portfolio of exhaust after-treatment technologies that meet or exceed the requirements for emissions from internal combustion engines—carbon monoxide, hydrocarbons, particulate matter and smog-forming nitrogen oxides (NOx).

In addition to an array of products designed for gasoline engines, Tenneco has an extensive portfolio for diesel applications, including:

- Diesel oxidation catalysts
- Diesel particulate filter systems (DPF)
- Selective catalytic reduction systems (SCR)

Our diesel oxidation catalysts remove up to 90% of hydrocarbon and carbon monoxide emissions. Through improved thermal management and filter regeneration, we have diesel filters that cut particulate matter, or soot, by more than 80%, while maintaining fuel efficiency. Our SCR devices and NOx adsorbers use chemical reactions to convert NOx into harmless substances, lowering these emissions by up to 60%.

Diesel is the world's most efficient mass-produced internal combustion engine, providing more torque and fuel efficiency than other alternatives. Diesel engines are about 30%-35% more fuel-efficient than similarly sized gasoline versions. According to a study by the Environmental Protection Agency (EPA), if the U.S. had an automobile and light-truck population that was one-third diesel, it could save up to 1.4 million barrels of oil per day—the amount this country currently imports from Saudi Arabia.

J.D. Power and Associates predicts that diesel sales will triple in the next 10 years, accounting for more than 10% of U.S. vehicle sales by 2015. In Western Europe, diesels represent about 50% of all new vehicles registered, up from 40% in 2001. Today's diesel vehicles must meet rigorous emissions standards. Innovation in engine technologies, ultra low-sulfur diesel fuel, and advanced emission after-treatment controls are making this possible.

Tenneco was one of the first global suppliers to offer DPFs for select applications in the 1980s. Our earliest serial-production DPF for passenger cars was developed for the 2000 launch of the Citroën C5 and Peugeot 406. Today, we supply particulate filters for 21 vehicle models in Europe, and are scheduled to launch additional European vehicles with DPFs over the next 12 months. While DPFs are currently applied on a voluntary basis in Europe, they will become mandatory with the Euro 5 regulation in mid-2009. At that time, nearly all particulate emissions will be eliminated from diesel cars.





ENGINEERING EXPERTISE

As a Tier 1 supplier, Tenneco adds value by:

- Designing emission-control systems that meet environmental regulations through the integration of ceramic catalyst substrates coated with precious metals
- Cushioning the fragile substrate from engine and road vibrations
- Maximizing use of thermal energy to heat the catalyst quickly
- Controlling airflow efficiently to reduce back pressure while improving fuel efficiency
- Managing extreme temperature-related expansion and contraction of the emission-control components
- Optimizing placement of engine management sensors
- Using advanced acoustic engineering tools to achieve the OEM's preferred exhaust sound
- Deploying predictive tools for superior durability

Our highly engineered emissions systems support gasoline, flex-fuel and diesel applications.

DIESEL PARTICULATE FILTER SYSTEMS

Tenneco has been in commercial production with diesel particulate filters (DPF) for over two decades. Our DPF systems remove particulate matter, or soot, from the exhaust gas of a diesel engine with 85% – 90% efficiency.

Tenneco is already the market-share leader in Europe for emission control. We expect to move into the #1 position in North America this year as we begin supplying 100% of the region's light-duty diesel truck programs with DPF systems that satisfy the 2007 emission standards. Rising fuel prices, heightened concerns about global warming and federal tax incentives are spurring a diesel comeback in the U.S. Reduced tailpipe emissions, improved noise- and vibration-damping technologies, and advanced engine designs have made the new diesels cleaner, quieter and more powerful. In 2007, we expect to produce approximately 1.5 million DPF units for our OE customers worldwide.

Wide Range of Applications

Everyday we see equipment powered either by diesel or gasoline engines. There are roughly 400,000 agricultural and construction vehicles produced annually in North America and Europe utilizing diesel engines, 32 million two-wheel vehicles are expected to be produced globally in 2007 utilizing gasoline engines, and another 12 million small engines used in applications like lawn and garden equipment will be produced in North America alone. As emission regulations are extending to these adjacent markets, opportunities for new revenues from added value and increased content abound.

