TENNECO AUTOMOTIVE INC
Form S-3/A
May 14, 2004

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As filed with the Securities and Exchange Commission on May 14, 2004

Registration No. 333-114520

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
to

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Tenneco Automotive Inc.

(Exact name of registrant as specified in its charter)

Delaware	**3714**	**76-0515284**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

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500 North Field Drive
Lake Forest, Illinois 60045
(847) 482-5000
(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

Timothy R. Donovan **Executive Vice President and General Counsel** **500 North Field Drive** **Lake Forest, Illinois 60045** **(847) 482-5000** *(Name, address, including zip code, and telephone number, including area code, of agent for service of process)*	*Copy to:* **Jodi A. Simala, Esq.** **Mayer, Brown, Rowe & Maw LLP** **190 South LaSalle Street** **Chicago, Illinois 60603-3441** **(312) 782-0600**	*And copy to:* **Gerard M. Meistrell, Esq.** **Cahill Gordon & Reindel LLP** **80 Pine Street** **New York, New York 10005** **(212) 701-3000**

Approximate date of commencement of the proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on any date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Subject to completion, dated May 13, 2004

PRELIMINARY PROSPECTUS

11,904,761 Shares

Common Stock

Tenneco Automotive Inc. is selling 11,904,761 shares of common stock.

Our common stock is listed on the New York Stock Exchange under the symbol TEN. On May 12, 2004, the last reported sale price for our common stock as reported by the New York Stock Exchange was $12.60 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 16.

	Per Share	Total
Public offering price	$	$
Underwriting discounts	$	$
Proceeds to Tenneco Automotive Inc., before expenses	$	$

We have granted the underwriters an option for a period of 30 days to purchase up to 1,785,714 additional shares of our common stock on the same terms and conditions set forth above to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to investors on or about May , 2004.

Joint Book-Running Managers

JPMorgan **Citigroup**

Lead Managers

Banc of America Securities LLC **Deutsche Bank Securities** **Morgan Stanley**

Co-Managers

Robert W. Baird & Co. **Calyon Securities (USA) Inc.** **Lazard**

May , 2004

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to those jurisdictions.

Tenneco Automotive Inc. is a Delaware corporation. Unless the context indicates otherwise, in this prospectus, the words we, our, ours and us refer to Tenneco Automotive Inc. and its subsidiaries. Our principal executive offices are located at 500 North Field Drive, Lake Forest, Illinois 60045 and our telephone number at that address is (847) 482-5000.

Monroe®, Rancho®, Fric Rot™, Walker®, Gillet™, Quiet-Flow®, TruFit®, Aluminox™, Walker Perfection®, Mega-Flow®, DynoMax®, Sensa-Trac®, SafeTech™, Monroe Reflex®, Thrush® and Impact Sensor™ are some of our primary trademarks. EVA® is a registered trademark of Stern Stewart & Co. All other trademarks, service marks or trade names referred to in this prospectus are the property of their respective owners.

Industry and market data and other statistical information used throughout this prospectus were obtained through company research, surveys and studies conducted by third parties and industry and i

general publications. We have not independently verified market and industry data from third-party sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources described above. While we believe internal company survey data are reliable and market definitions are appropriate, neither these surveys nor these definitions have been verified by any independent sources.

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Prospectus Summary

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus. Because this is only a summary, it may not contain all of the information you should consider in making your decision of whether to purchase our common stock. To understand all of the terms of this offering and for a more complete understanding of our business, you should carefully read this entire prospectus, particularly the section entitled Risk Factors, and the documents incorporated by reference in this prospectus.

The Company

Tenneco Automotive Inc. is one of the world s largest producers of automotive emission control and ride control products and systems. We serve both original equipment vehicle manufacturers (which we refer to as OEMs) and the repair and replacement markets (which we refer to as the aftermarket) worldwide, with leading emission control brands such as Walker®, Gillet™ and Fonos™ and leading ride control brands including Monroe®, Rancho®, Clevite® Elastomers and Fric Rot™. For the year ended December 31, 2003 and the three months ended March 31, 2004, we generated net sales of $3,766 million and $1,034 million, respectively, and EBITDA (as described under Summary Historical Consolidated Financial Data) of $339 million and $78 million, respectively.

We design, engineer, manufacture and market individual components for vehicles as well as groups of components that are combined as modules or systems within vehicles. We sell these parts, modules and systems globally to most leading OEMs and throughout all aftermarket distribution channels. We operate 72 manufacturing plants and 14 engineering and technical centers around the world, and sell and distribute our products to customers located in more than 100 countries. We generated approximately 50 percent of our 2003 net sales outside of North America, including in rapidly expanding markets such as China and Eastern Europe.

We manufacture and sell emission control components, such as mufflers, catalytic converter shells, fabricated manifolds, pipes, exhaust heat exchangers, diesel particulate filters and complete exhaust systems. These products play a critical role in reducing the level of pollutants in engine emission and managing engine exhaust noise. Emission control products accounted for 63 percent of our 2003 net sales. We also manufacture and sell ride control products, such as shock absorbers, struts, vibration control components and suspension systems. These products are designed to function as safety components for vehicles, provide a comfortable ride and improve vehicle stability and handling. Ride control products accounted for 37 percent of our 2003 net sales.

In the original equipment (which we refer to as OE) market, we serve a global customer base of more than 30 different OEMs that includes General Motors (which we refer to as GM), Ford Motor Co. (which we refer to as Ford), Volkswagen, DaimlerChrysler, PSA Peugeot Citroen, Nissan, Toyota and Honda. The OE business accounted for 75 percent of our net sales in 2003. We believe our sales across our OEM customer base are diversified for our industry, with our largest customers, GM, Ford, Volkswagen and DaimlerChrysler representing approximately 19 percent, 14 percent, 11 percent and 9 percent, respectively, of our net sales from OE customers in 2003.

Our aftermarket customers include the entire aftermarket distribution chain: full-line and specialty warehouse distributors, retailers, jobbers (traditional parts stores that sell to installers), installer chains and car dealers. The aftermarket business contributed 25 percent of our net sales in 2003. Our largest aftermarket customers in 2003 were NAPA, Advance Auto Parts, TEMOT Autoteile, ADI (Automotive Distribution International), O Reilly Automotive, Uni-Select, Kwik-Fit Europe and CSK Auto. We believe we have a balanced mix of aftermarket customers, with our top three aftermarket customers accounting for a total of approximately 20 percent, and our top ten aftermarket customers accounting for a total of approximately 34 percent, of our total 2003 aftermarket sales.

We are intensely focused on advanced technology and continue to be recognized for our technological developments and ability to deliver them to the market. For example, our Semi-Active Muffler, which helps improve fuel economy and reduces noise output, is used worldwide on vehicle models including the VW Lupo, Audi A2, Peugeot 807 and Citroen C8. Our Acceleration Sensitive Damping (ASD) ride control technology, developed for the Nissan Altima and later introduced into the global aftermarket as our Monroe Reflex® shock, won the prestigious Automotive News PACE (Premier Automotive Suppliers and OEMs Contributions to Excellence) Award in 2001. Our Gripper™ stabilizer bar system and LiteningRod™ torque rod technology won honorable mentions at the 2002 and 2003 PACE Awards. In late 2003, we were awarded the 2003 CIO 100 Award from CIO Magazine, which recognizes organizations that excel in positive business performance through resourceful information technology and management practices.

We believe that our strengths are reflected in our global original equipment customer book of business, which, as of the end of 2003, based on anticipated vehicle production levels, was $2,911 million and $3,152 million for 2004 and 2005, respectively. These amounts include $681 million and $697 million of pass-through sales of catalytic converters for 2004 and 2005, respectively. When we refer to our book of business, we mean revenues for OEM programs that have been formally awarded to us, as well as programs that we are highly confident will result in revenues based on either informal customer indications consistent with past practices and/or our status as supplier for the existing program and our relationship with the customer. This book of business is subject to increase or decrease due to changes in customer requirements or production levels, customer or consumer preferences and the pricing or other assumptions reflected in the book of business. In addition, most of our OE customers have the right to replace us at any time for a variety of reasons. See Risk Factors Risks Relating to Our Company We may be unable to realize sales represented by our awarded business, which could materially and adversely impact our financial condition and results of operations, and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2003, which is incorporated by reference herein, for more information about our book of business.

We continue to aggressively pursue new business. During 2003, our OE businesses won more than 90 projects with scheduled launches between 2004 and 2008, including Ford s gas and diesel F-Series Super Duty Pick-up, Audi s A4, Volkswagen s Bora, Touran and Santana and GM s Lambda SUV. During 2003, our global aftermarket operations captured new customer business, including Kwik-Fit, Midas Austria, Mechanics Auto Parts and Wabco.

Competitive Strengths

As the dynamics of the automotive industry change, so do the roles, responsibilities and relationships of its participants. Key trends that we believe are affecting automotive parts suppliers include customer and supplier consolidation, increased OEM outsourcing of development, design and systems integration activities, increased technology, globalization and global product standardization. Growing emphasis on public safety, environmental protection and emission regulations also has a direct impact on our business and the demand for our products. In addition, increased product lives and the decreased fleet age of vehicles on the road also is directly affecting our businesses. We believe that we are well-positioned to respond to these trends based upon our strengths and capabilities described below.

Established Brand Names. Monroe® ride control products and Walker® emission control products, which have been offered to consumers for more than 50 years, are two of the most recognized automotive brands. In Europe, our Gillet™ brand is recognized as a leader in developing highly engineered exhaust systems for OE customers. Well-recognized in specialty markets are our performance brands: Rancho® ride control, DynoMax® emission control and DNX™, our newest ride control and exhaust brand that serves the growing sport tuner market, which is popular with young adults. We continue to emphasize product value differentiation with these brands and with our other aftermarket brands: Thrush®, Fonos™ and Armstrong™.

Leading Market Positions. We are one of the world s leading manufacturers and marketers of automotive emission control and ride control systems and parts for the OE market and aftermarket. The

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following table sets forth our estimated 2003 market positions by product category based on sales estimates for each of our primary geographic regions. These estimates are prepared in accordance with what we believe to be standard industry practice and are based on industry sources and our knowledge of our relative position in each market.

Product category	Region	Market position
Aftermarket emission control	North America	#1
	Europe*	#1
Aftermarket ride control	North America	#1
	Europe	#1
OE emission control	North America	#2
	Europe	#1
OE ride control	North America	#1
	Europe	#3

* Excludes OE service.

Global Presence. OEMs are increasingly requiring suppliers to provide parts on a global basis, which requires a worldwide approach to design, engineering, supply chain management, manufacturing, distribution and sales. Our global presence and integrated operations position us to meet the global needs of our OE and aftermarket customers by providing high-quality, premium brand products worldwide. We operate nine emission control manufacturing facilities in the U.S. and 33 emission control manufacturing facilities outside of the U.S. Our ride control operations include nine manufacturing facilities in the U.S. and 21 in other parts of the world. We operate 14 engineering and technical facilities worldwide and we have sales offices on six continents. Our products are sold and distributed in more than 100 countries.

Well-positioned on Popular Vehicle Platforms. We manufacture and distribute products for many of the most-recognized car and light truck models in the world. Globally, we serve more than 30 different OEMs and our products or systems are consistently included on many of the top-selling vehicles. In 2003, our products were included on all of the top ten light trucks and SUVs produced in North America and six of the top ten passenger cars produced in North America and Western Europe. We believe our presence on these key models is a competitive advantage. For example, we estimate that North American light vehicle production for the first quarter of 2004 decreased approximately one percent from the same period in 2003, while our North American OE revenues increased one percent (excluding the impact of changing foreign currency exchange rates and pass-through sales of catalytic converters) over the same period. In Europe, our first quarter 2004 OE revenues increased 13 percent (excluding the impact of changing foreign currency exchange rates and pass-through sales of catalytic converters) compared to an estimated decrease in the European light vehicle production rate of one percent from the first quarter of 2003. See Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2003 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2004, incorporated by reference herein, for a description and reconciliation of the impact of pass-through sales and foreign currency on our revenues.

