

F-M Motorparts Limited (formerly known as F-M International Limited)

Company Number 1073619

Directors' Report for the Year Ended 31st December 2014

The directors present their report and financial statements for the year ended 31 December 2014

Principal activities, review of the business and future developments

The principal activity of the Company is that of an investment holding company and it is not envisaged that this will change in the foreseeable future

Results for the year can be found on page 6. The Company made a loss after tax of £5,152,332 (2013: profit £709,067) which included an impairment charge of £6,068,218 (2013: £nil) which reduced the carrying value of the Company's investments

The directors do not recommend payment of a dividend. (2013: £202,617,223)

In preparing this report, the directors have taken advantage of the small companies exemption provided by s 415A of the Companies Act 2006

Change of company name

On 2 October 2014 the Company changed its name from F-M International Limited to F-M Motorparts Limited

Treasury Policies

Financial Instruments

The Company's financial instruments comprise of balances with group undertakings and cash at bank. These financial instruments are used to fund the Company's operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

Foreign Currency Risk

The Company's transactions are in sterling. As a member of a multi-national group, the Company does not hedge currency exposure, and, any gains and losses are reflected in the profit and loss account as they arise.

Interest Rate Risk

The interest rates applying to loans with fellow group undertakings are linked to a bank rate and so are floating. As this interest is with fellow group undertakings and therefore there is no interest rate risk at group level, the Company does not hedge this interest rate exposure.



F-M Motorparts Limited

Company Number 1073619

Directors' Report for the Year Ended 31st December 2014 (continued)

Directors

The following served as Directors during (and, unless otherwise indicated, throughout) the year:-

E J. Milner
B Pynnonen

Disclosure of information to auditors

In accordance with s.418(2) of the Companies Act 2006, each of the directors:

- is not aware of any relevant audit information of which the Company's auditors are unaware, and
- has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board



E J Milner
Director

Date. 7 May 2015

F-M MOTORPARTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF F-M MOTORPARTS LIMITED

We have audited the financial statements of F-M Motorparts Limited for the year ended 31 December 2014 which comprise the Profit & Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF F-M
MOTORPARTS LIMITED (CONTINUED)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Directors' Report

Grant Thornton UK LLP

Stuart Muskett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

8 May 2015

F-M MOTORPARTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2014

	Notes	2014 £	2013 £
Foreign currency loss		(956)	(3,686)
Operating loss excluding exceptional items		(956)	(3,686)
Exceptional item – provision against investments	2	(6,068,218)	-
Operating charges		<u>(6,069,174)</u>	<u>(3,686)</u>
Operating loss		(6,069,174)	(3,686)
Income from shares in associated undertakings		277,156	271,179
Net interest receivable	3	631,603	506,586
(Loss)/profit on ordinary activities before taxation		<u>(5,160,415)</u>	<u>774,079</u>
Tax on (loss)/profit on ordinary activities	5	8,083	(65,012)
Retained (loss)/profit on ordinary activities after taxation	10	<u>(5,152,332)</u>	<u>709,067</u>

A reconciliation of movements in shareholders' funds is given in note 10 of the financial statements

All results have been derived from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the loss for the year ended 31 December 2014 and the profit for the year ended 31 December 2013

There is no difference between the result disclosed above and the result on an unmodified historical cost basis

F-M MOTORPARTS LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2014

	Notes	2014 £	2013 £
<u>Fixed Assets</u>			
Investments	6	8,761,447	16,172,665
<u>Current Assets</u>			
<u>Debtors</u> amounts falling due within one year	7	3,609,003	3,516,929
Cash at bank		22,227,408	20,082,601
		25,836,411	23,599,530
<u>Creditors</u> amounts falling due within one year	8	29,442	51,447
Net current assets		25,806,969	23,548,083
Net assets		34,568,416	39,720,748
<u>Capital and Reserves</u>			
Called up share capital	9	110	110
Share premium account	10	9,577,260	9,577,260
Profit & loss account	10	24,991,046	30,143,378
Shareholders' funds – equity		34,568,416	39,720,748

The financial statements on pages 6 to 13 were approved by the Board on 7 May 2015 and were signed on its behalf by -



E J Milner
Director

F-M MOTORPARTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS

1 ACCOUNTING POLICIES

The principal accounting policies of the Company remain unchanged from previous years and are set out below

(a) Basis of accounting

The financial statements have been prepared in accordance with applicable UK Accounting Standards and under the historical cost convention

(b) Foreign currency translation

Transactions in foreign currency are recorded at the rate ruling at the date of transaction. Any monetary assets or liabilities denominated in foreign currency are retranslated at the year end rate

Exchange differences arising in the ordinary course of business are included in profit on ordinary activities before taxation

(c) Investments

Investments are held at cost less provision for impairment

(d) Deferred taxation

The taxation charge is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax with the following exceptions

- Provision is made for gains on disposals of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets,
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

F-M MOTORPARTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(e) Consolidation and related party disclosures

The Company's ultimate parent undertaking is Icahn Enterprises L.P., a company listed on the New York Stock Exchange. The Company is included in the consolidated financial statements of Icahn Enterprises L.P., which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Icahn Enterprises Group or investees of the Icahn Enterprises Group.

The Company and all of its subsidiary undertakings are included in consolidated accounts for a larger group, Federal-Mogul Holdings Corporation, drawn up to the same date in the same financial year and those accounts are drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC) or in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up. Accordingly the Company, in accordance with the exemption in s 401 of the Companies Act, has not prepared consolidated financial statements. The financial statements therefore contain information about F-M Motorparts Limited as an individual company and not as a group.

2 OPERATING LOSS

(a) Exceptional item – provision against investments

Following an impairment review of the Company's investments, it was decided that a provision was required and £6,068,218 (2013 £nil) was charged in the profit and loss account to reduce the carrying value accordingly.

- (b) The audit fees of £4,000 (2013 £3,850) were borne by a fellow group company during the year. There were audit fees and fees for other services payable to the Company's auditor and its associates during the year in respect of the Company's subsidiary undertakings amounting to £11,977 (2013 £13,718).

3 NET INTEREST RECEIVABLE

	2014	2013
	£	£
Interest receivable from group companies	74,981	77,713
Interest receivable on bank accounts	556,622	428,873
Net interest receivable	<u>631,603</u>	<u>506,586</u>

4 DIRECTORS AND EMPLOYEES

None of the directors of the Company received any emoluments in respect of their services as a director of the Company (2013 £Nil).

There are no employees of the Company (2013 Nil).

F-M MOTORPARTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

5

TAXATION

(a) Analysis of charge in the period

	2014 £	2013 £
Current tax		
<u>UK Corporation tax</u>		
UK corporation tax @ 21.5% (2013 – 23.25%) on profits of the period	331	368,081
Advanced corporation tax	134,617	(316,628)
Adjustments in respect of previous periods	<u>(156,953)</u>	<u>-</u>
	(22,005)	51,453
<u>Foreign tax</u>		
Current year	<u>13,922</u>	<u>13,559</u>
Total current tax (note 5(b))	<u>(8,083)</u>	<u>65,012</u>

(b) Factors affecting tax charge for period

The tax assessed on the loss (2013: profit) on ordinary activities for the year is higher than (2013 lower than) the standard rate of corporation tax in the UK of 21.5% (2013 23.25%). The differences are explained below

	2014 £	2013 £
(Loss)/profit on ordinary activities before taxation	<u>(5,160,415)</u>	<u>774,079</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013 23.25%)	(1,109,489)	179,973
Effect of		
UK UK transfer pricing adjustment	(7)	286,032
Advanced corporation tax utilised	134,617	(316,628)
Non-taxable income	(59,589)	(63,049)
Group relief surrendered for nil payment	(135,582)	(34,875)
Adjustment in respect of previous periods	(156,953)	-
Withholding tax	13,922	13,559
Non-deductible expenses	331	-
Impairment of investments treated as non-deductible	<u>1,304,667</u>	<u>-</u>
Current tax (credit)/charge for period (note 5(a))	<u>(8,083)</u>	<u>65,012</u>

F-M MOTORPARTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

5

TAXATION (continued)

(c) Factors that may affect future tax charges

The Company has unrestricted capital losses available to carry forward of £1,591,304 (2013 £1,591,304). The Company has unrecognised ACT carried forward of £5,557,702 (2013 £5,422,457), the future recoverability of which is uncertain.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, associates and joint ventures.

No deferred tax has been provided for tax that may become payable if re-valued assets were disposed of at their re-valued amounts.

The Finance Act 2013 included changes which affect future tax charges. The rate of corporation tax was reduced to 21% from 1 April 2014 and will reduce to 20% from 1 April 2015. The rate changes will impact the amount of future cash tax payments made by the Company.

6

FIXED ASSET INVESTMENTS

	Subsidiary Undertakings Equity £	Associated Undertakings Equity £	Total £
<u>Cost</u>			
At 1 January 2014	11,552,624	5,117,041	16,669,665
Disposal in year	(1,840,000)	-	(1,840,000)
At 31 December 2014	9,712,624	5,117,041	14,829,665
<u>Provisions</u>			
At 1 January 2014	(497,000)	-	(497,000)
Released on disposal	497,000	-	497,000
Charge for the year	(6,068,218)	-	(6,068,218)
At 31 December 2014	(6,068,218)	-	(6,068,218)
<u>Net book value</u>			
At 31 December 2014	3,644,406	5,117,041	8,761,447
At 31 December 2013	11,055,624	5,117,041	16,172,665

There were no listed investments in Subsidiary Undertakings held by the Company.

The Associated Undertaking is a listed investment. The market value of the Company's investment at 31 December 2014 is £8.8m (2013 £9.5m).