Entry into Commercial Truck Emission-Control Market

In the adjacent commercial-vehicle segment, we forecast the global market for diesel emission systems will approach \$4 billion annually by 2010, up from just \$300 million in 2003 as a result of the tightening regulations for medium- and heavy-duty trucks. Truck makers were able to meet earlier emission standards with a simple muffler and engines calibrated with exhaust gas recirculation valves for reducing NOx. But the 2007 EPA mandate now requires 90% less particulate matter and 55% less NOx emissions. As a result, this year we are working with International Truck & Engine, one of the world's largest diesel-engine manufacturers, adding diesel oxidation catalysts and DPF systems to their medium-duty trucks in the U.S. In 2010, the regulations expand further, calling for 90% less NOx, which will require additional exhaust after-treatment content.

Similarly, in Europe, 2009's Euro 5 commercial-vehicle standards mean even more significant reductions of particulate matter and NOx emissions. By then, a new truck will release one-tenth the emissions produced by a truck built in the 1980s. Tenneco is currently supplying the full SCR diesel-exhaust system for one of DaimlerChrysler's largest European commercial vehicles.

In the future, an exhaust after-treatment system will be made up of an array of components from particulate filters and multi-staged oxidation catalysts to nitrogen oxide converters and sensors that will monitor and steer the complex processes.



A CLEAN SWEEP

F-350



Replacing competitors, Tenneco has won 100% of the light-duty diesel-truck emissions business in North America, which includes the 2007 Ford F-250 and F-350 Super-Duty, General Motors' three-quarter ton pick-up trucks and vans, and the Dodge Ram 2500 and 3500 pick-ups.

ADJACENT-MARKET ENTRY

4200 Series



We are supplying exhaust after-treatment systems for International Truck and Engine Corporation's medium-duty diesel vehicles this year, applying our best-in-class exhaust technology for light-diesel vehicles to develop effective solutions for the commercial-truck segment.

FABRICATED EXHAUST MANIFOLDS

Fabricated exhaust manifolds represent roughly 50% of worldwide manifold production, and weigh up to 30% less than cast-iron versions. Tenneco's manifolds are made from thin, high-strength stainless-steel sheet metal, reducing weight and optimizing costs, while allowing exhaust gas to heat the catalyst more quickly, alleviating harmful emissions.

Reducing Tailpipe Emissions in Growing Regions

In addition to the increasingly stringent emission regulations in North America and Europe, nations elsewhere are committing to cleaner vehicle standards.

We have the #1 emission-control position in China, where the growth opportunities are tremendous. In 2008, China will adopt Euro 3 for its two-wheel vehicles. Euro 4 light-vehicle emission regulations will be implemented by 2010. And its commercial trucks will see regulations tighten again at the end of the decade.

Tenneco opened an engineering facility in Shanghai this year that will also help design and develop emission-control products for emerging markets like India and other countries in Southeast Asia. India introduced Euro 2 standards in 2005, and will implement Euro 3 regulations nationwide in 2010. At the same time, 10 major cities in India will begin phasing in Euro 4 standards.

In Brazil, where the number of registered vehicles has increased from 10 million in 1986 to 25 million in 2006, emission limits will be implemented over the 2006–2009 time period.

Worldwide tighter clean-air regulations will cause demand for emissions systems to grow faster than global vehicle-production rates.

Alternative Power-Train Vehicles

While we believe that diesel vehicles have the greatest growth trajectory into the next decade, the Japanese OEMs are driving demand for hybrid vehicles. Since these vehicles are powered by both a gasoline engine and an electric motor, there is still a need for compliant exhaust systems.

Aftermarket Emissions Products

Many of our advanced emissions technologies can also be used to upgrade older, existing diesel systems to provide even more substantial fleet-wide pollution reductions. Tenneco has introduced a retrofit DPF for the European aftermarket to support legislation and tax incentives on these units. The significant size of the European diesel-car market makes retrofit DPFs a compelling new aftermarket opportunity.





