

**Adding value mile by mile. Our roadmap.**



# Our Vision

Pioneering global ideas for cleaner, quieter, and safer transportation.

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Emission Control



Ride Control



Elastomers



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## 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—Adding Value, Our Roadmap

### Page 4

Innovation—The Right Technology

### Page 8

Opportunities—The Right Time

### Page 12

Global Reach—The Right Place

### Page 16

Board of Directors and Officers

### Page 17+

Form 10-K

### Inside Back Cover






Investor Information

### Back Cover


Transfer Agent Contact and Web Site Information

# Tenneco Inc.

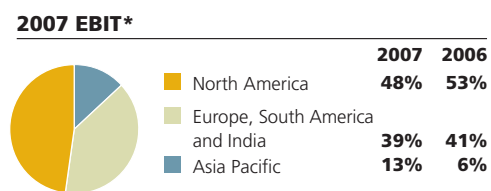
## Original Equipment

Operations	2007 Sales	Applications	Products	Brands
<b>Emission Control</b>	\$3,961 million	<ul style="list-style-type: none"> <li>Passenger cars</li> <li>Light trucks</li> <li>Commercial vehicles</li> <li>Industrial</li> <li>Motorbikes</li> <li>Buses</li> </ul>	<ul style="list-style-type: none"> <li>Complete emission control systems</li> <li>Fabricated manifolds</li> <li>Manifold-converter modules</li> <li>Catalytic converters</li> <li>Mufflers and resonators</li> <li>Diesel particulate filter systems</li> <li>SCR, NOx abatement systems</li> <li>Exhaust heat exchangers</li> <li>Exhaust isolators and hanging systems</li> </ul>	 
<b>Ride Control</b>	\$1,119 million	<ul style="list-style-type: none"> <li>Passenger cars</li> <li>Light trucks</li> <li>Commercial vehicles</li> <li>Golf carts</li> <li>Off-road recreational</li> <li>Rail cars</li> <li>Buses</li> <li>Motorbikes</li> </ul>	<ul style="list-style-type: none"> <li>Shocks and struts</li> <li>Suspension bushings</li> <li>Coil, air and leaf springs</li> <li>Torque rods</li> <li>Engine and body mounts</li> <li>Suspension modules and systems</li> <li>Control arms, bars and links</li> <li>Cabin dampers</li> <li>Continuously Controlled Electronic Suspension systems</li> <li>Anti-roll systems</li> <li>Seat dampers</li> </ul>	 <b>AXIOS.</b> CLEVITE <sup>®</sup> Elastomers  

## Aftermarket

Operations	2007 Sales	Applications	Products	Brands
<b>Emission Control</b>	\$370 million	<ul style="list-style-type: none"> <li>Passenger cars</li> <li>Light trucks</li> <li>Commercial vehicles</li> <li>Performance vehicles</li> </ul>	<ul style="list-style-type: none"> <li>Mufflers</li> <li>Pipes</li> <li>Tubing</li> <li>Mounting components</li> <li>Catalytic converters</li> <li>Performance mufflers</li> <li>Headers</li> </ul>	    
<b>Ride Control</b>	\$734 million	<ul style="list-style-type: none"> <li>Passenger cars</li> <li>Light trucks</li> <li>Commercial vehicles</li> <li>Performance vehicles</li> <li>Trailers</li> </ul>	<ul style="list-style-type: none"> <li>Shock absorbers</li> <li>Struts and strut assemblies</li> <li>Cartridges</li> <li>Mounting kits</li> <li>Performance shocks and struts</li> <li>Torque rods</li> <li>Suspension bushings</li> <li>Engine mounts</li> <li>Coil springs</li> <li>Suspension lift kits</li> <li>Brake pads</li> </ul>	 <b>AXIOS.</b>    CLEVITE <sup>®</sup> Elastomers

	2007	2006
Revenues (millions)	<b>\$6,184</b>	<b>\$4,682</b>
Emission Control/ Ride Control Mix	<b>70/30</b>	<b>64/36</b>
Original Equipment/ Aftermarket Mix	<b>82/18</b>	<b>77/23</b>



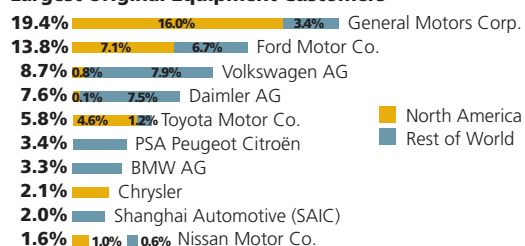
\*EBIT is earnings before interest expense, taxes, and minority interest.

Primary Competitors	Key Advantages	Top Five Customers	Top Five Platforms 2007	Market Opportunities
<ul style="list-style-type: none"> <li>EMCON Technologies</li> <li>Faurecia</li> <li>Eberspächer</li> <li>Bosal</li> <li>Nelson (Cummins Inc.)</li> </ul>	<ul style="list-style-type: none"> <li>Emission and Ride Control</li> <li>Advanced technologies</li> <li>Experienced team</li> <li>Product/process quality</li> <li>Global program management</li> <li>Japanese alliances</li> <li>Joint ventures in China, Thailand and U.K.</li> <li>Customer relationships</li> <li>Broad product range</li> <li>Broad and diverse customer base</li> <li>Full-service supplier</li> <li>Just-In-Time (JIT) assembly</li> <li>Test and validation systems</li> <li>Knowledge-based Manufacturing and Engineering</li> <li>Global manufacturing footprint</li> <li>Global engineering capabilities</li> <li>Lean manufacturing expertise</li> </ul>	<ul style="list-style-type: none"> <li>General Motors Corp.</li> <li>Ford Motor Co.</li> <li>Daimler AG</li> <li>Volkswagen AG</li> <li>Toyota Motor Co.</li> </ul>	<ul style="list-style-type: none"> <li>Ford Super Duty Gas/Diesel</li> <li>GM Silverado/Sierra HD Gas/Diesel</li> <li>Toyota Tundra</li> <li>Volkswagen Golf, Jetta, Audi A3</li> <li>GM Opel Vectra, Chevrolet Malibu, Pontiac G6</li> </ul>	<ul style="list-style-type: none"> <li>Additional content due to emission regulations</li> <li>Diesel aftertreatment</li> <li>Customized sound attenuation</li> <li>Emerging markets</li> <li>Commercial vehicle segment</li> <li>Adjacent markets</li> </ul>
<ul style="list-style-type: none"> <li>ZF Sachs</li> <li>Delphi</li> <li>ArvinMeritor</li> <li>KYB</li> <li>Magneti Marelli</li> </ul>		<ul style="list-style-type: none"> <li>General Motors Corp.</li> <li>Ford Motor Co.</li> <li>Volkswagen AG</li> <li>Renault</li> <li>Nissan Motor Co.</li> </ul>	<ul style="list-style-type: none"> <li>GM Silverado, Tahoe, Yukon, Suburban, Avalanche, Sierra</li> <li>Ford Focus, Mazda 3, Volvo S40</li> <li>Volkswagen Transporter</li> <li>Ford Fiesta</li> <li>Volkswagen Golf, New Caddy</li> </ul>	<ul style="list-style-type: none"> <li>Vehicle stability/safety requirements</li> <li>Modular assembly</li> <li>New technologies</li> <li>Adjacent markets</li> <li>Electronic technologies</li> <li>Emerging markets</li> <li>Seat damping systems</li> <li>Cabin damping systems</li> <li>Commercial vehicle segment</li> </ul>