Tier 1 Capabilities. We are an established Tier 1 supplier with more than ten years of product integration experience. We have modules or systems for 40 vehicle platforms in production worldwide and modules or systems for 15 additional platforms under development. For example, we supply full exhaust systems for the Nissan Xterra, Ford Transit, Jaguar XJ type and Porsche Boxster and ride control modules for DaimlerChrysler s Caravan, the VW Golf and the Audi A6. Our ability to supply complete systems and modules enables us to respond to the outsourcing trend among OEMs who are increasingly looking to their suppliers as systems integrators to simplify the vehicle assembly process, lower costs and reduce vehicle development time.

Technology Leadership. Increasingly stringent environmental regulations, a growing diesel market, the demand for better fuel economy and heightened safety concerns are driving our technology

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development. Automotive OEMs growing demand for technological innovation from suppliers for improved vehicle safety, performance and functionality is resulting in a rapid increase in the technical content of automobiles and affording us opportunities to increase our contributions to vehicle platforms. To continue developing innovative products, systems and modules, we operate 14 engineering and technical facilities and have entered into several strategic alliances focused on advanced technology designs. We continually maintain a pipeline of new technologies in the R&D and production stages. Some of our significant technology activities and achievements include:

We were the first supplier to develop and commercialize a diesel particulate filter that can virtually eliminate carbon and hydrocarbon emissions with a minimal impact on engine performance, which we introduced on the Citroen C5 and Peugeot 406 in 2001.

We are working to develop, for a European customer, our combined particulate filter and De-NOx Converter for heavy-duty trucks, which can reduce particulate emissions by up to 90 percent and nitrogen oxide emissions by up to 70 percent.

We recently began supplying Volvo with an innovative electronic suspension system, which we co-developed with Ohlins Racing AB. The Computerized Electronic Suspension (CES) ride control system is currently or will be featured on Volvo s new S60R, V70R and S80R passenger cars.

We developed and commercialized a tubular integrated converter (TIC) that shortens production time, reduces manufacturing costs up to 25 percent and reduces weight up to 20 percent, using a new cold-formed, weld-free production process. Weight reduction results in improved fuel economy. Our TIC technology is applied on current models of the Ford Transit, Ford Focus, Peugeot 406, Citroen C5 and the GM/Opel Corsa.

We continue to win new business at Ford for our Gripper™ stabilizer bar system. The Gripper™ combines a pressurized elastomeric, mechanically bonded bushing with a multi-bend stabilizer bar that eliminates potential noise while improving vehicle ride and handling. We originally introduced this technology on the 2000 Taurus and Sable. It is now also available on other Ford vehicles, including the Mercury Grand Marquis, Lincoln Town Car and, most recently, the 2003 Lincoln Aviator.

Our aftermarket business benefits from the design, manufacturing and technological expertise of our OE business as we leverage new technologies and applications into our aftermarket products, thereby reinforcing our premium products and strengthening our brands. We believe our OE expertise provides us with a significant advantage over many of our aftermarket competitors. For example, we have extended our ASD shock technology to our Monroe Reflex® premium aftermarket shock, originally launched in North America in 1999 and extended to Europe in 2002. We believe these types of initiatives have helped us to grow our North American aftermarket ride control market share, which increased from an estimated 47 percent in 1999 to an estimated 54 percent in 2003. We also introduced our non-ASD Monroe Reflex® premium aftermarket shock in Australia in 2003.

Strong Customer Relationships. We have developed long-standing business relationships with leading global OEMs due to our superior design and manufacturing capabilities and global presence. In each of our operating segments, we work with our customers in all stages of production, including design, development, component sourcing, quality assurance, manufacturing and delivery. We believe that our customers view us as a solutions provider with a reputation for providing high-quality, innovative products at competitive prices with timely delivery and superior customer service. We have regularly received supplier awards from many of our top customers. In 2000, 2001, 2002 and 2003, we received Ford Motor Company s World Excellence Award, recognizing us as one of Ford s top suppliers in the world. Other 2002 awards included Nissan s Master of Quality, PACCAR s Preferred Supplier and Advance AutoParts Vendor of the Year awards. Our other awards for 2003 include Freightliner s Master of Quality award (the highest achievement awarded to Freightliner suppliers), General Motors Corporation s Worldwide Purchasing/ Order-To-Delivery Q.S.T.P. Award and recognition as a General Motors Corporation Supplier

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of the Year, the Volkswagen Group Award for our Puebla, Mexico operations and being named as a Diamond Supplier for Navistar International s truck division.

Diverse Revenue Mix. Our revenues are well-balanced across our product lines, markets and geographic regions. Emission control accounted for 63 percent of our 2003 net sales and ride control accounted for the remaining 37 percent. The OE business contributed 75 percent of our net sales in 2003, and the aftermarket contributed 25 percent. We generated approximately 50 percent of our 2003 net sales outside of North America, including in rapidly expanding markets such as China and Eastern Europe. We believe the balance between our participation in both the OE and aftermarket businesses and our global presence helps reduce our exposure to the cyclicality of the automotive industry.

Extensive Aftermarket Distribution. We have a dedicated sales force and consumer brand marketing professionals who sell and market our products through all the primary channels of distribution, including full-line and specialty warehouse distributors, jobbers, installers, car dealers and automotive parts retailers. These same retailers provide significant opportunity as they are focused on increasing premium sales to automotive part installers. We are working to leverage our portfolio of innovative and premium brand name products and our extensive distribution capabilities to increase our sales to retailers.

Experienced Management Team. Led by Mark P. Frissora, our senior management team has extensive experience in the automotive industry. Our top 15 senior managers have an average of 12 years of experience in our business segments, including an average of ten years at Tenneco Automotive. This management team has aggressively pursued major restructuring initiatives, cash flow management improvements and other strategies aimed at improving our overall profitability.

Business Strategy

We seek to leverage our global position in the manufacture of emission control and ride control products and systems. We intend to apply our competitive strengths and balanced mix of products, markets, customers and distribution channels to capitalize on many of the significant existing and emerging trends in the automotive industry. The key components of our business strategy are described below.

Leverage Global Engineering and Advanced System Capabilities. We continue to focus on the development of highly engineered systems and complex assemblies and modules, which are designed to provide value-added solutions to customers and generally increase vehicle content, and carry higher profit margins than individualized components. We have developed integrated, electronically linked global engineering and manufacturing facilities, which we believe will help us maintain our presence on top-selling vehicles. We have more than ten years of experience in integrating systems and modules. In addition, our Just-in-Time (JIT) and in-line sequencing manufacturing and distribution capabilities have enabled us to better respond to our customers needs. We operate 20 JIT facilities worldwide.

Expand our Aftermarket Business. Our plans to expand our aftermarket business are focused on three key marketing initiatives: new product introductions; building consumer and industry awareness of the maintenance, performance and other benefits of ensuring that a vehicle s ride and exhaust control systems are in good working condition; and extending our brands and aftermarket penetration to new product segments. For example, in 2003 we introduced our new DNX™ brand in the United States, which sport tunes cars with performance exhaust and adjustable suspension systems. We plan to introduce this brand in Europe this year. Another example is our Safety Triangle™ marketing campaign, which focuses on the impact of replacing worn shock absorbers and struts on vehicle safety. We are exploring a number of opportunities to extend our existing well known brands, such as Monroe®, and our product line generally to aftermarket product segments we have not previously served. For example, in 2003 we entered into an agreement with DuPont to develop, manufacture and market DuPont™-branded car appearance products in North America. We believe that, when combined with our expansive customer service network, these initiatives will yield new incremental aftermarket revenues.

Achieve Greater Content per Vehicle. As a result of increasing emissions standards and the introduction of multiple catalytic converters and heat exchangers per vehicle, we believe that available

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emission control content per light vehicle will rise over the next several years. We believe that consumers greater emphasis on automotive safety could also allow available ride control content per light vehicle to rise. In addition, advanced technologies and modular assemblies represent an opportunity to increase vehicle content. For example, our innovative CES system, which we recently debuted on several Volvo passenger cars, increases our content revenues five-fold compared to a standard shock offering. We plan to take advantage of these trends by leveraging our existing position on many top-selling vehicle platforms and by continuing to enhance our modular/systems capabilities.

Execute Focused Transactions. In the past, we have been successful in identifying and capitalizing on strategic acquisitions and alliances to achieve growth. Through these acquisitions and alliances, we have (i) expanded our product portfolio; (ii) realized incremental business with existing customers; (iii) gained access to new customers; and (iv) achieved leadership positions in new geographic markets.

We have developed a strategic alliance with Futaba, a leading exhaust manufacturer in Japan, that also includes a joint venture operation in Burnley, England. We also have an alliance with Tokico, a leading Japanese ride control manufacturer. These alliances help us grow our business with Japan-based OEMs by leveraging the geographical presence of each partner to serve Japan-based global platforms. We have established a presence in Thailand through a joint venture that supplies exhaust components for GMIsuzu. Our joint venture operations in Dalian and Shanghai, China have established us as one of the leading exhaust suppliers in the rapidly growing Chinese automotive market. We continue to expand our Chinese presence and, in November 2003, entered into two agreements to form new joint ventures in China. The first is with Eberspächer International GmbH to supply emission control products and systems for luxury cars produced by BMW and Audi in China, and the second is with Chengdu Lingchaun Mechanical Plant to supply emission control products and systems for various Ford platforms produced in China.

Where appropriate, we intend to continue to pursue strategic alliances, joint ventures, acquisitions and other transactions that complement or enhance our existing products, technology, systems development efforts, customer base and/or domestic or international presence. We strive to align with strong local partners to help us further develop our leadership in systems integration and to penetrate international markets, and with companies that have proven products, proprietary technology, research capabilities and/or market penetration to help us achieve further leadership in product offerings, customer relationships, systems integration and overall presence.

Growth in Adjacent Markets. One of our goals is to apply our existing design, engineering and manufacturing capabilities to penetrate a variety of adjacent markets and to achieve growth in higher-margin businesses. For example, we are aggressively leveraging our technology and engineering leadership in emission and ride control into adjacent markets, such as the heavy-duty market for trucks, buses, agricultural equipment, construction machinery and other commercial vehicles. As an established leading supplier of heavy-duty ride control and elastomer products, we are already serving customers like Volvo Truck, Mack, Navistar International, Freightliner and Scania. We also see tremendous opportunity to expand our presence in the heavy-duty market with our emission control products and systems, having recently entered this market in Europe with diesel technologies that will help customers meet Euro 4, Euro 5 and Kyoto requirements.

Improve Efficiency and Reduce Costs. We are a process-oriented company and have implemented and are continuing to implement several programs designed to improve efficiency and reduce costs, including:

We are successfully completing Project Genesis, our primary initiative for improving global manufacturing and distribution efficiency. Since launching Project Genesis in December 2001, we have reduced excess manufacturing capacity and costs. We have closed eight facilities and improved workflow at 21 plants worldwide. Our senior credit facility permits us to exclude up to $60 million of cash charges and expenses, before taxes, related to any cost reduction initiatives from the calculation of our financial covenant ratios through 2006. We had excluded $24 million as of March 31, 2004. As we have previously disclosed, we continue to evaluate additional

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opportunities to initiate actions that will reduce our costs through implementing the most appropriate and efficient logistics, distribution and manufacturing footprint for the future. For example, we recently closed a facility in Brazil for which we will recognize charges of less than $2 million in the second quarter of 2004. We may in the future take various additional cost reduction actions in response to our continuing evaluation. Any cost reduction initiatives would result in costs and charges that could be material to our results of operations for the period in which we implement them. At present, however, we cannot assure you as to the size, nature or timing of any such additional costs or charges.

We anticipate long-term savings through our Six Sigma program, a methodology and approach designed to minimize product defects and improve operational efficiencies.

We have implemented a Lean manufacturing program to reduce costs, inventories and customer lead times while improving delivery.

We have adopted the Business Operating System (BOS), a disciplined system to promote and manage continuous improvement. BOS focuses on the assembly and analysis of data for quick and effective problem resolution to create more efficient and profitable operations.