GLOBAL REGULATION TIMELINE TRACKS STRICTER EMISSION REGULATIONS

2007	US-07 CVS
2008	China Euro-3 two-wheel vehicle Beijing Euro-4 LVS Russia Euro-3 LVS Japan cold-start restrictions LVS EU Euro-5 CVS
2009	EU Euro-5 diesel LVS* Japan-09 LVS/CSV Brazil Euro-4 LVS and motorcycle rule
2010	US-10 CVS China Euro-4 LVS/CSV Russia Euro-4 LVS/CSV India Euro-4 LVS* and motorcycle rule
2011	Japan NOx reductions LVS US off-road diesel rule* EU off-road Stage 3B*
2012	China Euro-5 LVS*
2014	Russia Euro-5 CVS EU off-road Stage 4 US off-road diesel Tier-4 NOx China Euro-5 CVS EU Euro-6 LVS*
2015	US locomotive and marine mandates

CVS – Commercial Vehicle Systems

LVS – Light Vehicle Systems

*Phased in

PERFORMANCE EXHAUST SYSTEMS

DynoMax is our leading performance-exhaust aftermarket brand for light vehicles. These systems are carefully engineered to deliver a new level of performance exhaust flow and power, representing the distinct personality of each application. Sound, performance, durability, DynoMax has it all.

RIDE CONTROL

Safety, comfort and handling influence consumer buying decisions for automobiles. As one of the leading global OE suppliers of shocks and struts, our innovative products improve vehicle handling by reducing roll, sway and dive while adjusting more rapidly to changing road and weight conditions.

Computerized Electronic Suspension, our advanced ride-control system, focuses on comfort as well as superior handling, and our anti-roll suspension technology, Kinetic, offers improved vehicle stability, particularly for SUVs. We have dedicated ourselves to developing these types of premium products, which drive better margins and help distinguish us and our customers from competitors.

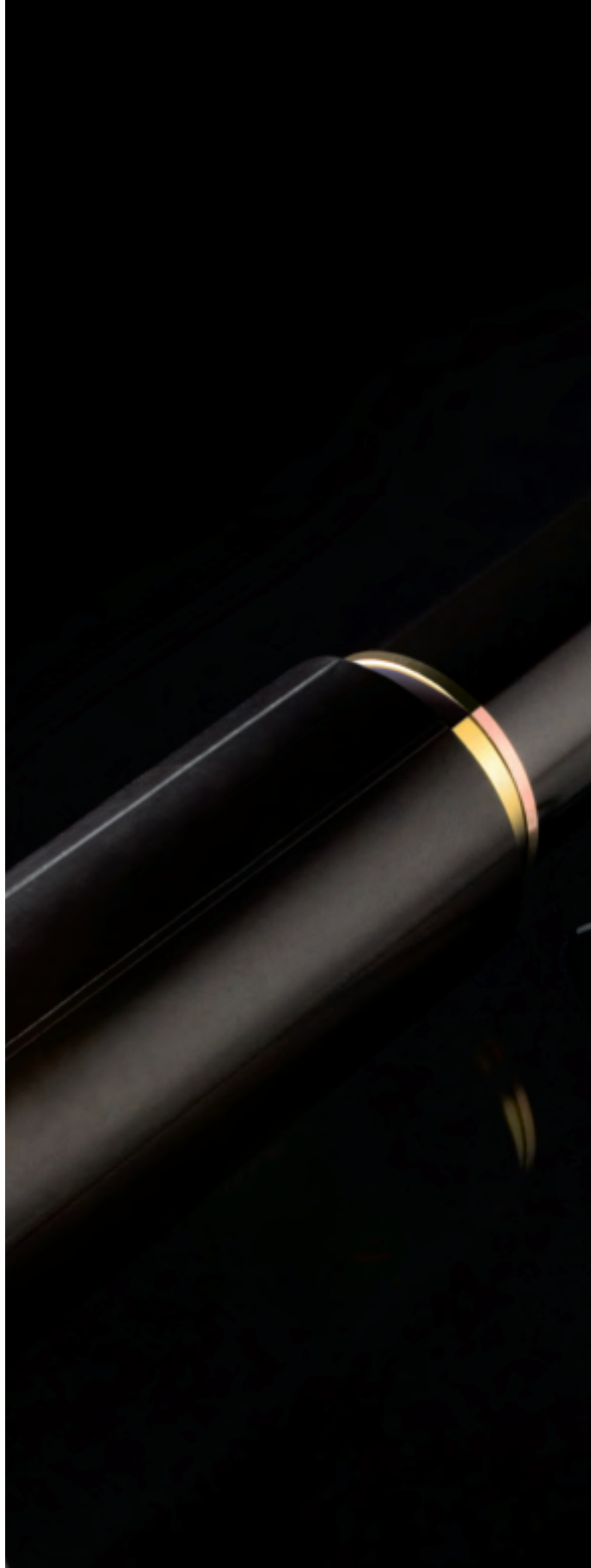
Additionally, we are shifting more OE manufacturing to low-cost countries. Nearly 45% of our European ride-control production is in Eastern Europe. Winning the high-volume Ford Focus ride-control business was directly attributable to our capacity in Poland and the Czech Republic. And remarkably, we supply about 60% of Mazda's shock absorber requirements in Japan from our Eastern European facilities. In the Asian market, we are a rising supplier of OE ride-control parts through a majority-owned joint venture in Beijing. And, we have a goal of capturing a 30% share of the Asian aftermarket by decade's end.