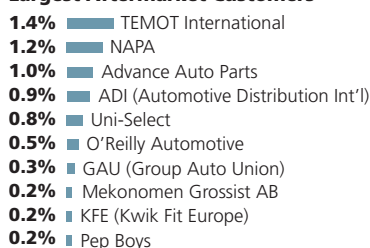
Primary Competitors	Key Advantages	Top Five Customers	Leading Products	Market Opportunities
<ul style="list-style-type: none"> <li>OE Service</li> <li>Bosal</li> <li>AP Exhaust Products</li> <li>International Muffler Company</li> <li>Klarius Group</li> </ul>	<ul style="list-style-type: none"> <li>Emission and Ride Control</li> <li>Brand leadership</li> <li>Relationships with all major wholesale distributors/retailers</li> <li>Global presence</li> <li>Leading market shares</li> <li>Product innovation</li> <li>Product quality</li> <li>Extensive product and vehicle coverage</li> <li>Targeted marketing programs</li> <li>Distribution channels</li> </ul>	<ul style="list-style-type: none"> <li>TEMOT International</li> <li>NAPA</li> <li>ADI (Automotive Distribution International)</li> <li>Uni-Select</li> <li>Advance Auto Parts</li> </ul>	<ul style="list-style-type: none"> <li>Quiet-Flow<sup>30</sup> mufflers/assemblies</li> <li>Dynomax<sup>®</sup> Ultra-Flo Stainless/Welded Mufflers/Systems</li> <li>SoundFX<sup>™</sup> mufflers</li> <li>Clean Air<sup>™</sup> catalytic converters</li> </ul>	<ul style="list-style-type: none"> <li>Growing number of vehicles on the road</li> <li>OE Service</li> <li>New technologies</li> <li>Emission regulations</li> <li>Performance-product demand</li> </ul>
<ul style="list-style-type: none"> <li>ArvinMeritor</li> <li>KYB</li> <li>OE Service</li> <li>ZF Sachs</li> </ul>		<ul style="list-style-type: none"> <li>Advance Auto Parts</li> <li>NAPA</li> <li>TEMOT International</li> <li>O'Reilly Automotive</li> <li>Uni-Select</li> </ul>	<ul style="list-style-type: none"> <li>Reflex<sup>®</sup> shocks and struts</li> <li>Sensa-Trac<sup>®</sup> shocks and struts</li> <li>Rancho<sup>®</sup> shocks, struts and suspension lift kits</li> <li>Quick Strut<sup>™</sup></li> <li>Gas-Magnum<sup>®</sup> shocks</li> <li>Monro-Matic Plus<sup>®</sup> shocks</li> <li>Monroe springs</li> <li>Monroe brake pads</li> <li>Monro-Magnum<sup>®</sup> shocks</li> </ul>	<ul style="list-style-type: none"> <li>Growing number of vehicles on the road</li> <li>OE Service</li> <li>New technologies</li> <li>Unperformed maintenance</li> <li>Premium mix expansion</li> <li>Broader product coverage</li> <li>Heavy-duty truck penetration</li> <li>Safety/installer education</li> <li>Testing/diagnostic equipment</li> </ul>

#### Diverse Customer Base Top Customers as a % of Total 2007 Revenues

##### Largest Original Equipment Customers



##### Largest Aftermarket Customers



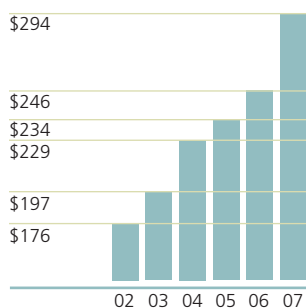
#### Profile

People	<b>Approx. 21,000</b>
Manufacturing and Just-In-Time Facilities	<b>80</b>
Engineering Centers	<b>15</b>
Countries Served	<b>142</b>

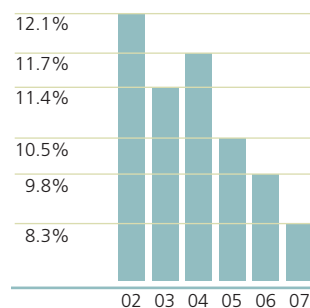
## Financial Highlights

(dollars in millions except share and per share data)	2007	2006	2005	2004	2003	2002
Net sales and operating revenues	<b>\$6,184</b>	\$ 4,682	\$ 4,440	\$ 4,213	\$ 3,768	\$3,460
Earnings before interest expense, taxes and minority interest	<b>\$ 252</b>	\$ 196	\$ 217	\$ 170	\$ 171	\$ 167
Depreciation and amortization	<b>\$ 205</b>	\$ 184	\$ 177	\$ 177	\$ 163	\$ 144
EBITDA <sup>1</sup>	<b>\$ 457</b>	\$ 380	\$ 394	\$ 347	\$ 334	\$ 311
Net income (loss) before changes in accounting principles	<b>\$ (5)<sup>2</sup></b>	\$ 49	\$ 56	\$ 9	\$ 25	\$ 29
Earnings (loss) per diluted share before changes in accounting principles	<b>\$ (0.11)<sup>2</sup></b>	\$ 1.05	\$ 1.24	\$ 0.21	\$ 0.58	\$ 0.69
Capital expenditures	<b>\$ 198</b>	\$ 170	\$ 143	\$ 131	\$ 130	\$ 138
Average diluted shares outstanding	<b>45,809,730</b>	46,755,573	45,321,225	44,180,460	41,767,959	41,667,815
Total debt	<b>\$1,374</b>	\$ 1,385	\$ 1,383	\$ 1,421	\$ 1,430	\$1,445
Cash and cash equivalents	<b>\$ 188</b>	\$ 202	\$ 141	\$ 214	\$ 145	\$ 54
Debt net of cash balances	<b>\$1,186</b>	\$ 1,183	\$ 1,242	\$ 1,207	\$ 1,285	\$1,391

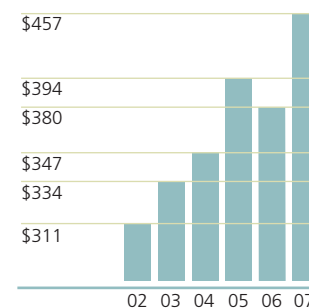
### Revenue Per Employee \$ in thousands



### SGA&E<sup>3</sup> As percentage of revenue



### EBITDA<sup>1</sup> \$ in millions



<sup>1</sup>EBITDA represents income 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.

<sup>2</sup>Includes pre-tax expenses of \$26 million, \$18 million after-tax or \$0.37 per share for costs related to refinancing activities. Also includes a \$66 million or \$1.40 per share non-cash tax charge for realigning the European ownership structure.

<sup>3</sup>Selling, General, Administrative and Engineering

# Adding

My aim is to inspire value creation in the people around me. Today, more than ever, adding value requires the willingness and ability to take on and manage risk, invest capital efficiently and employ effective leadership and technical skills.

## To Our Shareholders:

### Reflections on My First Year

Just over a year ago, I joined Tenneco as CEO. I was excited about the global opportunities for this company with its impressive track record of adaptability, cost management, strategic balance and broad customer relationships. Our 2007 results further validated these strengths.

Principal among the achievements last year were a 32% increase in revenue and a 25% rise in adjusted\* operating income, despite continued weakness in the North American automotive industry. Moreover, we held our debt level constant and improved our leverage ratio even while investing nearly \$200 million in capital for new-business launches and \$16 million on a technology acquisition. Additionally, we spent \$26 million on refinancing actions that lowered our cost of debt and improved our financial flexibility, further positioning us for growth.