We are using Economic Value Added (EVA®), a financial tool that more effectively measures how efficiently we employ our capital resources, and have linked the successful application of this management discipline to our incentive compensation program.

In addition, we continue to work to reduce costs by standardizing products and processes throughout our operations; further developing our global supply chain management capabilities; improving our information technology; increasing efficiency through employee training; investing in more efficient machinery; and enhancing the global coordination of costing and quoting procedures, along with other steps to reduce administrative and operational costs and improve cost management.

Reduce Borrowings and Improve Cash Flow. We are focused on a core set of goals designed to reduce borrowings and improve cash flow: (i) keeping selling, general and administrative expenses plus engineering, research and development costs (SGA&E) level as a percentage of sales, while continuing to invest in sales and engineering; (ii) extracting significant cash flow from working capital initiatives; (iii) maintaining overall gross margins in a challenging economic environment; and (iv) strengthening existing customer relationships and winning new long-term OE business.

The Transactions

Offering and Purchase of Senior Subordinated Notes

This offering is designed to reduce our leverage and interest expense by allowing us to purchase and retire a portion of our outstanding $500 million principal amount of 11 5/8 percent senior subordinated notes due 2009. As previously disclosed, in connection with these transactions, we are considering a concurrent private placement of approximately $420 million of new senior subordinated notes that would close at or near the same time as this offering and which would enable us to further reduce our interest expense by fully refinancing our outstanding senior subordinated notes. We may proceed with this possible private placement if we determine that the pricing and other terms available to us are attractive in light of our intended use of the related proceeds. Given recent bond market conditions, we cannot assure you that we will go forward with this private placement. We intend to proceed with this offering and the purchase of a portion of our outstanding senior subordinated notes with the related proceeds, regardless of whether we also complete this possible private placement. Accordingly, in this prospectus we present information about this offering in the absence of a private placement of new senior subordinated notes, as well as this offering together with this private placement. See Use of Proceeds, Description of Indebtedness and Other Obligations Senior Subordinated Notes and Unaudited Pro Forma Consolidated Financial Statements.

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On April 30, 2004, we commenced an offer to purchase all our outstanding senior subordinated notes for cash, which we expect will require approximately $557 million to complete, including accrued and unpaid interest on the notes. The offer to purchase includes a consent solicitation whereby, if we accept valid tenders from holders of a majority of our outstanding senior subordinated notes, we will be permitted to amend the related indenture to remove substantially all the restrictive covenants, eliminate specified events of default and make other changes. As of May 13, 2004, we had received valid tenders from holders of approximately $452 million aggregate principal amount of our outstanding senior subordinated notes and, accordingly, executed a supplemental indenture pursuant to which the proposed amendments to the indenture will become effective if we accept those notes for purchase. If we do not proceed with the private placement, we will be required to amend our offer to purchase to seek only an aggregate principal amount of outstanding senior subordinated notes that is equal to the net proceeds of this offering and will then hold the offer to purchase open for an additional ten business days thereafter. Because the revised offer to purchase will be for less than a majority of our outstanding senior subordinated notes, the revised offer to purchase will no longer include a consent solicitation, and the proposed amendments to the related indenture will not become effective. See Description of Indebtedness and Other Obligations Senior Subordinated Notes.

In connection with the offer to purchase, on May 12, 2004, we amended our senior credit facility with the consent of our senior lenders. The amendment permits us to effect the various proposed amendments to the indenture under which our outstanding senior subordinated notes were issued. See Description of Indebtedness and Other Obligations Senior Credit Facility.

If there are any excess net proceeds from this offering, including because the underwriters exercise their over-allotment option and the timing does not permit us to apply those proceeds at the closing of the offer to purchase, we will use them to repay or otherwise repurchase or refinance any of our outstanding senior subordinated notes that remain outstanding. For example, our outstanding senior subordinated notes are redeemable beginning in October 2004 at a price of 105.813 percent of the principal amount, plus accrued and unpaid interest to the date of redemption. The May 2004 amendment to our senior credit facility permits us to engage in such a redemption or otherwise refinance any of our senior subordinated notes that remain outstanding upon completion of the offer to purchase, at any time on or prior to December 31, 2004, without the requirement of a substantially concurrent refinancing transaction. We believe such a transaction would also be permitted by the terms of our other senior debt.

If we complete the possible private placement in addition to this offering, and there are any excess net proceeds after the refinancing of all our outstanding senior subordinated notes, we will use them to repay, repurchase or otherwise refinance some of our outstanding senior debt as permitted by our senior credit facility and, to the extent permitted by our senior lenders, for other general corporate purposes. See Use of Proceeds.

2003 Refinancing Transactions

During 2003, we engaged in a series of transactions that resulted in the full refinancing of our senior credit facility in December. First, in June 2003, we offered and sold an initial $350 million of 10 1/4 percent senior secured notes due 2013 (100 percent of which were subsequently exchanged pursuant to an exchange offer for our $350 million of outstanding registered notes, completed on October 25, 2003). We used the net proceeds of the June offering, which totaled approximately $338 million, to prepay $251 million of term loans and $87 million of revolving credit borrowings then outstanding under our senior credit facility.

In December 2003, we completed the refinancing of our senior credit facility through an amendment and restatement of our senior credit facility agreement. At that time, we received net proceeds of approximately $391 million from new borrowings under our amended and restated senior credit facility and net proceeds of approximately $136 million from the offering of $125 million principal amount of additional senior secured notes, which included a 13 percent premium over the principal amount. These proceeds were used (i) to refinance the $514 million of term loans then outstanding under our senior credit facility and (ii) for general corporate purposes. Our obligations under letters of credit outstanding immediately prior to completion of the refinancing of our senior credit facility remained outstanding under the facility after its amendment and restatement. See Description of Indebtedness and Other Obligations.

Impact of the Offering and Related Transactions

This offering, together with the refinancing transactions we completed in 2003, will have a substantial impact on the nature of our outstanding debt, as well as our liquidity, leverage, debt amortization requirements and interest expense. Prior to the June 2003 transaction, we had (i) approximately $765 million of term loans under our senior credit facility with remaining principal payments of approximately $94 million, $93 million, $7 million, $253 million and $248 million in 2004, 2005, 2006, 2007 and 2008, respectively, (ii) a $450 million revolving credit facility scheduled to expire in November 2005, and (iii) $500 million of senior subordinated notes maturing in 2009.

Upon completion of this offering and the use of proceeds therefrom, on a pro forma basis as of March 31, 2004, we expect that we would have had approximately (a) $399 million of term loans under our senior credit facility with remaining principal payments of $4 million annually through 2009 and $376 million in 2010, (b) a $220 million revolving loan and letter of credit facility expiring in December 2008 and a $180 million tranche B letter of credit/ revolving loan facility expiring in December 2010 (the tranche B letter of credit/revolving loan facility) (which, under current accounting rules, will not be reflected on our balance sheet unless we have outstanding thereunder revolving loans or payments by the facility in respect of letters of credit), (c) $475 million of senior secured notes maturing in 2013, and (d) approximately $370 million of our outstanding senior subordinated notes maturing in 2009. On a pro forma basis, the net effect of the 2003 refinancing of our senior credit facility, this offering and the use of proceeds therefrom would have been to reduce our annual interest expense by approximately $6 million for 2003 and by approximately $4 million for the first quarter of 2004 if those transactions had been completed at the beginning of 2003. Further, in connection with this offering, we expect to record non-recurring pre-tax charges of approximately $12 million and $2 million related to the early tender premium and fees and the existing deferred debt issuance costs, respectively, as additional interest expense in the second quarter of 2004.

If we also complete the possible private placement, upon completion of this offering, the private placement and the use of proceeds therefrom, we would have $420 million principal amount of new senior subordinated notes maturing in 2014, rather than our outstanding senior subordinated notes. On a pro forma basis, the net effect of all of these transactions and the 2003 refinancing of our senior credit facility would have been to reduce our interest expense by approximately $12 million for 2003 and by approximately $6 million for the first quarter of 2004, if they had all been completed at the beginning of 2003. Our non-recurring pre-tax charges related to the early tender premium and fees and the existing deferred debt issuance costs would increase to approximately $48 million and $9 million, respectively.

See Description of Indebtedness and Other Obligations, Unaudited Pro Forma Consolidated Financial Statements and our Annual Report on Form 10-K for the year ended December 31, 2003 and Quarterly Report on Form 10-Q for the three months ended March 31, 2004, which are incorporated by reference herein.

Other Recent Events

In April 2004, we entered into three separate fixed-to-floating interest rate swaps with two separate financial institutions. These agreements swapped an aggregate of $150 million of fixed interest rate debt at a per annum rate of 10 1/4 percent to floating interest rate debt at a per annum rate of LIBOR plus a spread of 5.68 percent. Each agreement requires semi-annual settlements through July 15, 2013. Based on the initial LIBOR as determined under these agreements of 1.24 percent, these swaps would reduce our annual interest expense by approximately $5 million, which is not reflected in the pro forma information presented elsewhere in this prospectus.

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The Offering

Common stock offered by Tenneco Automotive Inc.	11,904,761 shares
Common stock to be outstanding after this offering	53,774,355 shares
Use of proceeds	We estimate that the net proceeds to us from the offering after expenses will be approximately $142 million, assuming a public offering price of $12.60 per share. We intend to use the net proceeds of this offering to purchase a portion of our outstanding senior subordinated notes. If we also complete the possible private placement of new senior subordinated notes described elsewhere herein, we will use the proceeds therefrom to purchase any remaining outstanding senior subordinated notes and, in the event of any excess, to repay some of our outstanding senior indebtedness as permitted by our senior credit facility and, to the extent permitted by our senior lenders, for other general corporate purposes. See Use of Proceeds.
Risk factors	See Risk Factors beginning on page 16 for a discussion of factors you should carefully consider before deciding whether to purchase our common stock.
Dividend policy	The declaration of dividends on our common stock is at the discretion of our Board of Directors. We have not paid dividends on our common stock since the fourth quarter of 2000 and have no current plans to reinstate any such dividends. See Dividend Policy.
New York Stock Exchange Symbol	TEN

The number of shares of our common stock to be outstanding after this offering in the table above is based on the number of shares outstanding as of March 31, 2004, and does not include:

- 6,691,953 shares of our common stock issuable upon exercise of stock options issued under our equity incentive plans and outstanding as of March 31, 2004 having a weighted average exercise price of $6.72 per share;
- an additional 1,597,103 shares of common stock available for future issuance under our equity incentive plans as of March 31, 2004; and
- up to 1,785,714 additional shares of common stock that we have agreed to sell if the underwriters exercise in full their overallotment option.

Unless otherwise stated, all information contained in this prospectus assumes no exercise of the underwriters overallotment option.

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Summary Historical Consolidated Financial Data

The following summary historical consolidated financial data as of and for the years ended December 31, 2002 and 2003 were derived from the audited financial statements of Tenneco Automotive Inc. and its consolidated subsidiaries. See the section of this prospectus entitled Experts. The following summary historical consolidated financial data as of and for the year ended December 31, 2001 was derived from the audited financial statements of Tenneco Automotive Inc. and its consolidated subsidiaries which have been audited by Arthur Andersen LLP, independent auditors. The following summary historical consolidated financial data as of and for each of the three months ended March 31, 2003 and 2004 were derived from our unaudited condensed financial statements. In our opinion, the summary historical consolidated financial data as of and for the three months ended March 31, 2003 and 2004 include all adjusting entries, consisting only of normal recurring adjustments, necessary to present fairly the information set forth therein. You should not regard the results of operations for the three months ended March 31, 2004 as indicative of the results that may be expected for the entire fiscal year.

Our consolidated financial statements for the year ended December 31, 2001 and for earlier years were audited by Arthur Andersen LLP. Because Arthur Andersen LLP has ceased accounting and auditing operations, we are unable to obtain written consent of Arthur Andersen LLP to incorporate their report in this prospectus. See Risk Factors Risks Relating to Our Prior Auditors for further information.

The following information should be read in conjunction with Use of Proceeds, Capitalization, Selected Historical Consolidated Financial Data and our historical consolidated financial statements and the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2003 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2004, incorporated by reference herein.