F-M MOTORPARTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

6 FIXED ASSET INVESTMENTS (continued)

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are disclosed below

Name of Company	Country of incorporation if outside Great Britain	Holding	Proportion of voting rights and shares held %	For the year ending (*)	Aggregate amount of capital and reserves at the end of its most recent financial year £	Profit or (loss) for the year £	Nature of Business
Federal-Mogul Friction Products SA	Spain	Subscribed Shares	100	31 12 2013	6,362,876	91,800	Friction products
K-B Autosys Co Limited	South Korea	Common stock	33.61	31 12 2013	39,254,545	3,664,344	Friction products

(*) Financial information taken from the latest audited financial statements

The principal subsidiaries and associated undertakings are set out in note 11. In accordance with FRS11, the directors have compared the carrying value of investments to their value in use to the Company and recorded an impairment charge for any individual investments that they considered impaired

The value in use has been derived from discounted cash flow projections using nominal discount rates consistent with each applicable global industry sector, ranging from 11.5% to 12.5% (2013 11% to 12.5%) on a pre-tax basis. A long-term growth rate of 2.5% has been assumed

7	<u>DEBTORS</u> Amounts falling due within one year	2014 £	2013 £
	Amounts owed by fellow subsidiary undertakings	<u>3,609,003</u>	<u>3,516,929</u>
8	<u>CREDITORS</u> Amounts falling due within one year	2014 £	2013 £
	Amounts owed to fellow subsidiary undertakings	29,442	-
	UK Taxation	-	51,447
		<u>29,442</u>	<u>51,447</u>
9	<u>SHARE CAPITAL</u>	2014 £	2013 £
	Authorised		
	150 ordinary shares of £1 each	150	150
		<u>=====</u>	<u>=====</u>
	Issued and fully paid		
	110 ordinary shares of £1 each	110	110
		<u>=====</u>	<u>=====</u>

F-M MOTORPARTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital	Share Premium Account	Profit and loss Account	Total
	£	£	£	£
At 1 January 2013	110	9,577,260	232,051,534	241,628,904
Profit for the year 2013	-	-	709,067	709,067
Interim Dividends Paid	-	-	(202,617,223)	(202,617,223)
At 31 December 2013	110	9,577,260	30,143,378	39,720,748
Loss for the year 2014	-	-	(5,152,332)	(5,152,332)
At 31 December 2014	110	9,577,260	24,991,046	34,568,416

11 GROUP COMPANIES

The following information is given regarding the Company's principal subsidiaries as at 31st December 2014. The companies are incorporated in the countries indicated. The share capital of these companies is wholly-owned by F-M Motorparts Limited directly and consists of ordinary shares or stock.

	<u>Country of incorporation</u>	<u>Principal products or activity</u>
Federal-Mogul Friction Products SA	Spain	Friction products

12 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS8, para 3c, not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

K-B Autosys Co Limited does not qualify as a related company as the Company has no directors on its board and has no influence over its operating and financial policies.

There are no other related party transactions.

13 ULTIMATE PARENT COMPANY

The Company's parent company is FDML Holdings Ltd which is registered in England and Wales. Its ultimate parent company and controlling party is Icahn Enterprises L P which is registered in the USA. Copies of the Icahn Enterprises L P Annual Report and Accounts can be obtained from Icahn Enterprises L P, 767 Fifth Avenue, 47th Floor, New York, NY 10153, USA.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D C 20549

FORM 10-K

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 1073619

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

Commission File Number 001-34029

FEDERAL-MOGUL HOLDINGS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

27300 West 11 Mile Road, Southfield, Michigan

(Address of principal executive offices)

46-5182047

(IRS Employer ID No.)

48034

(Zip code)

Registrant's telephone number including area code (248) 354-7700

Securities registered pursuant to Section 12(b) of the Act

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock par value \$0.01 per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act

Title of Class

Warrants to purchase Common Stock, par value \$0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of 'large accelerated filer', 'accelerated filer' and 'smaller reporting company' in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the Registrant was approximately \$585 million as of June 30, 2014 based on the reported last sale price as reported on the NASDAQ Global Select Market on that date.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court: Yes ☒ No ☐

The Registrant had 150,029,244 shares of common stock outstanding as of February 19, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report.

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FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated in this Annual Report on Form 10-K which are not statements of historical fact constitute "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act")

Forward-looking statements give current expectations or forecasts of future events. Words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "seek" and other words and terms of similar meaning in connection with discussions of future operating or financial performance signify forward-looking statements. Federal-Mogul Corporation (the "Company") also, from time to time, may provide oral or written forward-looking statements in other materials released to the public. Such statements are made in good faith by the Company pursuant to the "Safe Harbor" provisions of the Reform Act.

Any or all forward-looking statements included in this report or in any other public statements may ultimately be incorrect. Forward-looking statements may involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance, experience or achievements of the Company to differ materially from any future results, performance, experience or achievements expressed or implied by such forward-looking statements. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

Listed below are some of the factors that could potentially cause actual results to differ materially from historical and expected future results. Other factors besides these listed here could also materially affect the Company's business.

- The Company's ability to separate its Powertrain and Motorparts divisions into two independent, publicly traded companies may not be completed on the terms or timeline currently contemplated, if at all.
- Variations in current and anticipated future production volumes, financial condition, or operational circumstances of the Company's significant customers, particularly the world's original equipment manufacturers of commercial and passenger vehicles.
- The Company's ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions or price reductions to obtain new business.
- The Company's ability to obtain cash adequate to fund its needs, including availability of borrowings under its various credit facilities.
- Fluctuations in the price and availability of raw materials and other supplies used in the manufacturing and distribution of the Company's products.
- Material shortages, transportation system delays, or other difficulties in markets where the Company purchases supplies for the manufacturing of its products.
- Significant work stoppages, disputes, or any other difficulties in labor markets where the Company obtains materials necessary for the manufacturing of its products or where its products are manufactured, distributed or sold.
- The Company's ability to increase its development of fuel cell, hybrid-electric or other alternative energy technologies.
- Changes in actuarial assumptions, interest costs and discount rates, and fluctuations in the global securities markets which directly impact the valuation of assets and liabilities associated with the Company's pension and other postemployment benefit plans.
- Various worldwide economic, political and social factors, changes in economic conditions, currency fluctuations and devaluations, credit risks in emerging markets or political instability in foreign countries where the Company has significant manufacturing operations, customers or suppliers.
- Legal actions and claims of undetermined merit and amount involving, among other things, product liability, patent infringement, warranty, recalls of products manufactured or sold by the Company, and environmental and safety issues involving the Company's products or facilities.
- Legislative activities of governments, agencies, and similar organizations, both in the United States and in other countries that may affect the operations of the Company.
- Physical damage to, or loss of, significant manufacturing or distribution property, plant and equipment due to fire, weather or other factors beyond the Company's control.
- Possible terrorist attacks or acts of aggression or war, that could exacerbate other risks such as slowed vehicle production or the availability of supplies for the manufacturing of the Company's products.
- The Company's ability to effectively transition its information system infrastructure and functions to newer generation systems.

PART I

ITEM 1 BUSINESS

The Company

On April 15, 2014, Federal-Mogul Corporation completed a holding company reorganization (the "Reorganization"). As a result of the Reorganization, the outstanding shares of Federal-Mogul Corporation common stock were automatically converted on a one-for-one basis into shares of Federal-Mogul Holdings Corporation common stock, and all of the stockholders of Federal-Mogul Corporation immediately prior to the Reorganization automatically became stockholders of Federal-Mogul Holdings Corporation. The rights of stockholders of Federal-Mogul Holdings Corporation are generally governed by Delaware law and Federal-Mogul Holdings Corporation's certificate of incorporation and bylaws, which are the same in all material respects as those of Federal-Mogul Corporation immediately prior to the Reorganization. In addition, the board of directors of Federal-Mogul Holdings Corporation and its Audit Committee and Compensation Committee are composed of the same members as the board of directors, Audit Committee and Compensation Committee of Federal-Mogul Corporation prior to the Reorganization.

References herein to the "Company," "Federal-Mogul," "we," "us," "our" refer to Federal-Mogul Corporation for the period prior to the effective time of the Reorganization on April 15, 2014 and to Federal-Mogul Holdings Corporation for the period after the effective time of the Reorganization.

On September 3, 2014, the Company announced its plan to separate its Powertrain and Motorparts divisions into two independent, publicly-traded companies serving the global original equipment and aftermarket industries. The planned separation will be implemented through a tax-free distribution of Federal-Mogul's Motorparts division to shareholders of Federal-Mogul Holdings Corporation. Completion of the transaction is subject to customary conditions, including among others, the Company's receipt of an IRS ruling or opinion of counsel to the effect that the distribution will qualify as a transaction that is generally tax-free for U.S. Federal Income tax purposes, as well as effectiveness of a Form 10 Registration Statement to be filed with the SEC. On February 24, 2015, the Company announced that it would defer the previously announced spin-off of its Motorparts division to allow for the integration of its recently completed brake component, chassis and valvetrain acquisitions and to recognize the benefits of the strategic initiatives in the Motorparts division. As a result of the deferral and the recent closing of the acquisition of TRW's valvetrain business, the Company will commence a common stock rights offering to strengthen its balance sheet. The Company's board of directors intends to revisit the timing of the spin-off prior to year-end. Meanwhile the company will continue to operate as two separate, independent divisions. No assurances can be given regarding the ultimate timing of the separation or that it will be consummated.

Business Overview

The Company is a leading global supplier of technology and innovation in vehicle and industrial products for fuel economy, emissions reduction and safety systems. The Company serves the world's foremost original equipment manufacturers ("OEM") and servicers ("OES") (collectively "OE") of automotive, light, medium and heavy-duty commercial vehicles, off-road, agricultural, marine, rail, aerospace, power generation and industrial equipment, as well as the worldwide aftermarket. The Company seeks to participate in both of these markets by leveraging its original equipment product engineering and development capability, manufacturing know-how, and expertise in managing a broad and deep range of replacement parts to service the aftermarket. The Company believes that it is uniquely positioned to effectively manage the life cycle of a broad range of products to a diverse customer base. Federal-Mogul is a leading technology supplier and a market share leader in several product categories. As of December 31, 2014, the Company had current OEM products included on more than 300 global vehicle platforms and more than 700 global powertrains used in light, medium and heavy-duty vehicles. The Company offers premium brands, OE replacement and entry/mid level products for all aftermarket customers. Therefore, the Company can be first to the aftermarket with new products, service expertise and customer support. This broad range of vehicle and powertrain applications reinforces the Company's belief in its unique market position.