During my first year, I spent a lot of time in the field visiting 13 countries and 37 facilities, analyzing Tenneco's operations and engaging hundreds of employees in constructive dialogue. From the start, and all along the way, I recognized a culture of shared values, cost discipline, innovation and commitment to execution. I learned that our operations and our people are second to none. Their talents, skills and knowledge coupled with the strong 2007 performance confirmed to me that the foundation is in place to build for the future.

I saw my mandate as extending Tenneco's vision over a longer time period and developing a roadmap with explicit directions for realizing our goals.

### What Differentiates Tenneco

Our opportunities for industry leadership are two-fold: capitalizing on **operational advantages** that differentiate us in the auto parts industry and developing **advanced technologies** that anticipate customer needs and preferences.

With these two coordinates, our five-year roadmap has a clear vision. My chief objectives are to enhance our premier research and development capabilities, focus our technologies on capturing global market opportunities and strengthen our business structure through operational excellence.

Looking out at least five years as market trends evolve, I see several key developments that position Tenneco favorably for long-term growth:

- Ever-increasing environmental regulations requiring innovative technologies and yielding higher content per vehicle.
- New emission standards for adjacent markets.
- Growing demand for electronic technologies for ride control comfort and safety.
- Vehicle manufacturers expanding operations globally.
- Emerging economies seeing double-digit vehicle production growth.
- A growing and aging vehicle fleet creating demand for replacement parts.

In 2007, we took some key steps toward achieving our long-range vision. In support of our roadmap, we acquired a strategic technology for emission control. We launched four diesel platforms in the U.S., including one for a commercial truck. We grew our Japanese original equipment (OE) business by 45% in North America. And we reinforced our commitment to the world's emerging BRIC economies—Brazil, Russia, India and China—by opening our first emission control engineering center in China and our second manufacturing facility in Russia.

### Capitalizing on Operational Advantages

While our success in 2007 and our future opportunities speak to the strengths of our core growth strategy, they also reflect our competitive advantages as a global market-share leader.

- A geographic balance with more than 50% of our revenue and profit from outside North America.
- Relationships with virtually every automotive and commercial vehicle original equipment manufacturer (OEM) around the world. Products on over 220 different light-vehicle platforms.
- A profitable and customer-diversified global aftermarket business that benefits from synergies with our OE operations.
- A discipline in focusing resources on our core competencies.
- Lean manufacturing and standard operating processes.

\*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.

# g value

Equally important is knowing where to focus innovation efforts, strategically. Besides offering a higher return, our value-added products open new markets, expand our product lifecycle, create a competitive advantage, and make a positive contribution to safeguarding the environment.

## **Growth Through Advanced Technologies**

The automotive market has been undergoing rapid and significant changes in the last couple of years that, in turn, create opportunities for Tenneco. Environmental pressures globally are driving the most intense period of regulatory change in history, while vehicle performance demands continue to increase. Manufacturers are looking to suppliers for solutions for increasing fuel efficiency, reducing harmful emissions and improving vehicle ride and handling.

Greater content per vehicle will come from tightening regulatory standards, advanced technologies and safety enhancements. Couple this with the increasing number of vehicles expected to be produced globally, and Tenneco's growth opportunities become evident.

We're targeting annual compounded revenue growth for our global OE business of 11%-13% through 2012. This is based on global industry forecasts of 4% annual growth in light-vehicle production, and at least 7% average annual growth in available emissions aftertreatment revenue for light and commercial vehicles. On top of that, regulation-driven opportunities to gain share in adjacent markets, like agriculture and construction equipment, and growing demand for ride control technologies, like our Continuously Controlled Electronic Shock system (CES), contribute to our growth projection.

## **Vision—Adding Value Mile by Mile**

We've set the right course for achieving our goals. With the strength of our team, our strategy and our ever-evolving technology portfolio, I believe we are well positioned to build on our success and take advantage of the market opportunities before us.

In this year's annual report, we take a closer look at Tenneco's roadmap—for developing advanced technologies, penetrating adjacent vehicle segments and expanding in emerging markets. This should provide additional insight into our promising future.



Gregg M. Sherrill  
Chairman and Chief Executive Officer  
Tenneco Inc.



## Right technology...

### Development/Production Contracts

<b>2007</b>	Urea SCR Catalyst, Ultra Lightweight Mufflers, CVS DPF, Active Lean NOx Trap
<b>2008</b>	Active Burner DPF, Retrofit NOx Aftertreatment (Production Ready)
<b>2009</b>	Urea Injection & Dosing System, Aftertreatment ECU, Turnkey SCR System

### Production Ready

<b>2011</b>	Fuel Vaporizer, Advanced Tech Muffler, Off-Road Catalytic Converter and DPF, Hydrocarbon Injector
<b>2012</b>	Woven Metal DPF, Next-Generation Manifold, Integrated Manifold/Turbocharger Housing, Off-Road Diesel Oxidation Catalyst
<b>2013</b>	Gasoline Particulate Filters, Hydrogen SCR
<b>2014</b>	Multiwrap Converter

SCR-Selective Catalytic Reduction; CVS-Commercial Vehicle Systems; DPF-Diesel Particulate Filter

**Above: We are committed to innovation and investment in technology to lower costs, heighten efficiency and reliability, and ensure the highest levels of performance. Right: Tenneco is effectively leveraging its advanced technologies to win market share.**

At Tenneco, innovation is about making sure we use ideas, technology and knowledge to deliver the right products at the right time.

We excel in anticipating and understanding customer needs, shaping the innovative concept and actively implementing appropriate solutions. Technology and innovation should launch our company into new markets, enable rapid growth, and create high returns on our investments. Tenneco has a long history of innovation, including:

- A pioneer of catalytic converters in 1975,
- Initiating diesel particulate filter (DPF) applications for commercial and off-highway vehicles in 1985,
- The first to successfully commercialize the Ultra Thin Wall Substrate converter for gasoline engines in 2001,
- Production-stage heavy-duty Selective Catalytic Reduction (SCR) applications in 2005 for nitrogen-oxide (NOx) abatement, a key technology for the 2010 U.S. emission regulations,
- Developing a Continuously Controlled Electronic Suspension (CES) for the European market in 2002,
- Last year's introduction of an integrated diesel oxidation catalyst, DPF and NOx converter system that reduces harmful hydrocarbons, particulate matter and ozone smog, meeting 2010 mandates in 2007, and
- Our recent acquisition of a state-of-the-art urea injection and dosing system that completes our SCR technology and enhances our capability as a full-system integrator.