	Years Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2001	2002	2003	2003	2004	2004(2)
	(dollars in millions)					
Statements of income data:						
Net sales and operating revenues	$3,364	$3,459	$3,766	$921	$1,034	$3,879
Cost of sales (exclusive of depreciation shown below)	2,699	2,735	2,994	743	830	3,081
Engineering, research, and development	67	67	67	19	17	65
Selling, general, and administrative	353	351	364	88	109	385
Depreciation and amortization of other intangibles	137	144	163	39	45	169
Amortization of goodwill	16					
Other (income) expense, net		(7)	2	1		1
	3,272	3,290	3,590	890	1,001	3,701
Income before interest expense, income taxes, and minority interest	92	169	176	31	33	178
Interest expense (net of interest capitalized)	170	141	149	31	35	153
Income tax expense (benefit)	51	(7)	(6)	(2)	(1)	(5)
Minority interest	1	4	6	1	1	6
Income (loss) before cumulative effect of change in accounting principle	(130)	31	27	1	(2)	24
Cumulative effect of change in accounting principle, net of income tax(1)		(218)				
Net income (loss)	$ (130)	$ (187)	$ 27	$ 1	$ (2)	$ 24

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	Years Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2001	2002	2003	2003	2004	2004(2)
	(dollars in millions, except per share amounts)					
Average number of shares of common stock outstanding						
Basic	37,779,837	39,795,481	40,426,136	40,084,584	40,861,204	40,625,003
Diluted	38,001,248	41,667,815	41,767,959	40,907,138	43,539,508	43,303,307
Earnings (loss) per average share of common stock						
Basic:						
Before cumulative effect of change in accounting principle	$ (3.43)	$ 0.78	$ 0.67	$ 0.02	$ (0.05)	$ 0.59
Cumulative effect of change in accounting principle(1)		(5.48)				
	$ (3.43)	$ (4.70)	$ 0.67	$ 0.02	$ (0.05)	$ 0.59
Diluted:						
Before cumulative effect of change in accounting principle	$ (3.43)	$ 0.74	$ 0.65	$ 0.02	$ (0.05)	$ 0.55
Cumulative effect of change in accounting principle(1)		(5.48)				
	$ (3.43)	$ (4.74)	$ 0.65	$ 0.02	$ (0.05)	$ 0.55
Balance sheet data:						
Total assets	$ 2,681	$ 2,504	$ 2,795	$ 2,582	$ 2,912	$ 2,912
Short-term debt	191	228	20	250	18	18
Long-term debt	1,324	1,217	1,410	1,193	1,408	1,408
Minority interest	15	19	23	18	21	21
Shareholders equity	74	(94)	58	(66)	53	53
Statement of cash flows data:						
Net cash provided (used) by operating activities	$ 141	$ 188	$ 281	$ 36	$ 13	$ 258
Net cash (used) by investing activities	(126)	(107)	(127)	(26)	(15)	(116)
Net cash provided (used) by financing activities	3	(73)	(49)	(3)		(46)
Cash flow(3)	209	253	315	41	38	312
Capital expenditures	127	138	130	26	25	129
Other financial data:						
EBITDA(4)	$ 245	$ 313	$ 339	$ 70	$ 78	$ 347
	1.44	2.22	2.28	2.26	2.23	2.27

Ratio of EBITDA to interest expense(5)						
Ratio of total debt to EBITDA(6)(9)	6.18	4.62	4.22	NM	NM	4.11
Ratio of earnings to fixed charges(7)	.56	1.17	1.16	1.03	0.95	1.14
Working capital as a percent of sales(8)(9)	6.0%	3.6%	2.3%	NM	NM	2.4%

(1) In 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 142, which changed the accounting for purchased goodwill from an amortization method to an impairment-only approach. For more information about this change you should read Note 3 to our consolidated

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financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003, incorporated by reference herein.

(2) This presentation of our results for the twelve months ended March 31, 2004, is not a presentation in accordance with GAAP, as our year ends on December 31. We have presented this information in order to show our performance over the last twelve months because we believe this information is important to investors in understanding the operating trends of our business. Except for the balance sheet data, the data in this column represent the following calculation using the data from other columns in the table above: data from the column labeled Year Ended December 31, 2003 less data from the column labeled Three Months Ended March 31, 2003 plus data from the column labeled Three Months Ended March 31, 2004.

(3) The amounts included in the cash flow calculation are the sum of cash provided before financing activities, cash paid during the year for interest and cash paid during the year for taxes as shown in the historical statements of cash flow. We have reported cash flow because we regularly review cash flow as a measure of cash generated by our business to meet our debt and tax obligations. In addition, we believe our debt holders and others analyze our cash flow for similar purposes. We also believe that cash flow assists investors in understanding our ability to meet our obligations. Cash flow is derived from the statements of cash flows as follows:

	Years Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2001	2002	2003	2003	2004	2004(2)
	(dollars in millions)					
Net cash provided (used) before financing activities	$ 15	$ 81	$154	$ 10	$ (2)	$142
Cash paid during the year for interest	177	145	115	20	37	132
Cash paid during the year for taxes	17	27	46	11	3	38
Cash flow	$209	$253	$315	$ 41	$38	$312

(4) EBITDA represents income before extraordinary item, cumulative effect of change in accounting principle, 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 operating performance, or as an alternative to operating cash flows as a measure of liquidity. We have reported EBITDA because we regularly review EBITDA as a measure of our company s performance. In addition, we believe our debt holders utilize and analyze our EBITDA for similar purposes. We also 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. EBITDA is derived from the statements of income as follows:

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	Years Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2001	2002	2003	2003	2004	2004(2)
	(dollars in millions)					
Net income (loss)	$(130)	$(187)	$ 27	$ 1	$ (2)	$ 24
Cumulative effect of change in accounting principle, net of income tax		218				
Minority interest	1	4	6	1	1	6
Income tax expense (benefit)	51	(7)	(6)	(2)	(1)	(5)
Interest expense (net of interest capitalized)	170	141	149	31	35	153
Depreciation and amortization	153	144	163	39	45	169
EBITDA	$ 245	$ 313	$339	$ 70	$78	$347

(5) The 2003 senior credit facility refinancing, this offering and the use of proceeds therefrom would have decreased our interest expense by approximately $6 million for 2003 and by approximately $4 million for the first quarter of 2004, on a pro forma basis. The unaudited ratio of EBITDA to pro forma interest expense, assuming we had completed these transactions at the beginning of 2003, would have been as presented below:

Year Ended December 31, 2003	Three Months Ended March 31, 2004	Twelve Months Ended March 31, 2004(2)
2.37	2.52	2.39

If we also complete the possible private placement described herein, the effect of all these transactions would have been to decrease our interest expense by approximately $12 million for 2003 and by approximately $6 million for the first quarter of 2004, on a pro forma basis. The unaudited ratio of EBITDA to pro forma interest expense, assuming we had completed all of these transactions at the beginning of 2003, would have been as presented below:

Year Ended December 31, 2003	Three Months Ended March 31, 2004	Twelve Months Ended March 31, 2004(2)
2.47	2.69	2.51

See Unaudited Pro Forma Consolidated Financial Statements.

(6) This offering and the use of proceeds therefrom would have decreased our outstanding debt by approximately $130 million as of March 31, 2004, on a pro forma basis. The unaudited ratio of pro forma total debt to EBITDA would have been 3.73 for the twelve months ended March 31, 2004, assuming we had completed these transactions on March 31, 2004. The effect of our 2003 senior credit facility refinancing was already reflected in our balance sheet as of March 31, 2004. If we also complete the possible private placement, our outstanding debt would have increased by approximately $50 million, on a pro forma basis, and the unaudited ratio of pro forma total debt to EBITDA would have been 3.88 for the twelve months ended March 31, 2004, assuming we had completed all of these transactions on March 31, 2004. See Unaudited Pro Forma Consolidated Financial Statements.

(7) For purposes of computing this ratio, earnings generally consist of income from continuing operations before income taxes and fixed charges excluding capitalized interest. Fixed charges consist of interest expense, the portion of rental expense considered representative of the interest factor and capitalized interest. See Exhibit 12 to our Annual Report on Form 10-K for the year ended December 31, 2003, and Exhibit 12 to our Quarterly Report on Form 10-Q for the three months ended March 31, 2004, which are incorporated herein by reference, for the computation of the ratio of earnings to fixed charges. For the year ended December 31, 2001, earnings were insufficient by $80 million to cover

fixed charges. For the three months ended March 31, 2004, earnings were insufficient by $2 million to cover fixed charges.

The unaudited ratio of pro forma earnings to fixed charges, assuming we had completed the 2003 senior credit facility refinancing, this offering and the use of proceeds therefrom at the beginning of 2003, would have been as presented below:

Year Ended December 31, 2003	Three Months Ended March 31, 2004	Twelve Months Ended March 31, 2004(2)
1.18	1.00	1.17

If we also complete the possible private placement described herein, the unaudited ratio of pro forma earnings to fixed charges, assuming we had completed all of these transactions at the beginning of 2003, would have been as presented below:

Year Ended December 31, 2003	Three Months Ended March 31, 2004	Twelve Months Ended March 31, 2004(2)
1.20	1.03	1.20

See Unaudited Pro Forma Consolidated Financial Statements.

(8) For purposes of computing working capital as a percentage of sales, we exclude cash and the current portion of long-term debt from the calculation. We exclude these items because we manage our working capital activity through cash and short-term debt. To include these items in the calculation would distort actual working capital changes. Our calculation of working capital as a percentage of sales is as follows:

	Years Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2001	2002	2003	2003	2004	2004(2)
	(dollars in millions)					
Current assets:						
Receivables customer notes and accounts, net	$ 380	$ 394	$ 427	$ 451	$ 498	$ 498
Receivables other	15	15	15	15	14	14
Inventories	326	352	343	373	367	367
Deferred income taxes	66	56	63	57	63	63
Prepayments and other	101	95	112	105	140	140
	$ 888	$ 912	$ 960	$1,001	$1,082	1,082
Current liabilities:						
Trade payables	$ 401	$ 505	$ 621	$ 592	$ 692	$ 692
Accrued taxes	35	40	19	29	25	25
Accrued interest	25	23	42	33	39	39
Accrued liabilities	148	172	162	164	205	205
Other accruals	76	48	29	41	29	29
	$ 685	$ 788	$ 873	$ 859	$ 990	$ 990
Working capital (current assets less current liabilities)	$ 203	$ 124	$ 87	$ 142	$ 92	$ 92
Sales	$3,364	$3,459	$3,766	$ 921	$1,034	$3,879
Working capital as a percent of sales(9)	6.0%	3.6%	2.3%	NM	NM	2.4%

(9)

Not meaningful (NM) refers to financial metrics that we believe would not provide investors with relevant information for the period presented.

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Risk Factors

You should carefully consider the risks described below and all other information contained in or incorporated by reference into this prospectus before purchasing our common stock. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case, you may lose all or part of your original investment. Consequently, an investment in our common stock should only be considered by persons who can assume such risk. You are encouraged to perform your own investigation with respect to our common stock and our company. Some of the statements in this discussion of Risk Factors are forward-looking statements. See Forward-Looking Statements.

Risks Relating to Our Company

Our substantial debt could adversely affect our business or ability to raise additional capital to fund our operations and limit our ability to react to changes in the economy.

We are a highly leveraged company. As of March 31, 2004, we had $1,426 million of outstanding indebtedness. Our substantial amount of debt requires significant interest payments. We also incur additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other general corporate purposes.

This level of indebtedness could have important consequences for you, including the following:

- a substantial portion of our cash flow from operations must be dedicated to the repayment of our indebtedness, and thus is not available for other purposes;
- it may limit our ability to borrow money or sell stock for our working capital, capital expenditures, debt service requirements or other purposes;
- it may limit our flexibility in planning for, or reacting to, changes in our operations, our business or the industry in which we compete;
- we are more highly leveraged than all of our major competitors, which may place us at a competitive disadvantage;
- it may make us more vulnerable to downturns in our business or the economy;
- our ability to meet the debt service requirements of our indebtedness could be impaired in the future; and
- there would be a material adverse effect on our business and financial condition if we were unable to service our indebtedness or obtain additional financing, as needed.