The Company operates with two end-customer focused business segments. The Powertrain segment focuses on original equipment products for automotive, heavy duty and industrial applications. The Motorparts segment sells and distributes a broad portfolio of products in the global aftermarket, while also serving original equipment manufacturers with products including braking, chassis, wipers and other vehicle components. This organizational model allows for a strong product line focus benefiting both original equipment and aftermarket customers and enables the global Federal-Mogul teams to be responsive to customers' needs for superior products and to promote greater identification with Federal-Mogul premium brands. Additionally, this organizational model enhances management focus to capitalize on opportunities for organic or acquisition growth, profit improvement, resource utilization and business model optimization in line with the unique requirements of the two different customer bases.

Powertrain offers its customers a diverse array of market-leading products for OE applications, including pistons, piston rings, piston pins, cylinder liners, valve seats and guides, ignition products, dynamic seals, bonded piston seals, combustion and exhaust gaskets, static gaskets and seals, rigid heat shields, engine bearings, industrial bearings, bushings and washers, plus element resistant systems protection sleeving products, acoustic shielding and flexible heat shields. Motorparts offers powertrain products manufactured by Powertrain, distributed through globally-recognized aftermarket brands to the independent aftermarket and also offers brake disc pads, brake linings, brake blocks, brake system components, chassis products, wipers, and other product lines to OE and aftermarket customers.

The Company has manufacturing facilities and/or distribution centers in 26 countries and, accordingly, the Company's reporting segments derive sales from both domestic and international markets. The attendant risks of the Company's international operations are primarily related to currency fluctuations, changes in local economic and political conditions, extraterritorial effects of United States laws such as the Foreign Corrupt Practices Act, and changes in laws and regulations.

The following tables set forth net sales and net property, plant and equipment ("PP&E") by geographic region as a percentage of total net sales and net PP&E, respectively.

	Net Sales			Net PP&E	
	Year Ended December 31			December 31	
	2014	2013	2012	2014	2013
United States	36%	37%	38%	28%	27%
Mexico	5%	5%	5%	7%	7%
Canada	2%	1%	2%	—	—
Total North America	43%	43%	45%	35%	34%
Germany	20%	20%	18%	20%	21%
France	5%	6%	6%	3%	4%
Belgium	4%	5%	4%	1%	1%
Italy	4%	4%	4%	3%	4%
United Kingdom	3%	3%	4%	4%	4%
Other EMEA	8%	6%	6%	13%	13%
Total EMEA	44%	44%	42%	44%	47%
China	6%	5%	4%	11%	8%
India	3%	3%	4%	6%	7%
South America	2%	2%	2%	2%	2%
Other	2%	3%	3%	2%	2%
Total Rest of World	13%	13%	13%	21%	19%
	100%	100%	100%	100%	100%

The following table sets forth net sales by reporting segment as a percentage of total net sales.

Net sales by reporting segment	Year Ended December 31		
	2014	2013	2012
Powertrain	57%	57%	56%
Motorparts	43%	43%	44%
	100%	100%	100%

Strategy

The Company's strategy is designed to create sustainable global profitable growth by leveraging existing and developing new competitive advantages. This strategy consists of the following primary elements:

- Provide value-added products to customers in all markets served through leading technology and innovation,
- Develop products to enable increased fuel economy and reduce vehicle emissions, plus enable the use of alternative energies,
- Utilize the Company's leading technology resources to develop advanced and innovative products, processes and manufacturing capabilities,
- Extend the Company's global reach to support its OE customers, furthering its relationships with leading Asian OEs and strengthening market share with U.S. and European OEs,
- Assess acquisition and investment opportunities that provide product line expansion, technological advancements, geographic positioning, penetration of emerging markets (including the BRIC™ markets of Brazil, Russia, India and China) and market share growth,
- Leverage the strength of the Company's global aftermarket leading brand positions, product portfolio and range, marketing and selling expertise, and distribution and logistics capabilities, and
- Aggressively pursue cost competitiveness in all business segments by continuing to drive productivity in existing operations, consolidating and relocating manufacturing operations to best cost countries, utilizing the Company's strategic alliances, and rationalizing business resources and infrastructure.

The Company's strategy is to develop and deliver leading technology and innovation which results in market share expansion in the OE market and aftermarket. The Company assesses individual opportunities to execute its strategy based upon estimated sales and margin growth, cost reduction potential, internal investment returns, and other criteria, and makes investment decisions on a case-by-case basis. Opportunities meeting or exceeding benchmark return criteria may be undertaken through research and development activities, acquisitions, and other strategic alliances, or restructuring activities as further discussed below.

Research and Development The Company maintains technical centers throughout the world designed to

- provide solutions for customers and bring new, innovative products to market,
- integrate the Company's leading technologies into advanced products and processes,
- provide engineering support for all of the Company's manufacturing sites, and
- provide technological expertise in engineering and design development.

Federal-Mogul's research and development activities are conducted at the Company's research and development locations. Within the United States, these centers are located in Skokie, Illinois, Ann Arbor, Michigan, Plymouth, Michigan, St. Louis, Missouri, Exton, Pennsylvania, and Waupun, Wisconsin. Internationally, the Company's research and development centers are located in Araras, Brazil, Aubange, Belgium, Noyon Cedex, France, Chapel-en-le-Frith, United Kingdom, Coventry, United Kingdom, Burscheid, Germany, Nuremberg, Germany, Wiesbaden, Germany, Bad Camberg, Germany, and Shanghai, China.

Each of the Company's business units is engaged in engineering, research and development efforts working closely with customers to develop custom solutions to meet their needs. Total expenditures for research and development activities, including product engineering and validation costs, were \$192 million, \$173 million and \$173 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Non-Consolidated Affiliates The Company forms certain affiliations, including joint ventures, to gain share in emerging markets, facilitate the exchange of technical information and development of new products, extend current product offerings, provide best cost manufacturing operations, and broaden its customer base. The Company believes that certain of these affiliations have provided, and will continue to provide, opportunities to expand business relationships with Asian and other OEs operating in BRIC growth markets. The Company is currently involved in 29 such affiliations located in 14 different countries throughout the world, including China, India, Korea, Russia, Turkey and the United States. Of these affiliations, the Company maintains a controlling interest in 16 entities and accordingly, the financial results of these entities are included in the Consolidated Financial Statements of the Company. The Company has a non-controlling interest in 13 of its affiliates, of which 8 are accounted for under the equity method and 5 are accounted for under the cost method. The Company does not consolidate any entity for which it has a variable interest based solely on power to direct the activities and significant participation in the entity's expected results that would not otherwise be consolidated based on control through voting interests. Further, the Company's affiliations are businesses established and maintained in connection with its operating strategy.

Net sales for the Company's 16 consolidated affiliates were approximately 5%, 8% and 9% of consolidated net sales for the years ended December 31, 2014, 2013 and 2012, respectively. The Company's investments in non-consolidated affiliates totaled \$269 million and \$253 million as of December 31, 2014 and 2013, respectively, and the equity in earnings of such affiliates amounted to \$48 million, \$34 million and \$34 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Acquisitions. On February 6, 2015, the Company completed the purchase of certain business assets of the TRW engine components business. The business was acquired through a combination of asset and stock purchases for a base purchase price of approximately \$313 million, funded primarily from the available Replacement Revolver Facility, and subject to certain customary closing and post-closing adjustments. The purchase of TRW's engine valve business adds a completely new product line to the Company's portfolio, strengthens the Company's position as a leading developer and supplier of core components for engines, and enhances the Company's ability to support its customers to improve fuel economy and reduce emissions.

The assets acquired and liabilities assumed will be recorded at fair value as of the acquisition date in accordance with FASB ASC Topic 805, *Business Combinations*. The preliminary allocation of the purchase price will occur in the first quarter of 2015. There were no revenues or earnings related to TRW included in the Company's condensed consolidated statement of income.

In July 2014, the Company completed the purchase of certain business assets of the Honeywell brake component business including two recently established manufacturing facilities in China and Romania which substantially strengthens the manufacturing and engineering capabilities of the Company's current global braking portfolio. The business was acquired through a combination of asset and stock purchases for a base purchase price of \$169 million and a provisional estimate of \$15 million subject to certain customary post-closing adjustments, contingent consideration and other liabilities.

In May 2014, the Company completed the purchase of the Affinia chassis business. This business serves leading U.S. aftermarket customers with private label chassis product lines and will allow the Company to broaden its product offering, provide operational synergies and better service customers globally. The purchase price was \$149 million, net of acquired cash.

See Note 5, *Acquisitions*, to the Consolidated Financial Statements, included in Item 8 of this report.

Divestitures. In connection with its strategic planning process, the Company assesses its operations for market position, product technology and capability, and profitability. Those businesses determined by management not to have a sustainable competitive advantage are considered non-core and may be considered for divestiture or other exit activities. During the year ended December 31, 2013, the Company divested its sintered components operations located in France, its connecting rod manufacturing facility located in Canada, its camshaft foundry located in the United Kingdom and its fuel pump business, which included an aftermarket business component and a manufacturing and research and development facility located in the United States. These divestitures have been presented as discontinued operations in the consolidated statements of operations. See Note 6, *Discontinued Operations*, to the Consolidated Financial Statements, included in Item 8 of this report.