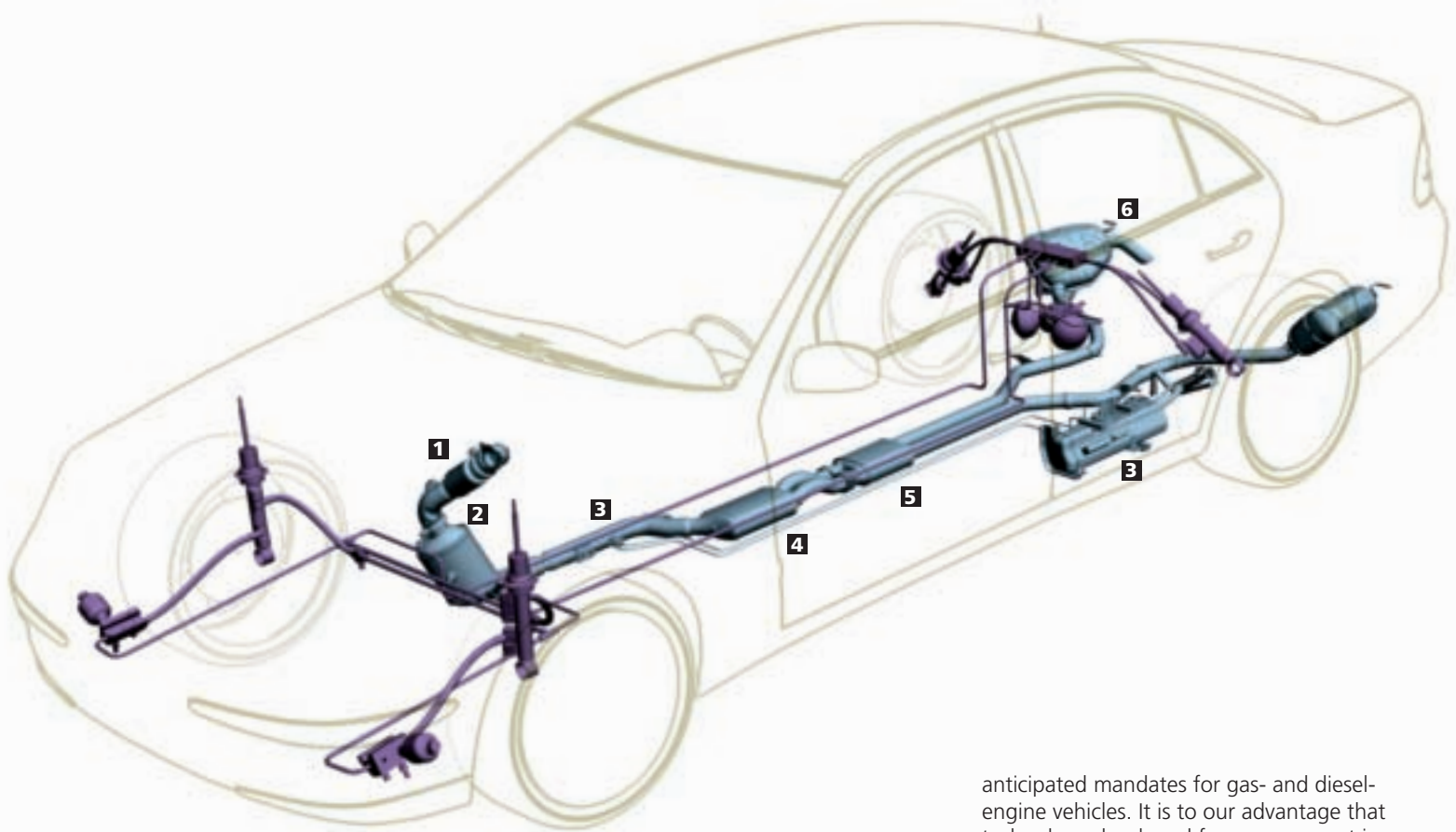
Tenneco's technology **roadmap for emission control** begins with the primary needs of the marketplace and customers—a market-pull perspective.

Strict environmental regulations are not a passing fad. Vehicle manufacturers around the globe continually are faced with a complex maze of new regulations. We work with government regulators and our customers on related solutions for achieving improved fuel economy and more comprehensive emission reductions.

Our emission control research and development effort focuses on innovations that support both immediate and



# vation



■ **Advanced Ride Control System:** Kinetic H2 Technology with Continuously Controlled Electronic Suspension (CES)

■ **Advanced Emission Control Solutions:**

- 1) Oxidation Catalytic Converter
- 2) DeNOx Catalytic Converter
- 3) Urea Injection and Dosing System
- 4) Diesel Particulate Filter
- 5) Selective Catalytic Reduction
- 6) Acoustic Silencer

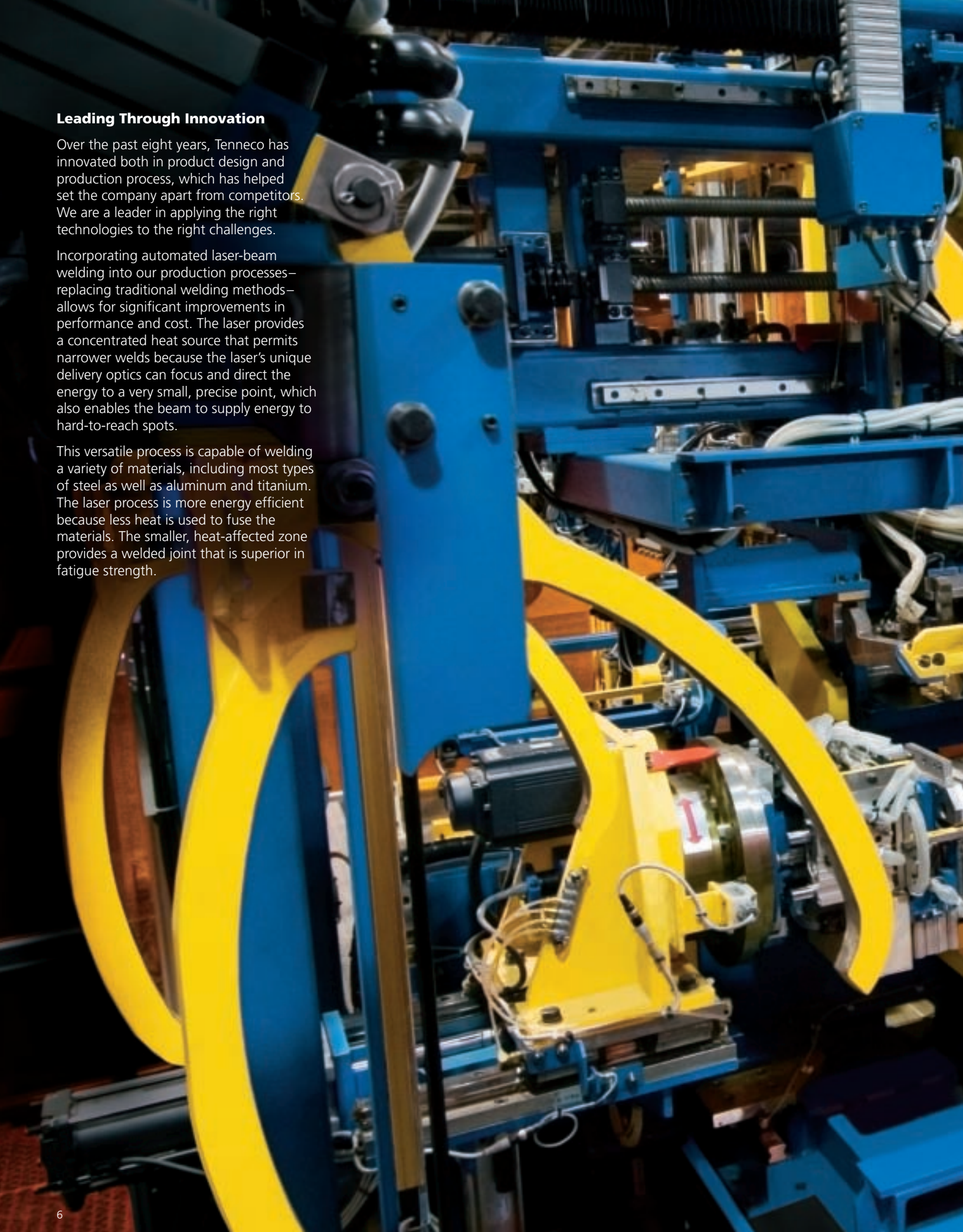
These advanced emission and ride control systems are a composite of our technologies and are not intended to depict an actual in-production system.

anticipated mandates for gas- and diesel-engine vehicles. It is to our advantage that technology developed for one segment is scalable for other engine applications.