Despite our substantial indebtedness, we may still be able to incur significantly more debt. This could intensify many of the risks described herein.

The terms of the agreements governing our indebtedness limit, but do not prohibit, us or our subsidiaries from incurring significant additional indebtedness in the future. As of March 31, 2004, under our senior credit facility we had $220 million of unused revolving credit facility capacity, $117 million of unused tranche B letter of credit/revolving loan facility capacity and $63 million of letters of credit issued under the tranche B letter of credit/revolving loan facility, and the covenants under our debt agreements would allow us to borrow a significant amount of additional indebtedness. The more we become leveraged, the more we, and in turn our security holders, become exposed to many of the risks described herein.

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Our variable rate indebtedness subjects us to interest rate risk, which could cause our annual debt service obligations to increase significantly.

Certain of our borrowings, including borrowings under our senior credit facility, are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. An increase of 1.0 percent in the interest rates payable on our existing variable rate indebtedness would have increased our 2003 estimated debt service requirements by approximately $6 million before taxes on a pro forma basis after giving effect to the 2003 senior credit refinancing and this offering and the use of proceeds therefrom, and by approximately $6 million before taxes on a pro forma basis if we also complete the possible private placement and use the proceeds therefrom to purchase our remaining outstanding senior subordinated notes. In April 2004, we entered into $150 million of fixed-to-floating interest rate swaps with two separate financial institutions. See Description of Indebtedness and Other Obligations. An increase of 1.0 percent in the interest rates payable on these swaps would increase our debt service requirements by less than $2 million annually before taxes. We have no interest rate hedge agreements that would shield us from this risk. We might consider entering into additional fixed-to-floating interest rate swaps on all or any portion of our remaining fixed-rate debt. Such a transaction would initially reduce our interest expense, but may expose us to an increase in interest rates in the future.

We are required to make substantial debt service payments, and we may not be able to generate sufficient cash to service all of our indebtedness.

Our ability to make payments on our indebtedness depends on our ability to generate cash in the future. On a pro forma basis, the net effect of our 2003 refinancing transactions, together with this offering and the use of proceeds therefrom, would have been to decrease our annual interest expense by approximately $6 million for 2003 and by approximately $4 million for the first quarter of 2004. If we also complete the possible private placement, on a pro forma basis the net effect of these transactions and the use of proceeds therefrom would have been to decrease our annual interest expense by approximately $12 million for 2003 and by approximately $6 million for the first quarter of 2004. Our annual debt service obligations in 2004, assuming we incur no further indebtedness, will consist primarily of interest and required principal payments under our senior credit facility and the agreements governing the debt incurred by our foreign subsidiaries, and interest payments on our senior secured notes and senior subordinated notes. Our annual cash debt service payments, based on the amount of indebtedness we would have had outstanding on March 31, 2004 on a pro forma basis, are expected to be approximately $136 million for each of 2004 and 2005, assuming we do not complete the possible private placement, and approximately $130 million for each of 2004 and 2005 if we do complete the possible private placement. This assumes interest rates would remain at their levels as of December 31, 2003. See Our variable rate indebtedness subjects us to interest rate risk, which could cause our annual debt service obligations to increase significantly. Accordingly, we will have to generate significant cash flows from operations to meet our debt service requirements. For the year ended December 31, 2003 and the three months ended March 31, 2004, our cash flows from operating activities were $281 million and $13 million, respectively. If we do not generate sufficient cash flow to meet our debt service and working capital requirements, we may need to seek additional financing or sell assets. This may make it more difficult for us to obtain financing on terms that are acceptable to us, or at all. Without any such financing, we could be forced to sell assets to make up for any shortfall in our payment obligations under unfavorable circumstances.

Our senior credit agreement and the indentures governing our senior secured notes and our senior subordinated notes limit our ability to sell assets and also restrict the use of proceeds from any asset sale. Moreover, our senior credit facility is secured on a first priority basis by substantially all of our and our subsidiary guarantors tangible and intangible domestic assets, pledges of all of the stock of our and our subsidiary guarantors direct domestic subsidiaries and pledges of 66 percent of the stock of our and our subsidiary guarantors direct foreign subsidiaries. The senior secured notes are secured on a second priority basis by substantially all of our and our subsidiary guarantors tangible and intangible assets excluding,

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however, any stock of foreign subsidiaries and a portion of the stock of domestic subsidiaries. If necessary, we may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations. Furthermore, a substantial portion of our assets are, and may continue to be, intangible assets.

Our failure to comply with the covenants contained in the agreement governing our senior credit facility or our other debt agreements, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our operating results and our financial condition.

Our senior credit facility requires us to maintain specified financial ratios. In addition, our senior credit facility and our other debt instruments require us to comply with various operational and other covenants. If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, either upon maturity or if accelerated, upon an event of default, or that, if we were required to repurchase any of our debt securities upon a change of control, we would be able to finance or restructure the payments on those debt securities.

For example, in each of 2000, 2001 and 2002, we were required to seek an amendment to our senior credit facility to revise the financial ratios we are required to maintain thereunder. We were able to obtain an amendment in each of those years. In addition, we reset our financial ratios when we amended and restated our senior credit facility in 2003 to cover periods not addressed by prior amendments. If, in the future, we are required to obtain similar amendments, there can be no assurance that those amendments would be available on commercially reasonable terms or at all. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in our Quarterly Report on Form 10-Q for the three months ended March 31, 2004 and Annual Report on Form 10-K for the year ended December 31, 2003, which are incorporated by reference herein.

If, as or when required, we are unable to repay, refinance or restructure our indebtedness under our senior credit facility, or amend the covenants contained therein, the lenders under our senior credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets. Under such circumstances, we could be forced into bankruptcy or liquidation. In addition, any event of default or declaration of acceleration under one of our debt instruments could also result in an event of default under one or more of our other financing agreements, including the notes and the agreements under which we sell certain of our accounts receivable. This would have a material adverse impact on our liquidity and financial position.

Changes in consumer demand and prices could materially and adversely impact our financial condition and results of operations.

Demand for and pricing of our products are subject to economic conditions and other factors present in the various domestic and international markets where our products are sold. Demand for our OE products is subject to the level of consumer demand for new vehicles that are equipped with our parts. The level of new car purchases is cyclical, affected by such factors as interest rates, consumer confidence, patterns of consumer spending and the automobile replacement cycle. Demand for our aftermarket, or replacement, products varies based upon such factors as the level of new vehicle purchases, which initially displaces demand for aftermarket products, the severity of winter weather, which increases the demand for certain aftermarket products, and other factors, including the average useful life of parts and number of miles driven. For example, weakened economic conditions in the United States over the last several years resulted in substantially all the customers of our North American operations slowing new vehicle production in 2001, 2002 and 2003 compared to 1999 and 2000. Further decreases in demand for automobiles and automotive products generally, or in the demand for our products in particular, could materially and adversely impact our financial condition and results of operations.

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We may be unable to realize sales represented by our awarded business, which could materially and adversely impact our financial condition and results of operations.

The realization of future sales from awarded business is inherently subject to a number of important risks and uncertainties, including the number of vehicles that our OE customers will actually produce, the timing of that production and the mix of options that our OE customers and consumers may choose. For example, substantially all of our North American vehicle manufacturer customers slowed new light vehicle production in 2001 and 2003, with a slight increase in 2002. These production rates for the first quarter of 2004 were down approximately one percent from the same period last year, and we remain cautious regarding production volumes for the remainder of 2004. Given current economic conditions, we expect the North American light vehicle build to be approximately 16 million units in 2004, which is a slight increase from 2003 levels. We expect the European light vehicle production to remain flat with 2003 levels. In addition, our customers generally have the right to replace us with another supplier at any time for a variety of reasons and have increasingly demanded price decreases over the life of awarded business. Accordingly, we cannot assure you that we will in fact realize any or all of the future sales represented by our awarded business. Any failure to realize these sales could have a material adverse effect on our financial condition and results of operations.

In many cases, we must commit substantial resources in preparation for production under awarded OE business well in advance of the customer s production start date. In some instances, the terms of our OE customer arrangements permit us to recover these pre-production costs if the customer cancels the business through no fault of our company. Although we have been successful in recovering these costs under appropriate circumstances in the past, we can give no assurance that our results of operations will not be materially impacted in the future if we are unable to recover these types of pre-production costs related to OE cancellation of awarded business. See Note 11 to our consolidated financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental and Other Matters included in our Annual Report on Form 10-K for the year ended December 31, 2003 and Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental and Other Matters included in our Quarterly Report on Form 10-Q for the three months ended March 31, 2004, which are incorporated by reference herein, for a discussion of recent cost recovery discussions with one of our OE customers.

We may be unable to compete favorably in the highly competitive automotive parts industry.

The automotive parts industry is highly competitive. Although the overall number of competitors has decreased due to ongoing industry consolidation, we face significant competition within each of our major product areas. The principal competitive factors are price, quality, service, product performance, design and engineering capabilities, new product innovation, global presence and timely delivery. We cannot assure you that we will be able to continue to compete favorably in this competitive market or that increased competition will not have a material adverse effect on our business by reducing our ability to increase or maintain sales or profit margins.

We may not be able to successfully respond to the changing distribution channels for aftermarket products.

Major automotive aftermarket retailers, such as AutoZone and Advance Auto Parts, are attempting to increase their commercial sales by selling directly to automotive parts installers in addition to individual consumers. These installers have historically purchased from their local warehouse distributors and jobbers, who are our more traditional customers. We cannot assure you that we will be able to maintain or increase aftermarket sales through increasing our sales to retailers. Furthermore, because of the cost focus of major retailers, we have occasionally been required to offer price concessions to them. Our failure to maintain or increase aftermarket sales, or to offset the impact of any reduced sales or pricing through cost improvements, could have an adverse impact on our business and operating results.

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We may be unable to realize our business strategy of improving operating performance and generating savings and improvements to help offset pricing pressures from our customers.

We have either implemented or plan to implement strategic initiatives designed to improve our operating performance. The failure to achieve the goals of these strategic initiatives could have a material adverse effect on our business, particularly since we rely on these initiatives to offset pricing pressures from our customers, as described above. See Changes in consumer demand and prices could materially and adversely impact our financial condition and results of operations and We may be unable to realize sales represented by our awarded business, which could materially and adversely impact our financial condition and results of operations. We cannot assure you that we will be able to successfully implement or realize the expected benefits of any of these initiatives or that we will be able to sustain improvements made to date.

The cyclicality of automotive production and sales could cause a decline in our financial condition and results.

A decline in automotive sales and production would likely cause a decline in our sales to vehicle manufacturers, and could result in a decline in our results of operations and financial condition. The automotive industry has been characterized historically by periodic fluctuations in overall demand for vehicles due to, among other things, changes in general economic conditions and consumer preferences. These fluctuations generally result in corresponding fluctuations in demand for our products. The highly cyclical nature of the automotive industry presents a risk that is outside our control and that cannot be accurately predicted.

Longer product lives of automotive parts are adversely affecting aftermarket demand for some of our products.

The average useful life of automotive parts has steadily increased in recent years due to innovations in products and technologies. The longer product lives allow vehicle owners to replace parts of their vehicles less often. As a result, a portion of sales in the aftermarket has been displaced. This has adversely impacted, and will likely continue to adversely impact, our aftermarket sales. Aftermarket sales represented approximately 25 percent of our net sales for 2003, as compared to 26 percent of our net sales for 2002.

We may incur material costs related to product warranties, environmental and regulatory matters and other claims, which could have an adverse impact on our financial condition and results of operations.