Restructuring Activities. The Company's restructuring activities are undertaken as necessary to execute management's strategy and streamline operations, consolidate and take advantage of available capacity and resources, and ultimately achieve net cost reductions. Restructuring activities include efforts to integrate and rationalize the Company's businesses and to relocate manufacturing operations to best cost manufacturing locations.

During the years ended December 31, 2014, 2013 and 2012, the Company recorded \$86 million, \$40 million and \$26 million, respectively, in net restructuring expenses.

The Company's restructuring activities are further discussed in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2, *Restructuring*, to the Consolidated Financial Statements, included in Item 8 of this report.

The Company's Products

The following provides an overview of products manufactured and distributed by the Company's reporting segments.

Powertrain. The Powertrain segment primarily represents the Company's OE business. About 93% of Powertrain's revenue is from OE customers, with the remaining 7% of its revenue being sold directly to the Company's Motorparts segment for eventual distribution, by Motorparts, to customers in the independent aftermarket.

Powertrain operates 66 manufacturing sites in 18 countries, serving a large number of major automotive, heavy-duty marine and industrial customers worldwide. Powertrain derived 34% of its 2014 OE sales in North America, 48% in Europe, the Middle-East and Africa ("EMEA") and 18% in the rest of the world ("Rest of World" or "ROW").

Federal-Mogul is one of the world's leading powertrain component and assembly providers. Comprehensive design capability and an extensive product portfolio enable effective delivery of a broad range of engine and driveline components as well as engineered solutions to improve fuel economy, reduce emissions or enhance vehicle performance and durability. Products in this segment include pistons, piston rings, piston pins, cylinder liners, valve seats and guides, engine bearings, industrial bearings, bushings and washers, ignition products, dynamic seals, bonded piston seals, combustion and exhaust gaskets, static gaskets and seals, rigid heat shields, element resistant systems protection sleeving products, flexible heat shields and lighting products. Powertrain products are used in automotive, motorcycle, light truck, heavy-duty, industrial, commercial equipment (construction, agricultural, power generation, marine and railway), aerospace, and small air-cooled engine applications. The following provides a description of the various products manufactured by Powertrain.

<u>Product</u>	<u>Description</u>
Pistons	The main task of the piston is to compress the air and fuel mixture in advance of ignition. Following combustion, the piston relays the combustion energy into mechanical energy. In this process, substantial pressures are exerted on the piston, imposing high demands on it in terms of rigidity and temperature resistance. Product offerings include Monosteel and DuraBowl pistons, winners of the 2006 and 2010 PACE awards (Premier Automotive Suppliers' Contribution to Excellence Award) respectively.
Piston Rings	The three main tasks of piston rings in internal combustion engines include (1) sealing the combustion chamber, (2) supporting heat transfer from the piston to the cylinder wall, and (3) regulating lubrication and oil consumption. Products include GDC and LKZ Rings, winners of the 2007 and 2011 PACE awards, respectively.
Piston Pins	Piston pins attach the piston to the end of the connecting rod, allowing the piston to pivot in each cycle of the engine and following the revolution of the crankshaft.
Cylinder Liners	Cylinder liners, or sleeves are specially engineered where surfaces formed within the engine block, working in tandem with the piston and ring, as the chamber in which the thermal energy of the combustion process is converted into mechanical energy.
Valve Seats and Guides	Federal-Mogul designs and manufactures a wide variety of powdered metal inserts used in engines and general industrial applications, which are specially designed to meet customer requirements for extreme hardness.
Engine Bearings	<p>Engine bearings provide an intermediate surface between the connecting rod and crankshaft and between the crankshaft and engine block. Their purpose is to facilitate the conversion of combustion energy into mechanical energy by allowing low-friction movement of the connecting rods and crankshaft when absorbing the power created in the combustion chamber. They operate principally under hydrodynamic lubrication conditions.</p> <p>The Company's bearing product line includes lead-free aluminum engine bearings commonly used in gasoline engines and bronze bearings used in highly-loaded compression engines such as diesel or gasoline turbocharged models. The Company's portfolio includes a full range of lead-free bearings, winner of the 2014 PACE award, developed to meet EU requirements and covers a range of electroplated and sputter coated bearings. These extremely high performance materials support the downsizing of engines and consequent improved fuel economy and CO₂ reduction. The Company's product range also includes innovative polymer coated bearings (IROX®) for automotive engines, winner of the 2013 PACE award. These bearings have a special polymer coated shell that helps to withstand high reciprocating mechanical loads produced by heavily boosted engines. The innovative IROX® bearing coating with embedded dry lubricant design enables these bearings to operate in low lubrication conditions found in hybrid or start-stop engines.</p>

Industrial Bearings	Sold under the Deva® and Glycodur® brands, industrial bearings are primarily dedicated to applications operating in mixed or low lubrication conditions. Applications are mainly diverse industrial motors or converters and include wind turbines and hydroelectric power generation equipment.
Bushings and Washers	Bushings and washers are used in engines and transmissions to ensure low friction rotation or oscillation of shafts. They are made of bronze, aluminum or polymer material.
Ignition	Ignition products include spark plugs, glow plugs, ignition coils and accessories for automotive commercial and industrial applications.
Dynamic Seals	Dynamic seals are used between a housing or body structure and rotating or moving shafts to contain lubricants, fluids and pressure inside the housing, while keeping out dust and other contaminants. There are numerous areas of application including engine crankshaft, transmission driveshaft, pinion and axle, and wheel seals.
Bonded Piston Seals	Bonded piston seals use hydraulic pressure in transmissions to facilitate gearshift. These products are used in automatic, dual clutch transmissions and continuously variable transmissions.
Combustion and Exhaust Gaskets	Combustion and exhaust gaskets are used between two surfaces to contain gas and pressure produced from combustion. These gaskets are primarily used on internal combustion engine applications including cylinder head, exhaust manifold, exhaust takedown, exhaust gas recirculation and turbocharger gaskets.
Static Gaskets and Seals	Static gaskets and seals create a barrier between two surfaces to contain fluids, pressure and gases while keeping out dust and other contaminants. There are numerous areas of application including engine covers, oil pans, intake manifolds, transmission covers and differential covers.
Rigid Heat Shields	Rigid heat shields are designed to provide a heat and sound barrier to emitting components. These products cover a full range of application on a vehicle from engine to tailpipe.
Element Resistant Sleeving	<p>Element resistant sleeving products provide protection of wires, hoses, sensors, and mechanical components and assemblies from heat, electro-magnetic interference, dirt, vibration and moisture. Element resistant sleeving products include</p> <ul style="list-style-type: none"> • automotive wire harnesses and hoses, • abrasion protection and wire management of cable assemblies, • dielectric protection of electrical leads, • thermal and mechanical protection of hose assemblies, and • acoustic insulating and sound-dampening materials.
Flexible Heat Shields	Flexible heat shields are designed to provide a heat barrier and for thermal management usually in the engine compartment.
Lighting	Automotive lighting products include power and lighting systems, and interior and exterior lighting components.

Motorparts. Motorparts sells and distributes a broad portfolio of products in the global vehicle aftermarket. Approximately 75% of Motorparts' sales are derived from sales to customers in the aftermarket and approximately 25% are attributable to sales to the OE market. Motorparts operates 33 manufacturing sites in 16 countries and 24 distribution centers in 14 countries. Motorparts derived 55% of its sales through North America, 39% in EMEA and 6% in Rest of World.

Motorparts' products are designed to solve a problem, facilitate installation and improve safety, durability and vehicle performance. Motorparts' products are utilized widely in vehicle braking systems and chassis, as well as in engine and sealing applications and general service. Motorparts sells its products, which total more than 570,000 SKUs, into the independent automotive, heavy-duty and specialty replacement markets. Through global market insight, supply chain expertise and brand and product line management, aftermarket and OE customers worldwide benefit from the Company's innovative technology, manufacturing, supply chain and distribution expertise.

The following table sets forth a description of the principal products sold by the Company

<u>Product</u>	<u>Description</u>	<u>Brands</u>
	A light vehicle disc pad assembly consists of	
	friction material, which dissipates forward momentum by converting energy into heat,	
Light Vehicle Disc Pads	underlayer, which is a layer of different friction material placed between the backplate and friction material to improve strength, provide a thermal barrier, corrosion resistance, noise performance or a combination of these characteristics,	Wagner [®] , Abex [®] , Ferodo [®] , Jund [®] , Stop [®] , QuickStop [®] and ThermoQuiet [®]
	backplate, to support and locate the friction material in the caliper; and	
	shim, which is a rubber/metal laminate developed to suppress noise	
Commercial Vehicle Disc Pads	Commercial vehicle disc brake pads are a growing segment of the friction market, superseding drum brakes on trucks, buses tractor units and trailers. The basic construction of a commercial vehicle disc pad is the same as a light vehicle disc pad	Ferodo [®] , Beral [®] , Abex [®] and Stop [®]
Light Vehicle Drum Brake Linings	Drum brake linings are friction material affixed to a brake shoe and fitted on the rear service brake, rear parking brake and/or transmission brake application	Ferodo [®] and Wagner [®]
Commercial Vehicle Full Length Linings	Full length linings are the commercial vehicle equivalent of light vehicle drum brake linings	Ferodo [®] , Beral [®] , Abex [®] and Jund [®]
Commercial Vehicle Half Blocks	Half blocks are segments of friction material made to be riveted onto drum brake shoes. They are used on heavier vehicle applications where discs are not used	Ferodo [®] , Beral [®] , Abex [®] and Jund [®]
Railway Brake Blocks	Railway brake blocks work by acting on the circumference of the wheel. They are lighter and quieter in operation than cast iron blocks. However, friction performance is designed to replicate that of cast iron blocks	Ferodo [®] and Jund [®]
Chassis	Chassis parts include ball joints, tie rod ends, sway bar links, idler arms, and pitman arms. These components affect vehicle steering and vehicle ride quality	MOOG [®] and QuickSteer [®]
Driveline Universal Joints	Driveline universal joints which provide a linkage between a power unit and output device such as a wheel end or service device	MOOG [®]
Combustion and Exhaust Gaskets	Combustion and exhaust gaskets are used between two surfaces to contain gas and pressure produced from combustion. These gaskets are primarily used on internal combustion engine applications including cylinder head, exhaust manifold, exhaust takedown, exhaust gas recirculation and turbocharger gaskets	Fel-Pro [®] , Payen [®] and Goetze [®]
Static Gaskets and Seals	Static gaskets and seals create a barrier between two surfaces to contain fluids, pressure and gases while keeping out dust and other contaminants. There are numerous areas of application including engine covers, oil pans, intake manifolds, shaft seals, transmission covers and differential covers	Fel-Pro [®] , Payen [®] , Goetze [®] and National [®]
Wipers	Windshield wiper parts include conventional and profile style wiper blades, blade refills and wiper arms	ANCO [®] and Champion [®]