Our **ride control roadmap** starts with a key technology and seeks to expand into new markets and vehicle segments—a *technology-push* perspective.

In ride control, our electronic shock absorbers (CES) respond to customer demand for a suspension system that differentiates vehicles by providing superior handling without compromising ride comfort. CES is a semi-active system that continuously adjusts damping levels according to road and driving conditions.

Tenneco's process/product innovation and experience curve are our most effective means of gaining a competitive advantage.

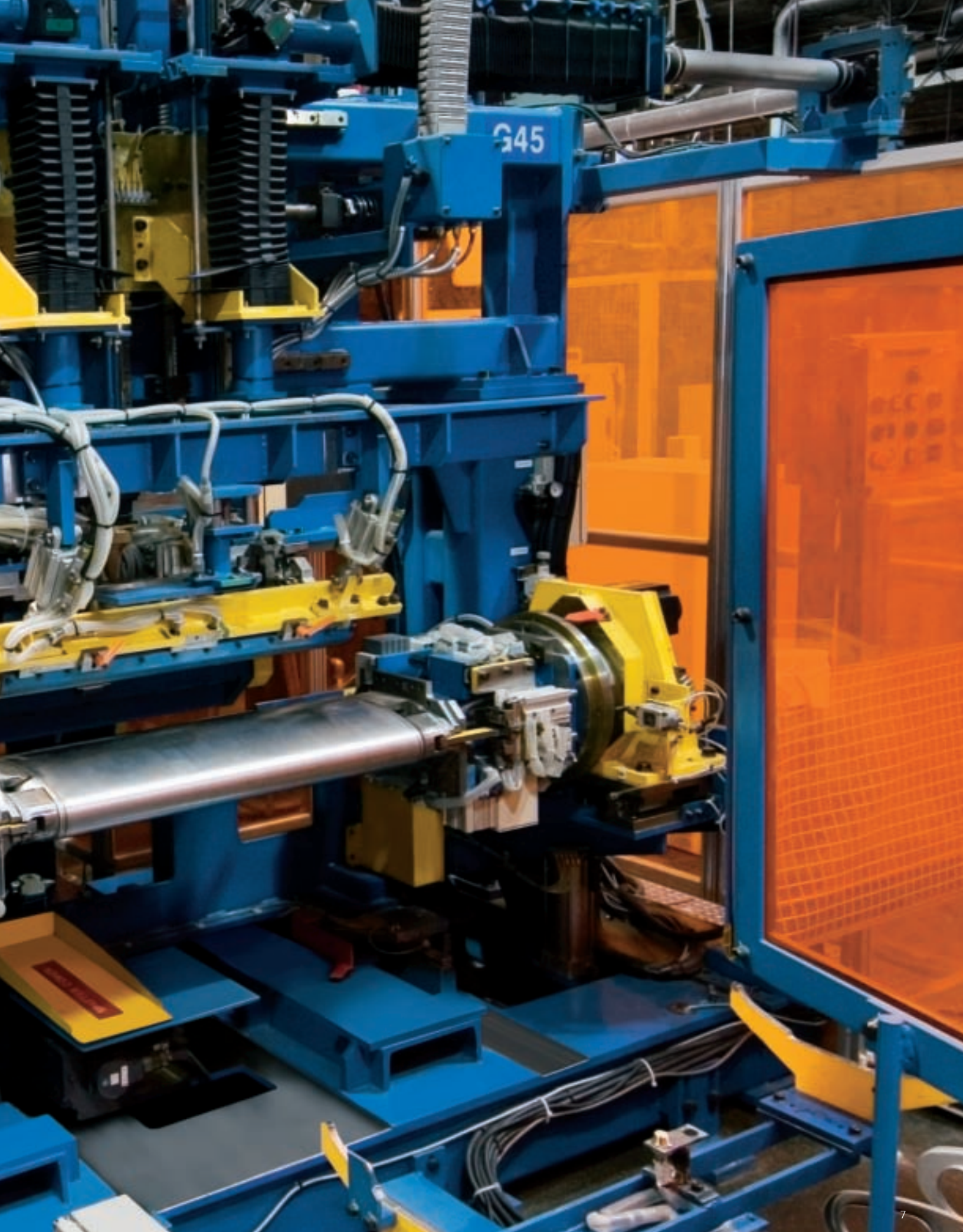
A large industrial robotic welding cell, primarily blue and yellow, is shown in a factory setting. The machine features a complex structure with various mechanical parts, including a prominent yellow robotic arm and a blue frame. The background shows other industrial equipment and a factory floor.

## Leading Through Innovation

Over the past eight years, Tenneco has innovated both in product design and production process, which has helped set the company apart from competitors. We are a leader in applying the right technologies to the right challenges.

Incorporating automated laser-beam welding into our production processes—replacing traditional welding methods—allows for significant improvements in performance and cost. The laser provides a concentrated heat source that permits narrower welds because the laser's unique delivery optics can focus and direct the energy to a very small, precise point, which also enables the beam to supply energy to hard-to-reach spots.

This versatile process is capable of welding a variety of materials, including most types of steel as well as aluminum and titanium. The laser process is more energy efficient because less heat is used to fuse the materials. The smaller, heat-affected zone provides a welded joint that is superior in fatigue strength.



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# Opportunities

## Right technology, right time...

2007	2008	2009
<b>UNITED STATES</b> US-07 CVS	<b>EUROPE</b> EU Euro-5 CVS	<b>EUROPE</b> EU Euro-5 LVS*
<b>EUROPE</b> Euro-3 LVS	<b>CHINA</b> Euro-3 Two-wheel Beijing Euro-4 LVS	<b>JAPAN</b> Japan-09 LVS/CSV
	<b>JAPAN</b> Cold-start restrictions LVS	<b>BRAZIL</b> US Tier-2 LVS* Euro-4 CVS* Motorcycle Rule*
	<b>RUSSIA</b> Euro-3 LVS	

\* Phased in  
 \*\* Estimated date  
**CVS**-Commercial Vehicle Systems  
**LVS**-Light Vehicle Systems

Vehicle emission standards are tightening around the world. At the same time, consumer demand for increased vehicle performance and safety is requiring more refined handling and ride comfort.

Tenneco is capitalizing on its strong technology position in emission and ride control to capture a leading share of these market-driven growth opportunities.

**Global emission regulations** for most vehicle types, from motorcycles to off-road machines, continue to tighten, currently mandated out to 2014.

**Emission technologies** developed decades ago for mature markets are now seeing expanded life cycles through adoption in emerging markets. For example, we estimate our unit growth in catalytic converters, which were first introduced in the U.S. in 1975, will increase 14% compounded annually through 2012. The mature markets require new solutions. Our unit growth of more recent technologies such as DPF, SCR and NOx converters reflect an estimated 18% average annual growth rate over the same period.

**Clean diesel engines** deliver 20% to 30% better fuel economy than gasoline power, a partial cure for higher fuel prices and concerns about carbon-dioxide emissions. This rapidly expanding market represents opportunities for Tenneco to add more content per vehicle with better

margins through advanced technologies.