From time to time, we receive product warranty claims from our customers, pursuant to which we may be required to bear costs of repair or replacement of certain of our products. Vehicle manufacturers are increasingly requiring their outside suppliers to guarantee or warrant their products and to be responsible for the operation of these component products in new vehicles sold to consumers. Warranty claims may range from individual customer claims to full recalls of all products in the field. We cannot assure you that costs associated with providing product warranties will not be material, or that those costs will not exceed any amounts reserved for them in our financial statements. For a description of our accounting policies regarding warranty reserves, see our consolidated financial statements included in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2003 and Note 5 to our consolidated financial statements included in our Quarterly Report on Form 10-Q for the three months ended March 31, 2004, which are incorporated by reference herein.

Additionally, we are subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which we operate. Soil and groundwater remediation activities are being conducted at certain of our real properties.

We also from time to time are involved in legal proceedings, claims or investigations that are incidental to the conduct of our business. Some of these proceedings allege damages against us relating to environmental liabilities, intellectual property matters, personal injury claims, employment matters or commercial or contractual disputes. For example, we are involved in litigation over medical benefits provided to some of our former employees. As another example, we are involved in litigation with the minority owner of one of our Indian joint ventures over various operational issues that involves a court-mandated bidding process. We are also subject to a number of lawsuits initiated by a significant number of claimants alleging health problems as a result of exposure to asbestos. Many of these cases involve significant numbers of individual claimants. Many of these cases also involve numerous defendants, with the number of each in some cases exceeding 200 defendants from a variety of industries. We are experiencing an increasing number of these claims, likely due to bankruptcies of major asbestos manufacturers. In future periods, we could be subject to cash costs or non-cash charges to earnings if any of these matters is resolved unfavorably to us.

We vigorously defend ourselves in connection with all of the matters described above. We cannot, however, assure you that the costs, charges and liabilities associated with these matters will not be material, or that those costs, charges and liabilities will not exceed any amounts reserved for them in our financial statements. See Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental and Other Matters, and our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003, and Note 5 to our consolidated financial statements in our Quarterly Report on Form 10-Q for the three months ended March 31, 2004, incorporated by reference herein, for further description.

The hourly workforce in the automotive industry is highly unionized and our business could be adversely affected by labor disruptions.

Although we consider our current relations with our employees to be good, if major work disruptions were to occur, our business could be adversely affected by, for instance, a loss of revenues, increased costs or reduced profitability. As of December 31, 2003, we had approximately 19,139 employees, approximately 53.3 percent of which were subject to a total of approximately 50 collective bargaining agreements that expire and are renegotiated at various points in time. Twenty-eight of these agreements covering approximately 4,000 employees will expire on various dates during 2004. At September 30, 2003, approximately 29.7 percent of our employees were represented by workers councils within our European operations. We have not experienced a material labor disruption in our workforce in the last ten years, but there can be no assurance that we will not experience a material labor disruption at one of our facilities in the future in the course of renegotiation of our labor arrangements or otherwise. In addition, substantially all of the hourly employees of North American vehicle manufacturers are represented by the United Automobile, Aerospace and Agricultural Implement Workers of America under collective bargaining agreements and vehicle manufacturers and their employees in other countries are also subject to labor agreements. A work stoppage or strike at the production facilities of a significant customer, at our facilities or at a significant supplier could have an adverse impact on us by disrupting demand for our products and/or our ability to manufacture our products. For example, a GM strike in 1998 reduced second and third quarter revenue and income growth of our OE business in that year.

Consolidation among automotive parts customers and suppliers could make it more difficult for us to compete favorably.

Our financial condition and results of operations could be adversely affected because the customer base for automotive parts is consolidating in both the original equipment market and aftermarket. As a result, we are competing for business from fewer customers. Due to the cost focus of these major customers, we have been, and expect to continue to be, required to reduce prices as part of our initial business quotations and over the life of vehicle platforms we have been awarded. We cannot be certain that we will be able to generate cost savings and operational improvements in the future that are sufficient to offset price reductions required by existing customers and necessary to win additional business.

Furthermore, the trend toward consolidation among automotive parts suppliers is resulting in fewer, larger suppliers who benefit from purchasing and distribution economies of scale. If we cannot achieve cost savings and operational improvements sufficient to allow us to compete favorably in the future with these

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larger companies, our financial condition and results of operations could be adversely affected due to a reduction of, or inability to increase, sales.

We are dependent on large customers for future revenues, the loss of any of which could have a material adverse impact on us.

We depend on major vehicle manufacturers for a substantial portion of our net sales. For example, during 2003, GM, Ford, Volkswagen, and DaimlerChrysler accounted for 18.9 percent, 13.9 percent, 11.0 percent, and 8.8 percent of our net sales, respectively. The loss of all or a substantial portion of our sales to any of our large-volume customers could have a material adverse effect on our financial condition and results of operations by reducing cash flows and our ability to spread costs over a larger revenue base. We may make fewer sales to these customers for a variety of reasons, including: (i) loss of awarded business; (ii) reduced or delayed customer requirements; or (iii) strikes or other work stoppages affecting production by the customers.

We are subject to risks related to our international operations.

We have manufacturing and distribution facilities in many regions and countries, including Australia, China, India, North America, Europe and South America, and sell our products worldwide. For 2003, approximately 50 percent of our net sales were derived from operations outside North America. International operations are subject to various risks which could have a material adverse effect on those operations or our business as a whole, including:

- exposure to local economic conditions;
- exposure to local political conditions, including the risk of seizure of assets by foreign government;
- exposure to local social unrest, including any resultant acts of war, terrorism or similar events;
- exposure to local public health issues and the resultant impact on economic and political conditions;
- currency exchange rate fluctuations;
- hyperinflation in certain foreign countries;
- controls on the repatriation of cash, including imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries; and
- export and import restrictions.

Exchange rate fluctuations could cause a decline in our financial condition and results of operations.

As a result of our international operations, we generate a significant portion of our net sales and incur a significant portion of our expenses in currencies other than the U.S. dollar. To the extent we are unable to match revenues received in foreign currencies with costs paid in the same currency, exchange rate fluctuations in that currency could have a material adverse effect on our business. For example, where we have significantly more costs than revenues generated in a foreign currency, we are subject to risk if that foreign currency appreciates against the U.S. dollar because the appreciation effectively increases our costs in that location. From time to time, as and when we determine it is appropriate and advisable to do so, we will seek to mitigate the effect of exchange rate fluctuations through the use of derivative financial instruments. We cannot assure you, however, that we will continue this practice or be successful in these efforts.

The financial condition and results of operations of some of our operating entities are reported in foreign currencies and then translated into U.S. dollars at the applicable exchange rate for inclusion in our consolidated financial statements. As a result, appreciation of the U.S. dollar against these foreign currencies will have a negative impact on our reported revenues and operating profit while depreciation of the U.S. dollar against these foreign currencies will have a positive effect on reported revenues and

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operating profit. For example, our European operations were positively impacted in 2002 and 2003 due to the strengthening of the Euro against the U.S. dollar. Our South American operations were negatively impacted by the devaluation in 2000 of the Brazilian currency as well as by the devaluation of the Argentine currency in 2002. We do not generally seek to mitigate this translation effect through the use of derivative financial instruments.

Further significant changes in our stockholder composition may jeopardize our ability to use some or all of our net operating loss carryforwards.

As of March 31, 2004, we had federal net operating loss (NOL) carryforwards of $536 million available to reduce taxable income in future years, and these NOL carryforwards expire in various years through 2024. The federal tax effect of these NOLs is $188 million and is recorded as an asset on our balance sheet at March 31, 2004. Our ability to utilize our NOL carryforwards could become subject to significant limitations under Section 382 of the Internal Revenue Code (Section 382) if we undergo a majority ownership change. We would undergo a majority ownership change if, among other things, the stockholders who own or have owned, directly or indirectly, five percent or more of our common stock or are otherwise treated as five percent stockholders under Section 382 and the regulations promulgated thereunder, increase their aggregate percentage ownership of our stock by more than 50 percentage points over the lowest percentage of the stock owned by these stockholders at any time during the testing period, which is generally the three-year period preceding the potential ownership change. In the event of a majority ownership change, Section 382 imposes an annual limitation on the amount of taxable income a corporation may offset with NOL carryforwards. Any unused annual limitation may be carried over to later years until the applicable expiration date for the respective NOL carryforwards. If we were to undergo a majority ownership change, we would be required to record a reserve for some or all of the asset currently recorded on our balance sheet. As of March 31, 2004, we believe that there had been a significant change, but not a majority change, in our ownership during the prior three years. In addition, after giving effect to this offering, we do not believe we will have undergone a majority ownership change during the prior three years. We cannot, however, assure you that we will not undergo a majority ownership change in the future. Further, because an ownership change for federal tax purposes can occur based on trades among our existing stockholders, whether we undergo a majority ownership change may be a matter beyond our control.

The prices of raw materials may change, which could have a material adverse impact on us.

Significant increases in the cost of certain raw materials used in our products, to the extent they are not timely reflected in the price we charge our customers or mitigated through long-term supply contracts, could materially and adversely impact our results.

Risks Relating to This Offering

Our stock price could be volatile, and your investment could suffer a decline in value.

In recent years, our stock price has been extremely volatile, and we have recently experienced a substantial increase in our stock price. Since the first quarter of 2002, the sale price of our common stock has ranged between a low of $1.90 per share and a high of $15.34 per share. Further, our stock price has increased by approximately 87 percent from January 1, 2004 to May 12, 2004. The market price of our common stock may fluctuate significantly in the future due to a variety of factors, including:

- quarterly variations in our operating results;
- announcements or introduction of technological innovations by us or our competitors;
- changes in or our failure to meet market or securities analysts expectations;
- market conditions relating to our industry;
- erroneous reports in the press regarding the activities of our company;

- future sales of our common stock;
- sales of significant amounts of our common stock or other securities in the open market;
- the depth of the market for our common stock;
- actual or anticipated fluctuations in our operating results;
- acts of war or terrorism and the impact of these events and economic, financial and social conditions on the financial markets and our operating results; and
- general market conditions and other factors.

In the past, securities class action litigation has often been instituted following periods of volatility in the market price of a company s securities. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of our management s attention and resources.

Investors in the offering will experience immediate and substantial dilution.

At March 31, 2004, our net tangible book value per share of common stock was negative. Therefore, if you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the net tangible book value per share of common stock from the price per share that you pay for the common stock. If the holders of outstanding options exercise those options at prices below the public offering price, you will incur further dilution.

Sales of substantial amounts of our common stock or the perception that these sales may occur could cause the market price of our common stock to drop significantly, even if our business is performing well.

Our stock price may be depressed by future sales of our shares or the perception that such sales may occur. We had 41,892,010 shares outstanding as of April 30, 2004, substantially all of which shares are not subject to limitations on resale under Rule 144 of the Securities Act of 1933. Sales of substantial amounts of our common stock in the public market might lower our common stock s market price. We are unable to estimate the amount, timing or nature of future sales of our outstanding common stock.

We cannot assure you that we will complete the full refinancing of our outstanding senior subordinated notes in connection with this offering.

As previously disclosed, in connection with this offering, we are considering a concurrent private placement of approximately $420 million of new senior subordinated notes that would close at or near the same time as this offering and would enable us to further reduce our interest expense by fully refinancing our outstanding senior subordinated notes. We may proceed with this possible private placement if we determine that the pricing and other terms available to us are attractive in light of our intended use of the related proceeds. Given recent bond market conditions, we cannot assure you that we will go forward with this private placement. As a result, we cannot assure you that we will complete the full refinancing of our outstanding senior subordinated notes in connection with this offering. We intend to proceed with this offering and the purchase of a portion of our outstanding senior subordinated notes with the related proceeds, regardless of whether we complete the possible private placement. We are unable to estimate the amount or nature of any impact that our action or inaction with respect to the possible private placement and related purchase of our remaining outstanding senior subordinated notes might have on the market price of our common stock. See Use of Proceeds and Description of Indebtedness and Other Obligations Senior Subordinated Notes.

Our anti-takeover measures could discourage potential takeover attempts and thus limit the price investors might be willing to pay for our common stock in the future.

The provisions of our certificate of incorporation that eliminate cumulative voting and authorize our board of directors to issue preferred stock with rights superior to our common stock could discourage a third party from acquiring, or make it more difficult for a third party to acquire, control of us without approval of our board of directors. These provisions could also limit the price that investors might be willing to pay for shares of our common stock in the future. See Description of Capital Stock.