Tenneco is the #1 global provider of ride-control aftermarket products. The aftermarket can be counter cyclical to the OEM market. Demand for aftermarket products is determined by a mix of miles driven, number of vehicles in operation and length of vehicle ownership, which is now approximately eight years—within the prime six-to-10 year vehicle-age range for replacement parts. Demand is also affected by product durability.

We extend product technologies developed for the original equipment business to the aftermarket. Our premium Reflex replacement shock absorber was originally developed for OE applications. This practice expands marketing reach, spreads out development costs and enhances return on investment.

An estimated \$60 million of vehicle maintenance goes unperformed each year. We are encouraging higher frequency of product replacement, while raising safety awareness through our Safety Triangle® campaign. This maintenance promotion underscores the importance of checking the critical components that control a vehicle's ability to stop, steer and maintain stability. Our October 2005 introduction of premium Monroe brake pads enables automotive-service providers to rely on one of the industry's strongest brands to restore safe stopping and stability through our replacement brake pads, shocks and struts.

High brand recognition, technological innovations and our status as a low-cost producer have made our ride-control operations a steady source of increasing revenue and growing profitability.





PREMIUM AFTERMARKET PRODUCTS

Monroe® Premium Shocks



Monroe® is one of the oldest and most trusted names in the ride-control business. In the U.S., our shocks and struts are offered as replacement units for more vehicles than any other brand. Mechanics and retail customers worldwide trust Monroe's Reflex, Sensa-Trac and Rancho shocks to get more miles and a better ride.

Monroe® Premium Brake Pads



New Monroe Ceramics and Dynamics premium brake pads feature OE-specified formulations and pad designs, and offer the first total solution for the friction market. Monroe brake pads promote cleaner and quieter stops, and help ensure consistent and precise stopping performance.

COMPUTERIZED ELECTRONIC SUSPENSION

Ride quality and handling characteristics remain among the top influencers in consumer buying decisions. Tenneco's electronic suspension integrates the latest technology into a highly advanced ride-control system.

ELASTOMERS

Automakers are increasingly looking to their suppliers to solve vehicle noise, vibration and harshness (NVH) problems through the use of elastomers in engine-, exhaust- and wheel-suspension systems. Elastomers range from soft, rubberlike compounds to almost rigid, highly engineered synthetics. These bonded rubber-to-metal composites prevent wear to more expensive or less-easily replaced parts, cushion or absorb some roughness or vibration that would otherwise be transmitted to the interior of the vehicle, and allow a small amount of motion to temper a rigid joint.

Elastomers molded into different shapes provide system isolation and withstand stress from vehicle motion. They are strong, durable, resistant to corrosion from various chemicals, and resilient to changing temperatures. Elastomers also provide the ability to integrate several parts into a single module.

Under the brand Clevite Elastomers, Tenneco offers a wide range of vibration-control components for automobiles, heavy trucks and other vehicles. In addition, we produce our own custom-formulated rubber compounds and metal components.

Many of our competitors only offer build-to-print products. These are elastomer designs provided by a customer and produced exactly according to their specifications. In a fast-paced, rapidly changing industry, the ability to quickly engineer new solutions is of much greater value. What sets Tenneco apart is that we custom-engineer and package our technology for each specific application. We provide innovative solutions as customers require more intricate, high-demand applications.

These complex solutions generally require a multidisciplinary approach. Having expertise in emission- and ride-control systems and elastomer products allows us to use cross-functional teams to better understand particular NVH issues and determine effective solutions. This increases our competitive advantage and technological capabilities over the traditional elastomer supplier.

Some of our leading technologies include the Gripper®, which combines a pressurized elastomeric, mechanically bonded bushing with a multi-bend stabilizer bar and a Coulomb damped link that eliminates potential noise, while improving vehicle ride and handling. Our SLE® (Self-Lubricating Elastomer) is internally lubricated to enhance the responsiveness of a shock absorber. And our Fluidbloc® bushings and Hydroelastic™ mounts provide additional damping for a suspension system, reducing vibration during engine idling.