Pistons	The main task of the piston is to compress the air and fuel mixture in advance of ignition. Following combustion, the piston relays the combustion energy into mechanical energy. In this process, substantial pressures are exerted on the piston, imposing high demands on it in terms of rigidity and temperature resistance.	Sealed Power®, Speed Pro®, FP Diesel® and Nural®
Piston Rings	The three main tasks of piston rings in internal combustion engines are (1) sealing the combustion chamber, (2) supporting heat transfer from the piston to the cylinder wall and (3) regulating lubrication and oil consumption.	Sealed Power®, Speed Pro®, FP Diesel® and Goetze®
Cylinder liners	Cylinder liners, or sleeves, are specially engineered where surfaces form within the engine block, working in tandem with the piston and ring, as the chamber in which the thermal energy of the combustion process is converted into mechanical energy.	FP Diesel® and Goetze®
Ignition	Ignition products include spark plugs, glow plugs, ignition coils and accessories for automotive, commercial and industrial applications.	Champion® and Beru®
Lighting	Replacement vehicle lighting products for automotive and commercial applications.	Wagner®

Reporting Segment Financial Information. The following tables summarize net sales, cost of products sold, gross profit and total assets for each reporting segment. For additional information related to the Company's reporting segments, refer to Note 24, *Operations by Reporting Segment and Geographic Area*, to the Consolidated Financial Statements, included in Item 8 of this report.

Net sales

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ 4,430	\$ 4,173	\$ 3,926
Motorparts	3,192	2,935	2,853
Inter-segment eliminations	(305)	(322)	(335)
Total	\$ 7,317	\$ 6,786	\$ 6,444

Cost of products sold

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ (3,897)	\$ (3,656)	\$ (3,470)
Motorparts	(2,668)	(2,432)	(2,390)
Inter-segment eliminations	305	322	335
Total Reporting Segment	(6,260)	(5,766)	(5,525)
Corporate	—	—	(6)
Total Company	\$ (6,260)	\$ (5,766)	\$ (5,531)

Gross profit

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ 533	\$ 517	\$ 456
Motorparts	524	503	463
Total Reporting Segment	1,057	1,020	919
Corporate	—	—	(6)
Total Company	\$ 1,057	\$ 1,020	\$ 913

Total assets

	December 31	
	2014	2013
	(Millions of Dollars)	
Powertrain	\$ 3,485	\$ 3,373
Motorparts	3,355	3,055
Total Reporting Segment	6,840	6,428
Corporate	227	754
Total Company Assets	\$ 7,067	\$ 7,182

The Company's Industry

The automotive light vehicle market, as well as the medium duty/heavy duty commercial market, is comprised of two primary segments: the OE market in which the Company's products are used in the manufacture of new vehicles and OE dealer service parts and the global aftermarket, in which the Company's products are used as replacement parts for all vehicles in operation on the road, including all previous models.

The OE Market Demand for component parts in the OE market is generally a function of the number of new vehicles produced, which is driven by macro-economic factors such as interest rates, fuel prices, consumer confidence, employment trends, regulatory requirements and trade agreements. Although OE demand is tied to planned vehicle production, parts suppliers also have the opportunity to grow through increasing their product content per vehicle, by increasing market share and by expanding into new or emerging markets. Companies with a global presence, leading technology and innovation, and advanced product engineering, manufacturing and customer support capabilities are best positioned to take advantage of these opportunities.

There are currently several significant trends that are impacting the OE market, including the following:

- **Global Production** – The global light and commercial vehicle production in developed markets during 2014 and 2013 was as follows:

	Global Light and Commercial Vehicle Production	
	2014	2013
	Millions of Vehicles	
America	21.4	21.4
EMEA	22.3	21.1
Asia	45.7	43.9

While global OE production increased at a moderate pace, the demand for parts, including parts produced by the Company, also increased moderately during 2014 due to steady demand in the Americas and EMEA and increased demand in Asia.

- **Automotive Supply Consolidation** – Consolidation within the automotive supply base is expected to continue as the entire industry evolves and as the industry responds to the need to achieve economies of scale and global capabilities to serve vehicle manufacturers who are increasingly global in their production. Suppliers will seek opportunities to achieve synergies in their operations through consolidation, while striving to acquire complementary businesses to improve global competitiveness or to strategically enhance a product offering to global customers.

- Globalization of Automotive Industry – OEs are increasingly designing global platforms where the basic design of the vehicle is performed in one location, but the vehicle is produced and sold in numerous geographic markets to realize significant economies of scale by limiting variations across product designs and geographic regions. While developed markets in North America and Europe continue to remain important to OEs, increased focus is being placed upon expanded design, development and production within emerging markets for growth opportunities, especially in the BRIC markets. As a result, suppliers must be prepared to provide product and technical resources in support of their customers within these emerging markets. Furthermore, OEs are moving their operations to best cost geographies outside the US and Western European markets and, accordingly, OEs are increasingly requiring suppliers to provide parts on a global basis. Finally, the Asian OEs continue to expand their reach and market share in relation to traditional North American and European manufacturers. As this trend is expected to continue into the foreseeable future, suppliers must be geographically and technically positioned to meet the needs of the Asian OEs.
- Focus on Fuel Economy, Reduced Emissions and Alternative Energy Sources – Increased fuel economy and decreased vehicle emissions are of great importance to OEs as legislators and customers continue to demand more efficient and cleaner operating vehicles. Increasingly stringent fuel economy standards and environmental regulations are driving OEs to focus on new technologies including downsized, higher output and turbocharged gasoline engines, diesel and turbocharged diesel, bio-mass and hybrid diesel applications and hybrid, electric and alternative energy engines. As a result, the number of powertrain configurations will increase in response to the proliferation of commercially available energy sources. Suppliers offering solutions to OEs related to numerous vehicle fuel and powertrain configurations possess a distinct competitive advantage, which is driving accelerated new product development cycles.
- Focus on Vehicle Safety – Vehicle safety continues to receive industry attention by OEs as customers view safety as a fundamental driver in consumer purchasing decisions and legislation looks on improved vehicle safety as a public health issue. Accordingly, OEs are seeking suppliers with new technologies, capabilities and products that have the ability to advance vehicle safety. Suppliers that are able to enhance vehicle safety through innovative products and technologies have a distinct competitive advantage.
- Pricing Pressures – OEs provide extensive pricing incentives and financing alternatives to consumers in order to generate sales of new vehicles and retain or gain market share. These actions, coupled with the increasing content required to meet regulations, have placed pressures on the OEs' profits and, in turn, the OEs expect certain recovery from their supply base. Suppliers must continually identify and implement product innovation and cost reduction activities to fund customer annual price concession expectations in order to retain current business as well as to be competitively positioned for future new business opportunities.
- Raw Material Cost Fluctuations – There have been significant fluctuations in recent periods in global prices of aluminum, copper, lead, nickel, platinum, resins, steel, other base raw materials and energy. Suppliers must continue to identify leading design and innovative technological solutions and material substitution options in order to retain a competitive advantage to the extent that cost increases are not passed on to customers.
- Energy, Industrial and Transport Markets – Customers continue to develop alternatives to historic infrastructure in the energy, industrial and transport markets. This includes power generators and other power conversion devices as well as growth in the aerospace and high speed railway markets and ocean transport. Suppliers with the capability to utilize automotive expertise to service these and other related markets have a competitive advantage.

The Aftermarket Business Products for the global vehicle aftermarket are sold directly to a wide range of distributors, retail parts stores and mass merchants that distribute these products to professional service providers, "do-it-yourself" consumers and in some cases, directly to service chains. Demand for aftermarket products historically has been driven by three primary factors: (i) the number of vehicles in operation, (ii) the average age of vehicles, and (iii) vehicle usage trends. These factors, while applicable in all regions, vary depending on the composition of the car parc and other factors, which are discussed in greater detail below.

Number of Vehicles in Operation The global car parc is expected to grow to over 1.5 billion by 2020. The car parc growth in certain emerging markets, such as China, is increasing at the highest rate, while more mature markets are expected to continue to remain stable or to grow modestly in size, indicating that new car sales are well beyond the replacement rate for scrapped vehicles.

Increase in Average Age of Vehicles The average age of vehicles on the road in the United States has increased since 2002 from 9.6 years to an estimated 10.7 years in 2014 and is projected to remain relatively constant at approximately 11.8 years through 2020, driving the need for maintenance and repair work and thereby increasing the overall demand for aftermarket replacement parts in the United States.

More recent trends in the global aftermarket include

Channel Consolidation In the more mature markets of the United States and Western Europe, there has been increasing consolidation in aftermarket distribution networks with larger, more sophisticated aftermarket distributors and retailers gaining market share. These distributors generally require larger, more sophisticated suppliers with product expertise, category management and supply chain services and capabilities, as well as a global manufacturing and services footprint.

Growth of Online Capabilities Reaching consumers directly through online capabilities, including e-commerce, is expected to have an increasing impact on the global aftermarket industry and how aftermarket products are sold. Establishment of a robust online presence will be critical for suppliers regardless of whether they intend to participate directly in e-commerce.