Provisions in our stockholder rights plan may inhibit transactions that could be beneficial to our stockholders.

Our board of directors has adopted a stockholder rights plan, commonly referred to as a poison pill. This plan entitles common stockholders to rights, including the right to purchase shares of common stock, in the event of an acquisition of 15 percent or more of our outstanding common stock. This plan could prevent stockholders from profiting from an increase in the market value of their shares as a result of a change of control of our company by delaying or preventing a change of control. See Description of Capital Stock.

Risks Relating to Our Prior Auditors

Arthur Andersen LLP, our former auditors, audited certain financial information set forth and incorporated by reference in this prospectus. In the event such financial information is later determined to contain false statements, you may be unable to recover damages from Arthur Andersen LLP.

Arthur Andersen LLP completed its audit of our financial statements as of December 31, 2001 and for the three years then ended and issued its report with respect to such financial statements on January 28, 2002. Subsequently, Arthur Andersen LLP was convicted of obstruction of justice for activities relating to its previous work for Enron Corp.

In May 2002, both our audit committee and our board of directors approved the appointment of Deloitte & Touche LLP as our independent auditors to audit our financial statements for fiscal year 2002. Deloitte & Touche LLP replaced Arthur Andersen LLP, which had served as our independent auditors for over 35 years. We had no disagreements required to be disclosed pursuant to Item 304 of Regulation S-K with Arthur Andersen LLP on any matter of accounting principle or practice, financial statement disclosure or auditing scope or procedure. Arthur Andersen LLP audited the financial statements that we incorporate by reference in this prospectus as of December 31, 2001, and for the year ended December 31, 2001, as set forth in their report. We include these financial statements in reliance on the authority of Arthur Andersen LLP s experience giving said report.

Arthur Andersen LLP has stopped conducting business before the Commission, has ceased accounting and audit-related practice and has limited assets available to satisfy the claims of creditors. As a result, you may be limited in your ability to recover damages from Arthur Andersen LLP under federal or state law if it is later determined that there are false statements contained in this prospectus relating to or contained in financial data audited by Arthur Andersen LLP. In addition, the ability of Arthur Andersen LLP to satisfy claims (including claims arising from its provision of auditing and other services to us) is limited as a result of the diminished amount of assets of Arthur Andersen LLP that are now or may in the future be available to satisfy claims.

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Forward-Looking Statements

Some of the statements in this prospectus constitute forward-looking statements as that term is defined under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning, among other things, the prospects and developments of our company and business strategies for our operations, all of which are subject to risks and uncertainties. These forward-looking statements are included in various sections of this prospectus. They are identified as forward-looking statements or by their use of terms (and variations thereof) such as will, may, can, anticipate, intend, continue, estimate, expect, plan, should, outlook, and similar terms (and variations thereof) and phrases.

Our actual results may differ materially from those anticipated in these forward-looking statements. These forward-looking statements are affected by risks, uncertainties and assumptions that we make, including, among other things, the factors that are described in Risk Factors and:

- general economic, business and market conditions;
- potential legislation, regulatory changes and other governmental actions, including the ability to receive regulatory approvals and the timing of such approvals;
- new technologies that reduce the demand for certain of our products or otherwise render them obsolete;
- our ability to integrate operations of acquired businesses quickly and in a cost effective manner;
- changes in distribution channels or competitive conditions in the markets and countries where we operate;
- capital availability or costs, including changes in interest rates, market perceptions of the industries in which we operate or ratings of securities;
- increases in the cost of compliance with regulations, including environmental regulations and environmental liabilities in excess of the amount reserved;
- changes by the Financial Accounting Standards Board, Public Company Accounting Oversight Board or the Securities and Exchange Commission of authoritative accounting principles generally accepted in the United States of America or policies;
- acts of war or terrorism, including, but not limited to, the events taking place in the middle east, the current military actions in Iraq and the continuing war on terrorism, as well as actions taken or to be taken by the United States or other governments as a result of further acts or threats of terrorism, and the impact of these acts on economic, financial and social conditions in the countries where we operate; and
- the timing and occurrence (or non-occurrence) of transactions and events which may be subject to circumstances beyond our control.

Where, in any forward-looking statement, we or our management expresses an expectation or belief as to future results, we express that expectation or belief in good faith and believe it has a reasonable basis, but we can give no assurance that the statement of expectation or belief will result or be achieved or accomplished.

You should be aware that any forward-looking statement made by us in this prospectus, or elsewhere, speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this prospectus after the date of this prospectus. In light of these risks and uncertainties, you should keep in mind that any scenarios or results contained in any forward-looking statement made in this prospectus or elsewhere might not occur.

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Use of Proceeds

We estimate the net proceeds to us of this offering will be approximately $142 million, assuming a public offering price of $12.60 per share and after payment of estimated underwriting discounts and commissions and estimated expenses of this offering. If the underwriters overallotment option is exercised in full, we anticipate that the net proceeds to us will be approximately $164 million, in the aggregate.

This offering is designed to reduce our leverage and interest expense by allowing us to purchase and retire a portion of our outstanding $500 million principal amount of 11 5/8 percent senior subordinated notes due 2009. As previously disclosed, in connection with these transactions, we are considering a concurrent private placement of approximately $420 million of new senior subordinated notes that would close at or near the same time as this offering and would enable us to further reduce our interest expense by fully refinancing our outstanding senior subordinated notes. We may proceed with this private placement if we determine that the pricing and other terms available to us are attractive in light of our intended use of the related proceeds. Given recent bond market conditions, we cannot assure you that we will go forward with this private placement. We intend to proceed with this offering and the purchase of a portion of our outstanding senior subordinated notes with the related proceeds, regardless of whether we also complete this private placement. In connection with these transactions, on April 30, 2004 we commenced an offer to purchase our outstanding senior subordinated notes for cash. See Description of Indebtedness and Other Obligations and Unaudited Pro Forma Consolidated Financial Statements.

If there are any excess net proceeds from this offering, including because the underwriters exercise their over-allotment option and the timing does not permit us to apply those proceeds at the closing of the offer to purchase, we will use them to repay or otherwise repurchase or refinance any of our outstanding senior subordinated notes that remain outstanding. For example, these notes are redeemable beginning in October 2004 at a price of 105.813 percent of par, plus accrued and unpaid interest to the date of redemption. The amendment to our senior credit facility permits us to engage in such a redemption or otherwise refinance any of these notes that remain outstanding upon completion of the offer to purchase, at any time on or prior to December 31, 2004, without the requirement of a substantially concurrent refinancing transaction. We believe such a transaction would also be permitted by the terms of our other senior debt.

If we complete the possible private placement in addition to this offering, and there are any excess net proceeds after the refinancing of all of our outstanding senior subordinated notes, we will use them to repay, repurchase or otherwise refinance some of our outstanding senior debt as permitted by our senior credit facility and, to the extent permitted by our senior lenders, for other general corporate purposes. See Description of Indebtedness and Other Obligations Refinancing Transactions.

Our outstanding senior subordinated notes bear interest at the rate of 11 5/8 percent per year and mature in October 2009. For a description of the interest rates and maturities of our senior debt, see Description of Indebtedness and Other Obligations.

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Price Range of Common Stock

Our common stock is traded on the New York Stock Exchange under the symbol TEN . The following table sets forth, for the periods indicated, the quarterly high and low sales prices per share of our common stock as reported on the New York Stock Exchange.

	High	Low
Fiscal year ended December 31, 2002		
First Quarter	$ 4.10	$ 1.90
Second Quarter	6.75	3.82
Third Quarter	8.32	3.50
Fourth Quarter	5.97	3.28
Fiscal year ended December 31, 2003		
First Quarter	$ 4.32	$ 2.01
Second Quarter	4.65	2.25
Third Quarter	7.45	3.61
Fourth Quarter	7.32	4.66
Fiscal year ending December 31, 2004		
First Quarter	$14.88	$ 6.73
Second Quarter (through May 12, 2004)	15.34	12.01

On May 12, 2004, the last reported sale price of our common stock on the New York Stock Exchange was $12.60 per share. As of May 11, 2004, there were approximately 48,010 holders of record of our common stock.

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Dividend Policy

The declaration of dividends on our common stock is at the discretion of our Board of Directors. Our Board has not adopted a dividend policy as such; subject to legal and contractual restrictions, its decisions regarding dividends are based on all considerations that in its business judgment are relevant at the time. These considerations may include past and projected earnings, cash flows, economic, business and securities market conditions and anticipated developments concerning our business and operations.

We are highly leveraged and restricted with respect to the payment of dividends under the terms of our financing arrangements. On January 10, 2001, we announced that our Board of Directors eliminated the regular quarterly dividend on the Company s common stock. Our Board took this action in response to then-current industry conditions, primarily greater than anticipated production volume reductions by original equipment manufacturers in North America and continued softness in the global aftermarket. We have not paid dividends on our common stock since the fourth quarter of 2000. There are no current plans to reinstate a dividend on our common stock, as our Board of Directors intends to retain any earnings for use in our business for the foreseeable future. For additional information concerning our payment of dividends, see Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2003, which is incorporated herein by reference.

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Capitalization

The following table sets forth our unaudited historical capitalization as of March 31, 2004:

on an actual basis;

on an as adjusted basis to give effect to the sale of the 11,904,761 shares of common stock offered by us, assuming a public offering price of $12.60 per share, and after deducting the estimated underwriting discounts and commissions and our estimated offering expenses, and to the use of the proceeds to purchase approximately $130 million aggregate principal amount of our outstanding senior subordinated notes; and

on an as adjusted basis to give effect to this offering and the use of proceeds therefrom, as well as the possible private placement of $420 million principal amount of new senior subordinated notes and the use of proceeds from that transaction to purchase approximately $370 million aggregate principal amount of our outstanding senior subordinated notes. As described elsewhere herein, we may undertake this private placement if we determine that the pricing and other terms available to us are attractive in light of our intended use of the related proceeds. Given recent bond market conditions, we cannot assure you that we will go forward with this private placement. This offering is not conditioned on the consummation of the possible private placement. See Prospectus Summary The Transactions, Use of Proceeds, Description of Indebtedness and Other Obligations and Unaudited Pro Forma Consolidated Financial Statements.

	March 31, 2004		
	Actual	**As Adjusted for this Offering**	**As Adjusted for this Offering and Possible Debt Issuance**
	(dollars in millions, except per share amounts)		
Cash	$ 149	$ 149	$ 153
Total debt(1):			
Credit facilities			
Revolving credit facility(2)	$	$	$
Tranche B letter of credit/revolving loan facility(3)			
Term loan B	399	399	399
10 1/4% senior secured notes due 2013(4)	491	491	491
11 5/8% senior subordinated notes due 2009	500	370	
New senior subordinated notes offered in a private placement			420
Obligations under capital leases and other	36	36	36
Total debt	1,426	1,296	1,346
Minority interest	21	21	21
Shareholders equity			
Preferred Stock, par value $0.01 per share (50,000,000 shares authorized; no shares issued or outstanding)			
Common stock, par value $0.01 per share (135,000,000 shares authorized; 41,869,594 shares issued and outstanding actual; 53,774,355 shares issued and outstanding as adjusted)			
Premium on common stock and other capital surplus	2,754	2,896	2,896
Accumulated other comprehensive loss	(247)	(247)	(247)
Retained earnings (accumulated deficit)	(2,214)	(2,221)(5)	(2,243)(6)

	293	428	406
Less Shares held as treasury common stock, at cost	240	240	240
	53	188	166
Total capitalization	$ 1,500	$ 1,505	$ 1,533

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(1) Total debt includes actual short-term debt of $18 million. Total debt does not include assets sold under accounts receivable securitization arrangements. As of March 31, 2004, we had sold $54 million of receivables in North America under an accounts receivable securitization facility and $90 million in Europe under uncommitted arrangements. See Description of Indebtedness and Other Obligations Receivables Financing.