**Asian automakers** are gaining share in the global vehicle market. Japanese OE business made up 17% of Tenneco's North American original equipment revenue in 2007. Our strong relationships in North America represent an opportunity to further expand our partnerships with these customers overseas as they look to take advantage of our broad capabilities in every automotive region of the world. In fact, in 2007 Tenneco was awarded approximately \$200 million in annualized new business with five Japanese automakers—20% of this revenue will come from BRIC economies. The Korean and Chinese automakers are also a focus for us, and we are pursuing relationships with them as their manufacturing needs grow.

# unity

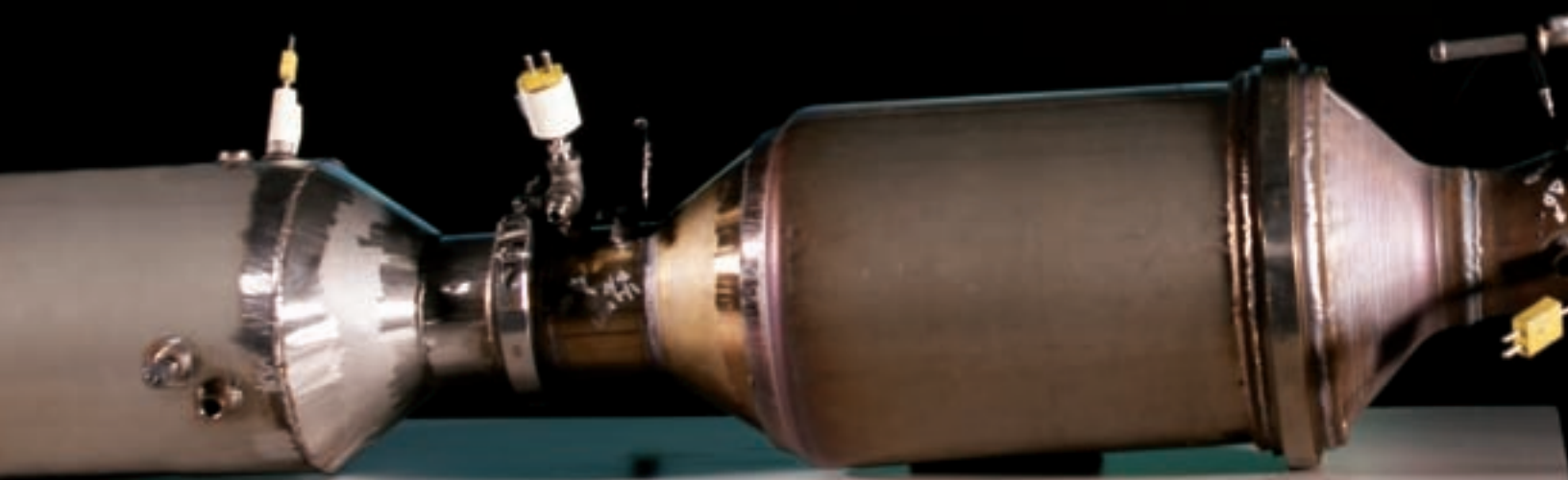
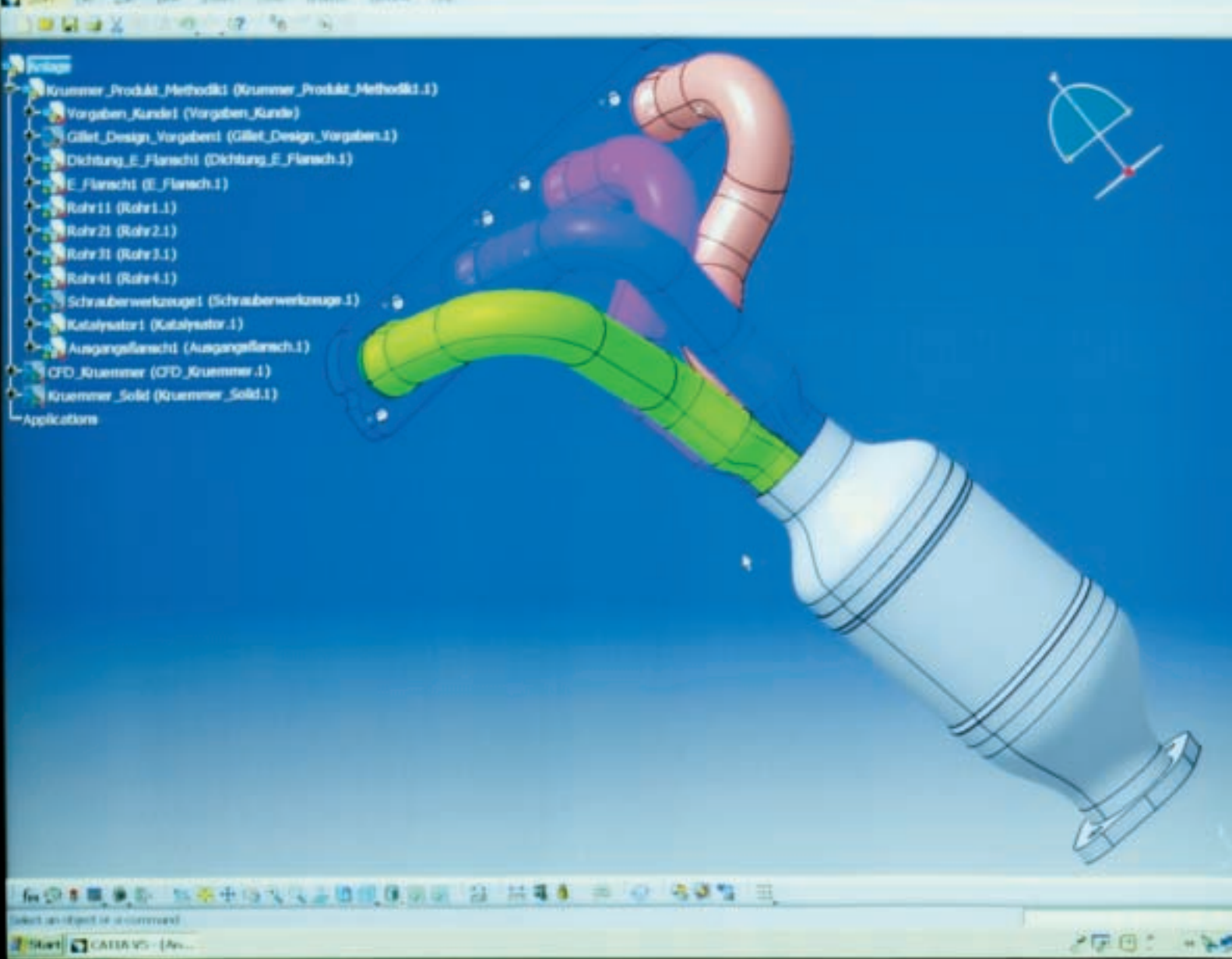
2010	2011	2012	2013	2014
<b>UNITED STATES</b> US-10 CVS	<b>UNITED STATES</b> US off-road diesel Tier-4A*	<b>CHINA</b> Euro-5 LVS*	<b>UNITED STATES</b> US Tier-3 LVS** Locomotive & Marine*	<b>UNITED STATES</b> US off-road diesel Tier-4B*
<b>CHINA</b> Euro-4 LVS/ CVS	<b>EUROPE</b> EU off-road Stage 3B*		<b>EUROPE</b> EU Euro-6 CVS**	<b>EUROPE</b> EU off-road Stage 4 EU Euro-6 LVS*
<b>RUSSIA</b> Euro-4 LVS/ CVS	<b>JAPAN</b> NOx reductions LVS			<b>CHINA</b> Euro-5 CVS**
<b>INDIA</b> Euro-4 LVS* Motorcycle Rule*				<b>RUSSIA</b> Euro-5 CVS

Above: Every year, regulations around the world become more stringent, driving the need for advanced technologies to address the tighter standards. Below: For Tenneco, new, adjacent-market opportunities abound as emission regulations are being extended to commercial trucks, construction and agriculture equipment, and marine and locomotive markets.