Increase in Private Label Brands and Low-Cost Country Imports In the United States, there has been an increase in private label or store brands sold by retailers and distributors at a lower price point than premium brands of the same products. However, in many cases, retailers or wholesale distributors creating private label brands will still rely on established suppliers, like Motorparts, to manufacture their private label products and, in some cases, utilize co-branding to support their private label offerings.

Changes in Consumer Behavior The aftermarket is impacted by changes in economic conditions, volatility in fuel prices, and expanding focus on environmental and energy conservation. For example, the number of consumers with the ability to purchase new vehicles in Europe has been reduced due to adverse economic conditions, which is likely to increase demand for repairs in order to keep older vehicles road-worthy. Increased environmental regulation will lead to additional replacement parts being required on a more frequent basis to meet more exacting standards. Recent falling fuel prices in the United States are likely to lead consumers to drive more and to increase disposable income available for consumers to purchase aftermarket automotive parts and complete necessary repairs.

The Company's Customers

The Company supplies OEs with a wide variety of technologically innovative parts, substantially all of which are manufactured by the Company. The Company's OE customers consist of automotive and heavy-duty vehicle manufacturers as well as agricultural, off-highway, marine, railroad, aerospace, high performance and industrial application manufacturers. The Company has well-established relationships with substantially all major American, European and Asian automotive OEs.

The Company's aftermarket customers include independent warehouse distributors who redistribute products to local parts suppliers, distributors of heavy-duty vehicular parts, engine rebuilders, retail parts stores and mass merchants. The breadth of the Company's product lines, the strength of its leading brand names, marketing expertise, sizable sales force, and its distribution and logistics capability are central to the success of the Company's Motorparts operations.

No individual customer accounted for more than 6% of the Company's direct sales during 2014.

The Company's Competition

The global vehicular parts business is highly competitive. The Company competes with many independent manufacturers and distributors of component parts globally. In general, competition for sales is based on price, product quality, technology, delivery, customer service and the breadth of products offered by a given supplier. The Company is meeting these competitive challenges by developing leading technologies, efficiently integrating its manufacturing and distribution operations, expanding its product coverage within its core businesses, restructuring its operations and transferring production to best cost countries, and utilizing its worldwide technical centers to develop and provide value-added solutions to its customers. A summary of the Company's primary independent competitors by reporting segment is set forth below:

- **Powertrain** – Primary competitors include Aisin, Art Metal, BinZou, Bleistahl, Bosch, Dardo, Dana/Reinz, Delfingen, Denso, DongYang, ElnngKlinger, Freudenberg, GKN, Hella, Hitachi-Automotive, Kolbenschmidt, Mahle, Miba, NGK, NOK, NPR, Osram, Pall, Riken, Sinteron, and Stanley.
- **Motorparts** – Primary competitors include Akebono Brake Corporation, Autolite, Brake Parts Inc., Bosch Group, Centric Parts, Crowne Group LLC, Delphi Automotive LLP, Denso Corporation, Dorman Products, Inc., GRI Engineering and Development LLC (MAT Holdings Inc.), Mahle GmbH, Mevotech Inc., NGK Spark Plug Co., Ltd., NTN Bearing Corporation, Neapco Inc., Old World Industries LLC, Phillips Industries, Pylon Manufacturing Corporation, Rain-X (ITW Global Brands), SKF Group, Osram Sylvania Ltd., TRW Automotive Holdings Corp., The Timken Company, Trico Products Corporation and Valeo Group.

The Company's Backlog

For OE customers, the Company generally receives purchase orders for specific products supplied for particular vehicles. These supply relationships typically extend over the life of the related vehicle, subject to interim design and technical specification revisions, and do not require the customer to purchase a minimum quantity. In addition to customary commercial terms and conditions, purchase orders generally provide for annual price reductions based upon expected productivity improvements and other factors. Customers typically retain the right to terminate purchase orders, but the Company generally cannot terminate purchase orders. OE order fulfillment is typically manufactured in response to customer purchase order releases, and the Company ships directly from a manufacturing location to the customer for use in vehicle production and assembly. Accordingly, the Company's manufacturing locations turn finished goods inventory relatively quickly, producing from on-hand raw materials and work-in-process inventory within relatively short manufacturing cycles. Significant risks to the Company include a change in engine production, driven by mix changes, for powertrain components (e.g. a change from diesel to gasoline engines), lower than expected vehicle or engine production by one or more of its OE customers or termination of the business based upon perceived or actual shortfalls in delivery, quality or value.

For its Global Aftermarket customers, the Company generally establishes product line arrangements that encompass all parts offered within a particular product line. These are typically open-ended arrangements that are subject to termination by either the Company or the customer at any time. Pricing is market responsive and subject to adjustment based upon competitive pressures, material costs and other commercial factors. Global Aftermarket order fulfillment is largely performed from finished goods inventory stocked in the Company's worldwide distribution network. Inventory stocking levels in the Company's distribution centers are established based upon historical and anticipated future customer demand.

Although customer programs typically extend to future periods, and although there is an expectation that the Company will supply certain levels of OE production and aftermarket shipments over such periods, the Company believes that outstanding purchase orders and product line arrangements do not constitute firm orders. Firm orders are limited to specific and authorized customer purchase order releases placed with its manufacturing and distribution centers for actual production and order fulfillment. Firm orders are typically fulfilled as promptly as possible after receipt from the conversion of available raw materials and work-in-process inventory for OE orders and from current on-hand finished goods inventory for aftermarket orders. The dollar amount of such purchase order releases on hand and not processed at any point in time is not believed to be significant based upon the timeframe involved.

The Company's Raw Materials and Suppliers

The Company purchases various raw materials and component parts for use in its manufacturing processes, including ferrous and non-ferrous metals, non-metallic raw materials, stampings, castings and forgings. The Company also purchases parts manufactured by other manufacturers for sale in the aftermarket. The Company has not experienced any significant shortages of raw materials, components or finished parts and normally does not carry inventories of raw materials or finished parts in excess of those reasonably required to meet its production and shipping schedules. In 2014, no outside supplier of the Company provided products that accounted for more than 3% of the Company's annual purchases.

Insight Portfolio Group LLC (formerly known as Icahn Sourcing, LLC) - Related Party

Icahn Sourcing, LLC ("Icahn Sourcing") is an entity formed and controlled by Mr. Icahn in order to maximize the potential buying power of a group of entities with which Mr. Icahn has a relationship in negotiating with a wide range of suppliers of goods, services and tangible and intangible property at negotiated rates. The Company was a member of the buying group in 2012. Prior to December 31, 2012, the Company did not pay Icahn Sourcing any fees or other amounts with respect to the buying group arrangement.

In December, 2012, Icahn Sourcing advised the Company that effective January 1, 2013, it would restructure its ownership and change its name to Insight Portfolio Group LLC ("Insight Portfolio Group"). In connection with the restructuring, the Company acquired a minority equity interest in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group's operating expenses in 2013. The Company's payments to Insight Portfolio Group were less than \$0.5 million during 2013 and 2014.

Seasonality of the Company's Business

The Company's business is moderately seasonal because many North American OE customers typically close assembly plants for two weeks in July for model year changeovers, and for an additional week during the December holiday season. OE customers in Europe historically shut down vehicle production during portions of July and August and one week in December. Shut-down periods in the Rest of World generally vary by country. The aftermarket experiences seasonal fluctuations in sales due to demands caused by weather and driving patterns. Historically, the Company's sales and operating profits have been the strongest in the second quarter. For additional information, refer to the Company's quarterly financial results contained in Note 25, *Quarterly Financial Data (Unaudited)*, to the Consolidated Financial Statements included in Item 8 of this report.

The Company's Employee Relations

The Company had 48,600 employees as of December 31, 2014

Various unions represent approximately 31% of the Company's US hourly employees and approximately 91% of the Company's non-US hourly employees. With the exception of two facilities in the US, most of the Company's unionized manufacturing facilities have their own contracts with their own expiration dates and, as a result, no contract expiration date affects more than one facility.

Impact of Environmental Regulations on the Company

The Company's operations, consistent with those of the manufacturing sector in general, are subject to numerous existing and proposed laws and governmental regulations designed to protect the environment, particularly regarding plant wastes and emissions and solid waste disposal. Capital expenditures for property, plant and equipment for environmental control activities did not have a material impact on the Company's financial position or cash flows in 2014 and are not expected to have a material impact on the Company's financial position or cash flows in 2015.

The Company's Intellectual Property

The Company holds in excess of 5,700 patents and patent applications on a worldwide basis, of which more than 1,160 have been filed in the United States. Of the approximately 5,700 patents and patent applications, approximately 30% are in production use and/or are licensed to third parties, and the remaining 70% are being considered for future production use or provide a strategic technological benefit to the Company.

The Company does not materially rely on any single patent, nor will the expiration of any single patent materially affect the Company's business. The Company's current patents expire over various periods into the year 2036. The Company is actively introducing and patenting new technology to replace formerly patented technology before the expiration of the existing patents. In the aggregate, the Company's worldwide patent portfolio is materially important to its business because it enables the Company to achieve technological differentiation from its competitors.

The Company also maintains more than 6,800 active trademark registrations and applications worldwide. In excess of 90% of these trademark registrations and applications are in commercial use by the Company or are licensed to third parties.

Interests Held by an Entity Controlled by Mr. Carl C. Icahn

An entity indirectly owned and controlled by Mr. Icahn filed a Schedule 13D and amendments therein with the Securities and Exchange Commission indicating that such entity has a beneficial interest of approximately 80.73% of the Company's outstanding shares of common stock. As a result, Mr. Icahn has the indirect ability to nominate and elect all of the directors on the Company's Board of Directors. Under applicable law and the Company's certificate of incorporation and by-laws, certain actions cannot be taken without the approval of holders of a majority of the Company's voting stock including, without limitation, mergers, the sale of substantially all of the Company's assets, and amendments to its certificate of incorporation and by-laws. So long as Mr. Icahn continues to control a majority of the Company's outstanding capital stock, he will continue to have these governance rights and the ability to control the Company.