Seven elastomer manufacturing facilities worldwide support Tenneco's strong position in the OE and replacement-parts markets for elastomers.





ELASTOMER PRODUCTS

- V-Rods



- Control-Arm Bushings



- Torque Rods



- Gripper Stabilizer Bar Assemblies



-
- Self-Lubricated Elastomers
 - Fluid-Damped Elastomers
 - Suspension Links
 - Suspension Bushings

ENTERING CHINA'S ELASTOMER MARKET

In 2006, Tenneco opened a wholly owned elastomer manufacturing facility in the fast-growing Chinese automotive market. Initial capacity will be dedicated to domestic production, but near-term opportunities for exporting out of low-cost China are significant.

BOARD OF DIRECTORS AND OFFICERS



TOP ROW, LEFT TO RIGHT

Charles W. Cramb¹

Executive Vice President, Finance & Technology,
and Chief Financial Officer
Avon Products, Inc.

M. Kathryn Eickhoff-Smith^{1,3}

Retired President and Chief Economist
Eickhoff Economics, Inc.

Frank E. Macher¹

Retired President and Chief Executive Officer
Collins & Aikman Corporation

Roger B. Porter^{2,3}

IBM Professor of Business
and Government
Harvard University

David B. Price, Jr.^{2,3}

Chief Executive Officer and President
Birdet Price, LLC

BOTTOM ROW, LEFT TO RIGHT

Dennis G. Severance¹

Accenture Professor of Business
Information & Technology,
Stephen M. Ross School of Business,
University of Michigan

Gregg Sherrill

Chairman, Chief Executive Officer
Tenneco Inc.

Paul T. Stecko^{2,3}

Chairman and Chief Executive Officer
Packaging Corporation of America

Mitsunobu Takeuchi¹

Retired Chairman and Chief Executive Officer
DENSO International Americas, Inc.

Jane L. Warner²

Group President
Finishing Systems and Click Commerce
Illinois Tool Works Inc.

¹ Audit Committee

² Compensation/Nominating/
Governance Committee

³ Three-Year Independent Director
Evaluation Committee

Blue numbers indicate
the committee chair.

OFFICERS

Gregg Sherrill

Chairman, Chief Executive Officer

Hari N. Nair

Executive Vice President
President, International

Kenneth R. Trammell

Executive Vice President
Chief Financial Officer

Brent J. Bauer

Senior Vice President
General Manager, North America
Original Equipment Emission Control

Timothy E. Jackson

Senior Vice President
Chief Technology Officer

Richard P. Schneider

Senior Vice President
Global Administration

Paul Schultz

Senior Vice President
Global Manufacturing
Supply Chain Management

Neal A. Yanos

Senior Vice President
General Manager, North America
Original Equipment Ride Control
Aftermarket

Theo Bonneu

Vice President, Finance, Europe

Lois Boyd

Vice President and General Manager
Commercial Vehicle Systems/Specialty Markets
Global Program Management

Josep Fornos

Vice President
General Manager, Europe, South America and India
Original Equipment Emission Control

H. William Haser

Vice President
Chief Information Officer

John E. Kunz

Vice President
Treasurer and Tax

Paul D. Novas

Vice President and Controller

James K. Spangler

Vice President, Global Communications

J. Jeffrey Zimmerman

Vice President, Law & Corporate Secretary

INVESTOR INFORMATION

Corporate Information

Individuals interested in receiving the company's latest quarterly earnings press release or other company literature should write the Investor Relations Department at the corporate headquarters address, or call 847.482.5146.

Information about Tenneco Inc. is also available on the company's web site.*

Stock Listing

Tenneco's common stock is listed under the ticker symbol TEN.

TEN is traded primarily on the New York Stock Exchange and also on the Chicago and London exchanges.

As of February 20, 2007, there were approximately 22,631 holders of record of the company's common stock, par value \$0.01 per share.

Investor Inquiries

Securities analysts, portfolio managers and representatives of financial institutions seeking information about the company should contact the Investor Relations department: 847.482.5042.

Dividends

The company expects that for the foreseeable future it will follow a policy of retaining earnings in order to finance the continued development of its business. Additional information on the company's dividend policy and restrictions on the payment of dividends can be found in Part II, Item 5 and in Management's Discussion and Analysis in the Annual Report on Form 10-K for the year ended December 31, 2006.