**Advanced electronic technologies** have favored the luxury vehicle market, particularly in Europe, where our electronic suspension system has won many contracts. Growth in revenue and market share will come from penetrating mid-level vehicles in Europe and introducing our CES technology in North America as today's drivers demand high levels of quality, safety and comfort.

**Replacement parts** should increase in demand as emerging markets mature. Millions of new cars are expected to be sold in China alone over the next few years, representing a huge opportunity for aftermarket parts as these vehicles age. And, more complex emission products being mandated on new vehicles every year mean greater parts-per-vehicle available for replacement.





**Knowledge-Based Manufacturing and Engineering**

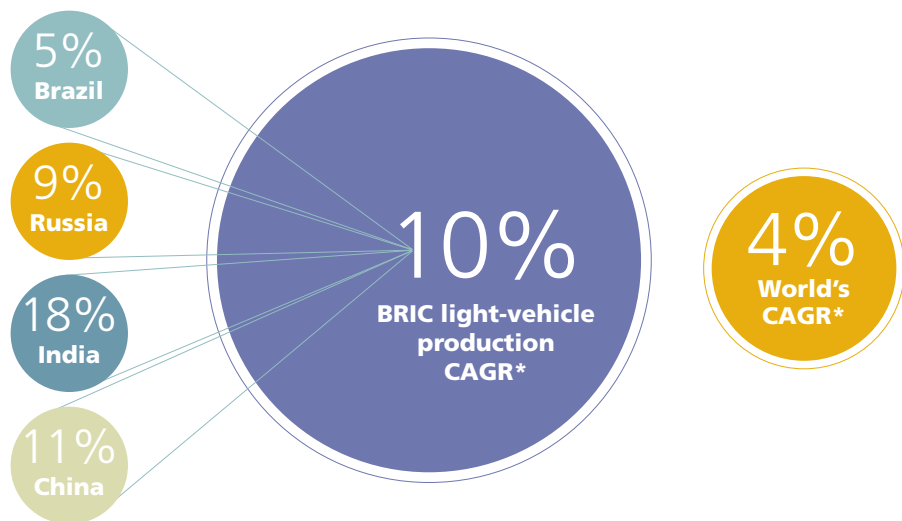
Following a 2007 *Automotive News* PACE Award for its Diesel Aftertreatment Predictive Development Process, Tenneco is a 2008 Pace Award finalist for its Knowledge-Based Manufacturing and Engineering technology.

This proprietary, exclusive and economical initiative continuously captures and updates knowledge gleaned from the company's most successful production and design processes.

It is predictive modeling based on best practices and is continuously updated, providing a breakthrough level of knowledge management that allows an engineering team to prepare detailed plans in a matter of hours without creating a trial-and-error prototype that, under the current manual method, would require weeks or months.

# Global

Right technology, right time, right place.  
This is our plan.



**Above:** Global light-vehicle unit production is projected to increase an average of 4% annually. The emerging economies of Brazil, Russia, India, and China are expecting more than 10% light-vehicle production growth compounded annually (CAGR) between 2007 and 2012\*.

Tenneco produces and sells its products worldwide through 80 manufacturing plants and 15 engineering facilities strategically positioned to meet local customer demand.

In the global automotive industry, opportunities are everywhere—in emerging and mature markets alike—but the biggest automotive growth will come from the BRIC (Brazil, Russia, India, and China) countries.

**Brazil's** healthy economic growth is stimulating domestic demand for vehicles. The country produced a record 2.97 million vehicles last year, up 14% from 2006.

In 2007, we launched 16 new vehicle platforms in South America and won 23 new platforms launching between 2008 and 2011, including two platforms that will address Brazil's 2009 emission regulations and our first SCR system for a major Brazilian diesel-engine producer.

**Russia's** favorable economic outlook, rising number of international vehicle manufacturers, and 2007 new-car sales and production growth of 31% and 9%, respectively, make it one of the world's most attractive automotive regions. Modern, high-quality components are in demand from Western carmakers located there and from Russian producers alike.

Tenneco expanded its Togliatti production facility and opened a new emission control facility in St. Petersburg last year.

Our revenue from Russia is expected to more than triple through 2012.

**India**, one of the world's fastest-growing car markets, is expected to double its auto production by 2012. With the world's second-largest population, India's increasing per capita income, higher spending on infrastructure, attractive financing options and 9% economic growth are fueling automotive demand in this region.

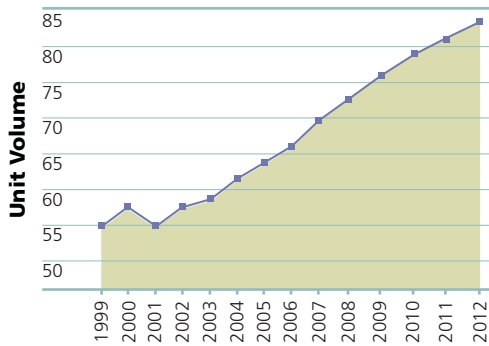
Tenneco currently has four manufacturing facilities located near key international and Indian customers. We've recently secured ride control contracts with three Japanese customers and construction is underway to further expand ride control capacity. Due to more stringent emission policies by the Indian government, we expect substantial growth for our emission control business in India through 2012.



# reach

## Global Light Vehicle Production Growth\*

Units in millions



\*Source: Global Insight Dec. 2007

**China** is the second-largest car market in the world, the third-largest auto producer, and the world's largest producer of commercial trucks. Demand from a rising middle class boosted light-vehicle sales 20% in 2007.

Tenneco has one wholly owned and five majority-owned manufacturing facilities in China. We're the leading emission control supplier in this country, and opened our first emission control engineering center in Shanghai in 2007. We're now even better positioned to capitalize on the tightening emissions standards for light and commercial vehicles mandated for 2007 and 2010, respectively, and expect to significantly outperform market production in this region over the next five years.

International diversification provides Tenneco opportunities for expansion while moderating regional industry fluctuations.