The Company's Web Site and Access to Filed Reports

The Company maintains an internet Web site at www.federalmogul.com. The contents of the Company's Web site are not incorporated by reference in this report. The Company provides access to its annual and periodic reports filed with the SEC free of charge through this Web site. The Company's Integrity Policy is also available on its Web site. The SEC maintains a Web site at www.SEC.gov where reports, proxy and information statements, and other information about the Company may be obtained. Paper copies of annual and periodic reports filed with the SEC may be obtained free of charge by contacting the Company's headquarters at the address located within the SEC Filings or under Investor Relations on the Company's Web site.

ITEM 1 A. RISK FACTORS

An investment in Federal-Mogul involves various risks. The risks discussed below are not the only ones faced by the Company. Please also read the cautionary note regarding "Forward-Looking Statements" beginning on page 2.

The separation of the Company's Powertrain and Motorparts divisions into two independent, publicly traded companies may not be completed on the terms or timeline currently contemplated, if at all. Further, the separation will require significant time, resources and attention from management, which may distract management from the operation of our business and the execution of our other initiatives. On September 3, 2014, the Company announced its intention to pursue the separation of its Powertrain and Motorparts divisions into two independent, publicly traded companies (the "Separation Transaction"). Unanticipated developments could delay or negatively impact the Separation Transaction or increase the Company's expenses relating to the transaction. The Company cannot assure that it will be able to complete the Separation Transaction on the terms that were announced or on the anticipated timeline, if at all. If the Company is unable to consummate the Separation Transaction, it will have incurred costs without realizing the benefits of such transaction. Further, the Separation Transaction will require significant time, resources and attention from management, which may distract management from the operation of our business and the execution of our other initiatives. Our employees may also be distracted due to uncertainty about their future roles pending the completion of the Separation Transaction. If the Separation Transaction is completed, such transaction may not achieve the intended results. Any such difficulties could have a material adverse effect on The Company's financial condition, results of operations or cash flows.

The Company's liquidity may be impacted in the short term from its growth activities and strategic initiatives. The Company is pursuing a number of organic and inorganic growth activities, restructuring plans and strategic initiatives to increase and improve the Company's business and profitability. Management believes these activities will enhance the Company's long term shareholder value, however, the investment to effectuate these activities may have an impact on the Company's short term liquidity and may create the need for additional borrowing which may be at higher interest rates given the Company's current level of indebtedness.

The Company has substantial indebtedness, which could restrict the Company's business activities and could subject the Company to significant interest rate risk. As of December 31, 2014, the Company had approximately \$2.7 billion of outstanding indebtedness. The Company is permitted by the terms of its debt instruments to incur additional indebtedness, subject to the restrictions therein. The Company's inability to generate sufficient cash flow to satisfy its debt obligations, or to refinance its debt obligations on commercially reasonable terms, would have a material adverse effect on the Company's business, financial condition and results of operations. In addition, covenants in the Company's debt agreements could limit its ability to engage in certain transactions and pursue its business strategies, which could adversely affect liquidity.

The Company's indebtedness could

- limit the Company's ability to borrow money for working capital, capital expenditures, debt service requirements or other corporate purposes, guarantee additional debt or issue redeemable, convertible or preferred equity,
- limit the Company's ability to make distributions or prepay its debt, incur liens, enter into agreements that restrict distributions from restricted subsidiaries, sell or otherwise dispose of assets (including capital stock of subsidiaries), enter into transactions with affiliates and merger, consolidate or sell substantially all of its assets,
- require the Company to dedicate a substantial portion of its cash flow to payments on indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures, product development and other corporate requirements,
- increase the Company's vulnerability to general adverse economic and industry conditions, and
- limit the Company's ability to respond to business opportunities.

A significant portion of the Company's indebtedness accrues interest at variable rates. To the extent market interest rates rise, the cost of the Company's debt would increase, adversely affecting the Company's financial condition, results of operations, and cash flows.

The Company's restructuring activities may not result in the anticipated synergies and cost savings. It is possible that the achievement of expected synergies and cost savings associated with restructuring activities will require additional costs or charges to earnings in future periods. It is also possible that the expected synergies may not be achieved. Any costs or charges could adversely impact the business, results of operations, liquidity and financial condition.

The Company may pursue acquisitions or other affiliations that involve inherent risks, any of which may cause the Company not to realize anticipated benefits, and the Company may have difficulty integrating the operations of any companies that may be acquired, which may adversely affect the Company's results of operations In the past, the Company has grown through acquisitions, and may engage in acquisitions in the future as part of the Company's sustainable global profitable growth strategy. The full benefits of these acquisitions, however, require integration of manufacturing, administrative, financial, sales, and marketing approaches and personnel. If the Company is unable to successfully integrate its acquisitions, it may not realize the benefits of the acquisitions, the financial results may be negatively affected, or additional cash may be required to integrate such operations.

In the future, the Company may not be able to successfully identify suitable acquisition or affiliation opportunities or complete any particular acquisition, combination, affiliation or other transaction on acceptable terms. The Company's identification of suitable acquisition candidates and affiliation opportunities and the integration of acquired business operations involve risks inherent in assessing the values, strengths, weaknesses, risks and profitability of these opportunities. This includes the effects on the Company's business, diversion of management's attention and risks associated with unanticipated problems or unforeseen liabilities, and may require significant financial resources that would otherwise be used for the ongoing development of the Company's business.

The difficulties of integration may be increased by the necessity of coordinating geographically dispersed organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures. These difficulties could be further increased to the extent the Company pursues acquisition or affiliation opportunities internationally. The Company may not be effective in retaining key employees or customers of the combined businesses. The Company may face integration issues pertaining to the internal controls and operations functions of the acquired companies and also may not realize cost efficiencies or synergies that were anticipated when selecting the acquisition candidates. The Company may experience managerial or other conflicts with its affiliation partners. Any of these items could adversely affect the Company's results of operations.

The Company's failure to identify suitable acquisition or joint venture opportunities may restrict the Company's ability to grow its business. If the Company is successful in pursuing future acquisitions or other affiliations, the Company may be required to expend significant funds, incur additional debt and/or issue additional securities, which may materially adversely affect results of operations. If the Company spends significant funds or incurs additional debt, the Company's ability to obtain financing for working capital or other purposes could decline and the Company may be more vulnerable to economic downturns and competitive pressures.

Adverse conditions in the automotive market adversely affect demand for the Company's products and exposes the Company to credit risks of its customers The revenues of the Company's operations are closely tied to global OE automobile sales, production levels, and independent aftermarket parts replacement activity. The OE market is characterized by short-term volatility, with overall expected long-term growth in global vehicle sales and production. Automotive production in the local markets served by the Company can be affected by macro-economic factors such as interest rates, fuel prices, consumer confidence, employment trends, regulatory and legislative oversight requirements and trade agreements. A variation in the level of automobile production would affect not only sales to OE customers but, depending on the reasons for the change, could impact demand from aftermarket customers. The Company's results of operations and financial condition could be adversely affected if the Company fails to respond in a timely and appropriate manner to changes in the demand for its products.

Accounts receivable potentially subject the Company to concentrations of credit risk. The Company's customer base includes virtually every significant global automotive manufacturer, numerous Tier 1 automotive suppliers, and a large number of distributors and installers of automotive aftermarket parts.

Consolidation and increased market power of the Company's independent aftermarket customers could negatively affect the Company's financial performance The Company's independent aftermarket customers are continuing to consolidate and gain purchasing power and the ability to demand extended payment terms and other pricing concessions. If these trends continue the financial results of the Company's Motorparts business segment could be negatively impacted.

If the Company loses any of its executive officers or key employees, the Company's operations and ability to manage the day-to-day aspects of its business may be materially adversely affected The Company's future performance substantially depends on its ability to retain and motivate executive officers and key employees, both individually and as a group. If the Company loses any of its executive officers or key employees, which have many years of experience with the Company and within the automotive industry and other manufacturing industries, or is unable to recruit qualified personnel, the Company's ability to manage the day-to-day aspects of its business may be materially adversely affected. The loss of the services of one or more executive officers or key employees, who also have strong personal ties with customers and suppliers, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company does not currently maintain "key person" life insurance.

The Company's operations in foreign countries expose the Company to risks related to economic and political conditions, currency fluctuations, import/export restrictions, regulatory and other risks. The Company has manufacturing and distribution facilities in many countries. International operations are subject to certain risks including

- exposure to local economic conditions,
- exposure to local political conditions (including the risk of seizure of assets by foreign governments),
- currency exchange rate fluctuations (including, but not limited to, material exchange rate fluctuations, such as devaluations) and currency controls
- export and import restrictions and
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting inappropriate payments

The likelihood of such occurrences and their potential effect on the Company are unpredictable and vary from country-to-country.

Certain of the Company's operating entities report their financial condition and results of operations in currencies other than the U.S. dollar (including, but not limited to, Brazilian real, British pound, Chinese yuan renminbi, Czech crown, euro, Indian rupee, Mexican peso, Polish zloty, Russian ruble, South Korean won and Swedish krona). In reporting its consolidated statements of operations, the Company translates the reported results of these entities into U.S. dollars at the applicable exchange rates. As a result, fluctuations in the dollar against foreign currencies will affect the value at which the results of these entities are included within Federal-Mogul's consolidated results.

The Company is exposed to a risk of gain or loss from changes in foreign exchange rates whenever the Company, or one of its foreign subsidiaries, enters into a purchase or sales agreement in a currency other than its functional currency. While the Company reduces such exposure by matching most revenues and costs within the same currency, changes in exchange rates could impact the Company's financial condition or results of operations.