(2) The revolving credit facility includes commitments of $220 million. At March 31, 2004, there were no borrowings outstanding under the revolving credit facility, and we had additional available borrowing capacity of $220 million, subject to certain conditions.

(3) Our senior credit facility includes a seven-year $180 million tranche B letter of credit/revolving loan facility. At March 31, 2004, we had used $63 million for letters of credit and we had additional borrowing capacity of $117 million, subject to certain conditions. Under current accounting rules, the $180 million tranche B letter of credit/ revolving loan facility will be reflected as debt on our balance sheet only if we have outstanding thereunder revolving loans or payments by the facility in respect of letters of credit.

(4) Includes a premium of $16 million, as the additional $125 million of senior secured notes were issued at 113 percent of principal amount. In April 2004, we entered into three separate fixed-to-floating interest rate swaps with two separate financial institutions with respect to a portion of these notes. These agreements swapped $150 million aggregate principal amount of fixed interest rate debt at a per annum rate of 10 1/4 percent to floating interest rate debt at a per annum rate of LIBOR plus a spread of 5.68 percent. Each of these agreements requires semi-annual settlements through July 15, 2013. See Description of Indebtedness and Other Obligations.

(5) In addition to the adjustments shown above, we will be required to expense approximately $2 million pre-tax, or $1 million after tax, of debt issue costs previously deferred related to the purchase and early retirement of a portion of the outstanding senior subordinated notes.

(6) In addition to the adjustments shown above, we will be required to expense approximately $7 million pre-tax, or $4 million after tax, of debt issue costs previously deferred related to the purchase and early retirement of the balance of our outstanding senior subordinated notes.

You should read the above table in conjunction with our consolidated financial statements and the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2003 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2004, which are incorporated herein by reference. You should also read the above table in conjunction with Unaudited Pro Forma Consolidated Financial Statements, which are included in this prospectus.

The number of actual and as adjusted shares of our common stock in the table above excludes:

- 6,691,953 shares of our common stock issuable upon the exercise of stock options outstanding as of March 31, 2004 issued under our equity incentive plans at a weighted average exercise price of $6.72 per share;
- an additional 1,597,103 shares of common stock available for future issuance under our equity incentive plans as of March 31, 2004; and
- up to 1,785,714 additional shares of common stock that we have agreed to sell if the underwriters exercise in full their overallotment option.

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Selected Historical Consolidated Financial Data

The following selected historical consolidated financial data as of and for the years ended December 31, 2002 and 2003, were derived from the audited financial statements of Tenneco Automotive Inc. and its consolidated subsidiaries which have been audited by Deloitte & Touche LLP, independent auditors. See Experts. The following summary historical consolidated financial data as of and for the years ended December 31, 1999, 2000 and 2001 were derived from the audited financial statements of Tenneco Automotive Inc. and its consolidated subsidiaries which have been audited by Arthur Andersen LLP, independent auditors. See Risk Factors Risks Relating to Our Prior Auditors. The following selected historical consolidated selected financial data as of and for the three month periods ended March 31, 2003 and 2004 were derived from the unaudited financial statements of Tenneco Automotive Inc. and its consolidated subsidiaries. In our opinion, the selected historical consolidated financial data of Tenneco Automotive Inc. as of and for the three months ended March 31, 2003 and 2004 include all adjusting entries, consisting only of normal recurring adjustments, necessary to present fairly the information set forth therein. You should not regard the results of operations for the three months ended March 31, 2004 as indicative of the results that may be expected for the full year. You should read all of this information in conjunction with the Financial Statements of Tenneco Automotive Inc. and Consolidated Subsidiaries for the year ended December 31, 2003 and for the three months ended March 31, 2004, contained in our Annual Report on Form 10-K for the year ended December 31, 2003 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2004, respectively. These documents are incorporated by reference in this prospectus.

Our consolidated financial statements for the year ended December 31, 2001 and for earlier years were audited by Arthur Andersen LLP. Because Arthur Andersen LLP has ceased accounting and auditing operations, we are unable to obtain written consent of Arthur Andersen LLP to incorporate their report in this prospectus. Because Arthur Andersen LLP has not consented to incorporating their report in this prospectus, investors will not be able to recover against Arthur Andersen LLP in connection with our use of this report. In addition, the ability of Arthur Andersen LLP to satisfy any claims (including claims arising from its provision of auditing and other services to us) is limited as a result of the diminished amount of assets of Arthur Andersen LLP that are now or may in the future be available to satisfy claims. See Risk Factors Risks Relating to Our Prior Auditors.

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	Years Ended December 31,					Three Months Ended March 31,	
	1999(1)	2000(1)	2001(1)	2002(1)	2003(1)	2003	2004
	(dollars in millions, except share and per share amounts)						
Statements of income data(2):							
Net sales and operating revenues from continuing operations	$ 3,260	$ 3,528	$ 3,364	$ 3,459	$ 3,766	$ 921	$ 1,034
Income from continuing operations before interest expense, income taxes, and minority interest							
North America	166	68	52	129	131	28	30
Europe	44	40	23	18	14	(1)	(3)
Other	(62)	12	17	22	31	4	6
Total	148	120	92	169	176	31	33
Interest expense (net of interest capitalized)(2)(4)	134	188	170	141	149	31	35
Income tax expense (benefit)(4)	72	(28)	51	(7)	(6)	(2)	(1)
Minority interest	23	2	1	4	6	1	1
Income (loss) from continuing operations	(81)	(42)	(130)	31	27	1	(2)
Income (loss) from discontinued operations, net of income tax(3)	(208)						
Cumulative effect of changes in accounting principles, net of income tax(5)	(134)			(218)			
Net income (loss)	$ (423)	$ (42)	$ (130)	$ (187)	$ 27	$ 1	$ (2)
Average number of shares of common stock outstanding							
Basic	33,480,686	34,735,766	37,779,837	39,795,481	40,426,136	40,084,584	40,861,204
Diluted	33,656,063	34,906,825	38,001,248	41,667,815	41,767,959	40,907,138	43,539,508
Earnings (loss) per average share of common stock							
Basic:							
Continuing operations	$ (2.42)	$ (1.20)	$ (3.43)	$ 0.78	0.67	$ 0.02	$ (0.05)
Discontinued operations(3)	(6.23)						
Cumulative effect of changes in accounting principles(5)	(3.99)			(5.48)			
	$ (12.64)	$ (1.20)	$ (3.43)	$ (4.70)	$ 0.67	$ 0.02	$ (0.05)
Diluted:							
Continuing operations	$ (2.42)	$ (1.20)	$ (3.43)	$ 0.74	$ 0.65	$ 0.02	$ (0.05)
Discontinued operations(3)	(6.23)						
Cumulative effect of changes in accounting principles(5)	(3.99)			(5.48)			
	$ (12.64)	$ (1.20)	$ (3.43)	$ (4.74)	$ 0.65	$ 0.02	$ (0.05)
Cash dividends per common share	$ 4.50	$ 0.20	$	$	$	$	$
Balance sheet data:							
Total assets	$ 2,943	$ 2,886	$ 2,681	$ 2,504	$ 2,795	$ 2,582	$ 2,912

Short-term debt(2)	56	92	191	228	20	250	18
Long-term debt(2)	1,578	1,435	1,324	1,217	1,410	1,193	1,408
Minority interest	16	14	15	19	23	18	21
Shareholders equity (deficit)	422	330	74	(94)	58	(66)	53
Statement of cash flows data:							
Net cash provided (used) by operating activities	$ (254)	$ 234	$ 141	$ 188	$ 281	36	13
Net cash (used) by investing activities	(1,188)	(157)	(126)	(107)	(127)	(26)	(15)
Net cash provided (used) by financing activities	1,495	(123)	3	(73)	(49)	(3)	
Cash flow(6)	169	281	209	253	315	41	38
Capital expenditures from continuing operations	154	146	127	138	130	26	25
Other financial data:							
EBITDA(7)	$ 292	$ 271	$ 245	$ 313	$ 339	$ 70	$ 78
Ratio of earnings to fixed charges(8)	0.88	0.63	0.56	1.17	1.16	1.03	0.95
Working capital as a percent of sales(9)(10)	15.6%	10.1%	6.0%	3.6%	2.3%	NM	NM

NOTE: Our financial statements for the five years ended December 31, 2003, which are discussed in the following notes, are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and our financial statements for the three months ended March 31, 2003 and 2004 are included in our Quarterly Report on Form 10-Q for the three months ended March 31, 2004, incorporated by reference herein.

(1) For a discussion of the significant items affecting comparability of the financial information for the three months ended March 31, 2003 and 2004, and for the years ended December 31, 2001, 2002 and

2003, see, Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Quarterly Report on Form 10-Q for the three months ended March 31, 2004 and our Annual Report on Form 10-K for the year ended December 31, 2003, which are incorporated by reference herein. In accordance with Emerging Issues Task Force Issue No. 00-14, we have reduced revenues for 1999 and 2000 by $19 million, and $21 million, respectively, to reflect the reclassification of certain sales incentives that were previously shown in selling, general and administrative expense.

(2) In 1999, we contributed the assets of our former paperboard packaging operations to a new joint venture and spun off our former specialty packaging operations (including the interest in the containerboard joint venture) to our stockholders. Debt amounts through November 4, 1999 are net of allocations of corporate debt to the net assets of our discontinued specialty packaging and paperboard packaging segments. Interest expense through November 4, 1999 is net of interest expense allocated to income from discontinued operations. These allocations of debt and related interest expense were based on the ratio of our investment in the specialty packaging and paperboard packaging segments respective net assets to our consolidated net assets plus debt.

(3) Discontinued operations reflected in the above periods consist of our (a) specialty packaging segment, which was discontinued in August 1999, and (b) paperboard packaging segment, which was discontinued in June 1999.

(4) In accordance with Statement of Financial Accounting Standards (SFAS) No. 145, the losses on the prepayments of debt in 1999 and 2000 of $28 million and $2 million, respectively, were reclassified to interest expense.

(5) In 1999, we implemented the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-up Activities. In addition, effective January 1, 1999, we changed our method of accounting for customer acquisition costs from a deferred method to an expense-as-incurred method. In 2002, we adopted SFAS No. 142 which changes the accounting for purchased goodwill from an amortization method to an impairment only approach. You should also read the notes to our consolidated financial statements, appearing in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2003, which is incorporated by reference herein for additional information.

(6) The amounts included in the cash flow calculation are the sum of cash provided before financing activities, cash paid during the year for interest and cash paid during the year for taxes as shown in the historical statements of cash flow. We have reported cash flow because we regularly review cash flow as a measure of cash generated by our business to meet our debt and tax obligations. In addition, we believe our debt holders and others analyze our cash flow for similar purposes. We also believe that cash flow assists investors in understanding our ability to meet our obligations. Cash flow is derived from the statements of cash flows as follows:

	Years Ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
	(dollars in millions)						
Net cash provided (used) before financing activities from continuing operations	$(228)	$ 77	$ 15	$ 81	$154	$ 10	$ (2)
Cash paid during the year for interest	260	186	177	145	115	20	37
Cash paid during the year for taxes	137	18	17	27	46	11	3
Cash Flow	$ 169	$281	$209	$253	$315	$ 41	$38

(7) EBITDA represents net income before extraordinary item, cumulative effect of change 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 operating performance, or as an alternative to

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operating cash flows as a measure of liquidity. We have reported EBITDA because we regularly review EBITDA as a measure of our company s performance. In addition, we believe our debt holders utilize and analyze our EBITDA for similar purposes. We also 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. EBITDA is derived from the statements of income as follows:

	Years Ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
	(dollars in millions)						
Net income (loss)	$(423)	$ (42)	$(130)	$(187)	$ 27	$ 1	$ (2)
Cumulative effect of change in accounting principles, net of income tax	134			218			
Loss (income) from discontinued operations, net of income tax	208						
Minority interest	23	2	1	4	6	1	1
Income tax expense (benefit)	72	(28)	51	(7)	(6)	(2)	(1)
Interest expense (net of interest capitalized)	134	188	170	141	149	31	35
Depreciation and amortization	144	151	153	144	163	39	45