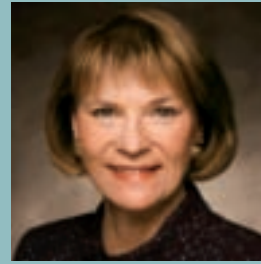
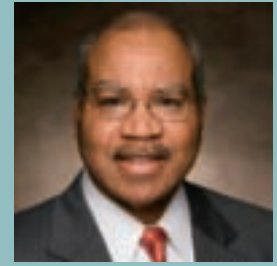
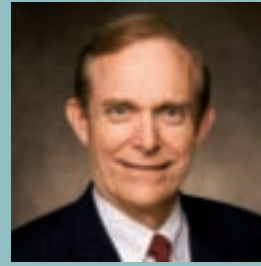
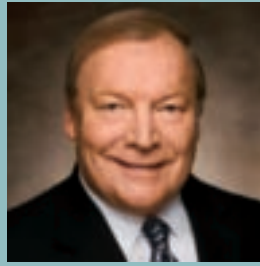


## Capitalizing on Global Business Opportunities

Of Tenneco's 80 manufacturing facilities and 15 engineering centers throughout the world, 32% are in North America, 42% are in Europe, South America and India, and 26% are in the Asia-Pacific region. Significantly, nearly all of these are situated close to customer locations for optimal logistics, communication and technical support. Substantial investments by international vehicle manufacturers are being concentrated where the greatest automotive growth among developing countries is occurring—currently in Brazil, Russia, India and China. Tenneco is matching this expansion stride for stride. Our international diversification strategy aims to capitalize on the rapid growth in automotive assembly globally, while spreading industry and economic risks over a variety of regions and among both emerging and mature markets.







## Board of Directors

### Top Row, Left To Right

**Charles W. Cramb**<sup>1</sup>

Vice Chairman, Chief Finance and Strategy Officer  
Avon Products, Inc.

**Dennis J. Letham**<sup>1</sup>

Executive Vice President, Finance  
Chief Financial Officer  
Anixter Inc.

**Frank E. Macher**<sup>1</sup>

Chief Executive Officer  
Finance Manufacturing Acquisition & Capital

**Roger B. Porter**<sup>2,3</sup>

IBM Professor of Business and Government  
Master of Dunster House  
Harvard University

**David B. Price, Jr.**<sup>2,3</sup>

Chief Executive Officer and President  
Birdet Price, LLC

### Bottom Row, Left To Right

**Gregg M. Sherrill**

Chairman and Chief Executive Officer  
Tenneco Inc.

**Paul T. Stecko**<sup>2,3</sup>

Chairman and Chief Executive Officer  
Packaging Corporation of America

**Mitsunobu Takeuchi**<sup>1</sup>

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

**Jane L. Warner**<sup>1,2</sup>

Executive Vice President  
Illinois Tool Works Inc.

- 1 Audit Committee
- 2 Compensation/Nominating/  
Governance Committee
- 3 Three-Year Independent Director  
Evaluation Committee

**Bold** numbers indicate  
the committee chair.

## Officers

**Gregg M. Sherrill**

Chairman and 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

**Alain Michaelis**

Senior Vice President  
Global Supply Chain Management and Manufacturing

**Richard P. Schneider**

Senior Vice President  
Global Administration

**David A. Wardell**

Senior Vice President  
General Counsel  
Corporate Secretary

**Neal A. Yanos**

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

**Theo Bonneau**

Vice President, Controller International

**Josep Fornos**

Vice President  
General Manager, Europe  
Original Equipment Emission Control

**H. William Haser**

Vice President  
Chief Information Officer

**Jeffrey L. Jarrell**

Vice President  
Japan and Korea  
Global Original Equipment Business

**John E. Kunz**

Vice President  
Treasurer and Tax

**Paul D. Novas**

Vice President and Corporate Controller

**James K. Spangler**

Vice President  
Global Communications

**Karel Van Bael**

Vice President  
General Manager, Europe  
Original Equipment Ride Control

## 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 – www.tenneco.com.\*

### 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 Stock Exchange.

As of February 20, 2008, there were approximately 22,048 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 the Management's Discussion and Analysis section of the Annual Report on Form 10-K for the year ended December 31, 2007.

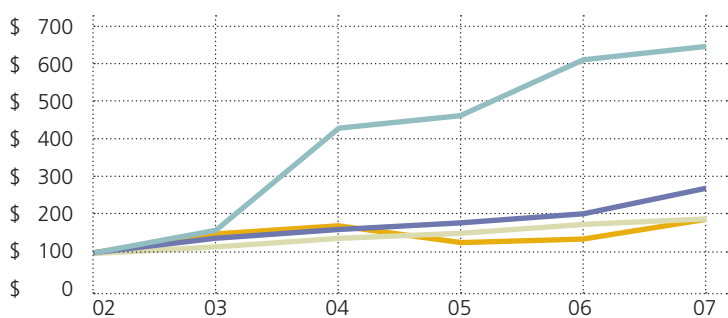
### Annual Meeting

The Annual Meeting of Stockholders will be held at 10:00 a.m. Central Time on Tuesday, May 6, 2008, 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, 2002, with dividends reinvested



■ Tenneco Inc. ■ S&P® 500 Index  
 ■ Old Custom Composite Index (9 Stocks)  
 ■ New Custom Composite Index (8 Stocks)

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At December 31	02	03	04	05	06	07
Tenneco Inc.	\$100	\$166	\$427	\$485	\$612	\$645
S&P® 500 Index	\$100	\$129	\$143	\$150	\$173	\$183
Old Custom Composite Index (9 Stocks)	\$100	\$158	\$169	\$114	\$137	\$174
New Custom Composite Index (8 Stocks)	\$100	\$162	\$178	\$174	\$201	\$262

#### Old Custom Composite Index:

ArvinMeritor, Inc.  
 Borg Warner Inc.  
 Cummins Inc.  
 Dana Corp.  
 Delphi Corp.  
 Federal-Mogul Corp. (Ending 3Q07)  
 Lear Corp.  
 Magna International Inc.  
 Tower Automotive, Inc. (Ending 2Q07)

#### New Custom Composite Index:

ArvinMeritor, Inc.  
 American Axle & Manufacturing Co.  
 Borg Warner Inc.  
 Cummins Inc.  
 Johnson Controls Inc.  
 Lear Corp.  
 Magna International Inc.  
 TRW Automotive Holdings Corp. (Starting 2Q04)

We have changed the makeup of our Custom Composite Index to better reflect the companies in our industry with which we believe our investors compare our results.

### Stock Price Data

	2008		2007		2006		2005		2004	
	Share Prices		Share Prices		Share Prices		Share Prices		Share Prices	
	High	Low	High	Low	High	Low	High	Low	High	Low
First Quarter*	\$28.39	\$20.18	\$27.34	\$23.04	\$23.33	\$19.61	\$17.36	\$12.07	\$14.88	\$6.73
Second Quarter			\$35.81	\$25.49	\$27.55	\$20.64	\$17.22	\$11.55	\$15.34	\$10.09
Third Quarter			\$37.73	\$28.11	\$26.39	\$20.03	\$20.06	\$16.30	\$14.51	\$11.95
Fourth Quarter			\$33.46	\$24.16	\$25.34	\$21.41	\$19.95	\$15.70	\$17.49	\$10.93

\*2008 First Quarter through February 22, 2008

### Reconciliation of Adjusted Operating Income–Total Company

(see Chairman's Letter, page 2)

Year Ended December 31:	2007, EBIT (millions)		2006, EBIT (millions)	
	Total Company		Total Company	
Earnings Measures	\$252		\$196	
Adjustments (reflect non-GAAP measures):				
Restructuring and restructuring-related expenses	25		27	
New aftermarket customer changeover costs	5		6	
Pension change to defined contribution plan	–		(7)	
Reserve for receivables from former affiliate	–		3	
Non-GAAP earnings measures	\$282		\$225	

**Corporate Headquarters**

Tenneco Inc.  
500 North Field Drive  
Lake Forest, Illinois 60045  
847.482.5000  
[www.tenneco.com](http://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/shareownerservices](http://www.wellsfargo.com/shareownerservices)