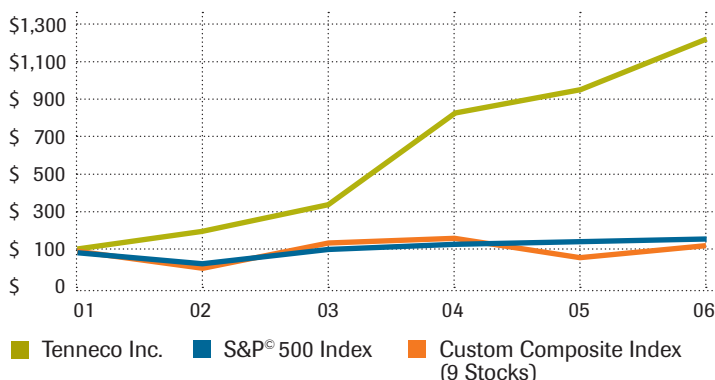
Annual Meeting

The Annual Meeting of Stockholders will be held at 10:00 a.m. Central Time on Tuesday, May 8, 2007, at Tenneco Inc. headquarters, 500 North Field Drive, Lake Forest, Illinois 60045.

*The information on our web site is not part of this annual report.

Total Cumulative Return

Based upon an initial investment of \$100 on December 31, 2001, with dividends reinvested



At December 31	01	02	03	04	05	06
Tenneco Inc.	\$100	\$198	\$328	\$845	\$961	\$1,212
S&P 500 Index	\$100	\$ 78	\$100	\$111	\$117	\$ 135
Custom Composite Index (9 Stocks)	\$100	\$ 77	\$122	\$130	\$ 88	\$ 106

The Custom Composite Index Includes:

ArvinMeritor, Inc.	Federal-Mogul Corporation
Borg Warner Inc.	Lear Corporation
Cummins Inc.	Magna International Inc.
Dana Corporation	Tower Automotive, Inc.
Delphi Corp.	

Copyright © 2007, Standard & Poor's, a division of the The McGraw-Hill Companies, Inc. All rights reserved.

Stock Price Data

	2007 Sales Prices		2006 Sales Prices		2005 Sales Prices		2004 Sales Prices		2003 Sales Prices	
	High	Low	High	Low	High	Low	High	Low	High	Low
First Quarter*	\$27.34	\$23.04	\$23.33	\$19.61	\$17.36	\$12.07	\$14.88	\$ 6.73	\$4.32	\$2.01
Second Quarter			\$27.55	\$20.64	\$17.22	\$11.55	\$15.34	\$10.09	\$4.65	\$2.25
Third Quarter			\$26.39	\$20.03	\$20.06	\$16.30	\$14.51	\$11.95	\$7.45	\$3.61
Fourth Quarter			\$25.34	\$21.41	\$19.95	\$15.70	\$17.49	\$10.93	\$7.32	\$4.66

*2007 First Quarter through February 23, 2007.

Reconciliation of Adjusted Operating Income—Total Company with Europe, South America and India Breakout

(see Chairman's Letter, page 2)

Year Ended December 31:	2006, EBIT (millions)		2005, EBIT (millions)	
	Total Company	Europe, SA, India	Total Company	Europe, SA, India
Earnings Measures	\$196	\$81	\$215	\$54
Adjustments (reflect non-GAAP measures):				
Restructuring and restructuring-related expenses	27	8	12	8
New aftermarket customer changeover costs	6	—	10	—
Pension change to defined contribution plan	(7)	—	—	—
Stock-based compensation accounting change	1	—	—	—
Reserve for receivables from former affiliate	3	—	—	—
Stock option adjustment	2	—	—	—
Non-GAAP earnings measures	\$228	\$89	\$237	\$62

Corporate Headquarters

Tenneco Inc.
500 North Field Drive
Lake Forest, Illinois 60045
847.482.5000

Web Site

www.tenneco.com

NYSE: TEN

Stockholder Inquiries

For stockholder services such as exchange of certificates, issuance of certificates, lost certificates, change of address, change in registered ownership or share balance, write, call or e-mail the company's transfer agent:

Wells Fargo Bank, N.A.
Shareowner Services
161 N. Concord Exchange
South St. Paul, MN 55075
866.839.3259 (Toll Free)
651.450.4064

www.wellsfargo.com/shareowner services