The Company is subject to possible insolvency of financial counterparties. The Company engages in numerous financial transactions and contracts including insurance policies, letters of credit, credit line agreements, financial derivatives and investment management agreements involving various counterparties. The Company is subject to the risk that one or more of these counterparties may become insolvent and therefore be unable to discharge its obligations under such contracts.

The automotive industry is highly competitive and the Company's success depends upon its ability to compete effectively in the market: The Company operates in an extremely competitive industry, driven by global vehicle production volumes and part replacement trends. Business is typically awarded to the supplier offering the most favorable combination of cost, quality, technology and service. In addition, customers continue to require periodic price reductions that require the Company to continually assess, redefine and improve its operations, products and manufacturing capabilities to maintain and improve profitability. The Company's management continues to develop and execute initiatives to meet the challenges of the industry and to achieve its strategy, however, there can be no assurance that the Company will be able to compete effectively in the automotive market.

The Company's pension obligations and other postemployment benefits could adversely impact the Company's operating margins and cash flows. The automotive industry, like other industries, continues to be impacted by the rising cost of providing pension and other postemployment benefits. In addition, the Company sponsors certain defined benefit plans worldwide that are underfunded and will require cash payments. If the performance of the assets in the pension plans does not meet the Company's expectations, or other actuarial assumptions are modified, the Company's required contributions may be higher than it expects. See Note 15, *Pensions and Other Postemployment Benefits*, to the Consolidated Financial Statements included in Item 8 of this report.

The price of the Company's common stock is subject to volatility. Various factors could cause the market price of the Company's common stock to fluctuate substantially including general financial market changes, changes in governmental regulation, significant automotive industry announcements or developments, the introduction of new products or technologies by the Company or its competitors, and changes in other conditions or trends in the automotive industry. Other factors that could cause the Company's stock price to fluctuate could be actual or anticipated variations in the Company's or its competitors' quarterly or annual financial results, financial results failing to meet expectations of analysts or investors, changes in securities analysts' estimates of the Company's future performance or of that of the Company's competitors and the general health of the automotive industry.

Mr Carl C. Icahn exerts significant influence over the Company and his interests may conflict with the interest of the Company's other stockholders- Mr Carl C. Icahn indirectly controls approximately 80.73% of the voting power of the Company's capital stock and, by virtue of such stock ownership, is able to control or exert substantial influence over the Company, including

- the election of directors,
- business strategy and policies,
- mergers or other business combinations,
- acquisition or disposition of assets,
- future issuances of common stock or other securities,
- incurrence of debt or obtaining other sources of financing, and
- the payment of dividends on the Company's common stock

The existence of a controlling stockholder may have the effect of making it difficult for, or may discourage or delay, a third party from seeking to acquire a majority of the Company's outstanding common stock, which may adversely affect the market price of the stock

Mr Icahn's interests may not always be consistent with the Company's interests or with the interests of the Company's other stockholders. Mr Icahn and entities controlled by him may also pursue acquisitions or business opportunities that may or may not be complementary to the Company's business. To the extent that conflicts of interest may arise between the Company and Mr Icahn and his affiliates, those conflicts may be resolved in a manner adverse to the Company or its other shareholders

The Company's stock price may decline due to sales of shares by Mr Carl C. Icahn Sales of substantial amounts of the Company's common stock by Mr Icahn and his affiliates, or the perception that these sales may occur, may adversely affect the price of the Company's common stock and impede its ability to raise capital through the issuance of equity securities in the future. Mr Icahn is contractually entitled, subject to certain exceptions, to exercise rights under a registration rights agreement to cause the Company to register his shares under the Securities Act. By exercising his registration rights and selling a large number of shares, Mr Icahn could cause the price of the Company's common stock to decline. No other shareholder has registration rights

The Company is subject to the pension liabilities of all entities in which Mr Icahn has a direct or indirect ownership interest of at least 80% In July 2013 the Company completed a common stock rights offering. The purchases of shares of common stock in the rights offering increased the indirect control of Mr Carl C. Icahn to approximately 80.73% of the voting power. As a result of the more than 80% ownership interest in the Company by Mr Icahn's affiliates, the Company is subject to the pension liabilities of all entities in which Mr Icahn has a direct or indirect ownership interest of at least 80%. One such entity, ACF Industries LLC ("ACF"), is the sponsor of several pension plans. All the minimum funding requirements of the Code and the Employee Retirement Income Security Act of 1974 for these plans have been met as of December 31, 2014. If the ACF plans were voluntarily terminated, they would be underfunded by approximately \$82 million as of December 31, 2014. These results are based on the most recent information provided by the plans' actuaries. These liabilities could increase or decrease, depending on a number of factors, including future changes in benefits, investment returns, and the assumptions used to calculate the liability. As members of the controlled group, the Company would be liable for any failure of ACF to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of the pension plans of ACF. In addition, other entities now or in the future within the controlled group in which the Company is included may have pension plan obligations that are, or may become, underfunded and the Company would be liable for any failure of such entities to make ongoing pension contributions or to pay the unfunded liabilities upon termination of such plans. Further, the failure to pay these pension obligations when due may result in the creation of liens in favor of the pension plan or the Pension Benefit Guaranty Corporation ("PBGC") against the assets of each member of the controlled group.

The current underfunded status of the pension plans of ACF requires it to notify the PBGC of certain "reportable events," such as if the Company ceases to be a member of the ACF controlled group or the Company makes certain extraordinary dividends or stock redemptions. The obligation to report could cause the Company to seek to delay or reconsider the occurrence of such reportable events.

Icahn Enterprises Holdings L.P. and IEH FM Holdings LLC have undertaken to indemnify Federal-Mogul for any and all liability imposed upon the Company pursuant to the Employee Retirement Income Security Act of 1974, as amended, or any regulation there under ("ERISA") resulting from the Company being considered a member of a controlled group within the meaning of ERISA § 4001(a)(14) of which American Entertainment Properties Corporation is a member, except with respect to liability in respect to any employee benefit plan, as defined by ERISA § 3(3), maintained by the Company Icahn Enterprises Holdings L.P.

and IEH FM Holdings LLC are not required to maintain any specific net worth and there can be no guarantee Icahn Enterprises Holdings L P and IEH FM Holdings LLC will be able to fund its indemnification obligations to the Company

Certain disruptions in supply of and changes in the competitive environment for raw materials could adversely affect the Company's operating margins and cash flows The Company purchases a broad range of materials, components and finished parts. The Company also uses a significant amount of energy, both electricity and natural gas, in the production of its products. A significant disruption in the supply of these materials, supplies and energy or the failure of a supplier with whom the Company has established a single source supply relationship could decrease production and shipping levels, materially increase operating costs and materially adversely affect profit margins. Shortages of materials or interruptions in transportation systems, labor strikes, work stoppages, or other interruptions to or difficulties in the employment of labor or transportation in the markets where the Company purchases material, components and supplies for the production of products or where the products are produced, distributed or sold, whether as a result of labor strife, war, further acts of terrorism or otherwise, in each case may adversely affect profitability.

In recent periods there have been significant fluctuations in the prices of aluminum, copper, lead, nickel, platinum, resins, steel, other base metals and energy which have had and may continue to have an unfavorable impact on the Company's business. Any continued fluctuations in the price or availability of energy and materials may have an adverse effect on the Company's results of operations or financial condition. To address increased costs associated with these market forces, a number of the Company's suppliers have implemented surcharges on existing fixed price contracts. Without the surcharge, some suppliers claim they will be unable to provide adequate supply. Competitive and marketing pressures may limit the Company's ability to pass some of the supply and material cost increases on to the Company's customers and may prevent the Company from doing so in the future. Furthermore, the Company's customers are generally not obligated to accept price increases that the Company may desire to pass along to them. This inability to pass on price increases to customers when material prices increase rapidly or to significantly higher than historic levels could adversely affect the Company's operating margins and cash flow, possibly resulting in lower operating income and profitability.

The Company's hedging activities to address commodity price fluctuations may not be successful in offsetting future increases in those costs or may reduce or eliminate the benefits of any decreases in those costs In order to mitigate short-term variation in operating results due to the aforementioned commodity price fluctuations, the Company hedges a portion of near-term exposure to certain raw materials used in production processes, primarily natural gas, copper, nickel, tin, zinc, high-grade aluminum and aluminum alloy. The results of the Company's hedging practice could be positive, neutral or negative in any period depending on price changes in the hedged exposures.

The Company's hedging activities are not designed to mitigate long-term commodity price fluctuations and, therefore, will not protect from long-term commodity price increases. The Company's future hedging positions may not correlate to actual energy or raw materials costs, which would cause acceleration in the recognition of unrealized gains and losses on hedging positions in operating results.

The Company is subject to a variety of environmental, health and safety laws and regulations and the cost of complying, or the Company's failure to comply with such requirements may have a material adverse effect on its business, financial condition and results of operations The Company is subject to a variety of federal, state and local environmental laws and regulations relating to the release or discharge of materials into the environment, the management, use, processing, handling, storage, transport or disposal of hazardous waste materials, or otherwise relating to the protection of public and employee health, safety and the environment. These laws and regulations expose the Company to liability for the environmental condition of its current facilities, and also may expose the Company to liability for the conduct of others or for the Company's actions that were in compliance with all applicable laws at the time these actions were taken. These laws and regulations also may expose the Company to liability for claims of personal injury or property damage related to alleged exposure to hazardous or toxic materials in foreign countries. Despite the Company's intention to be in compliance with all such laws and regulations, the Company cannot guarantee that it will at all times be in compliance with all such requirements. The cost of complying with these requirements may also increase substantially in future years. If the Company violates or fails to comply with these requirements, the Company could be fined or otherwise sanctioned by regulators. These requirements are complex, change frequently and may become more stringent over time, which could have a material adverse effect on the Company's business.

The Company's failure to maintain and comply with environmental permits that the Company is required to maintain could result in fines or penalties or other sanctions and have a material adverse effect on the Company's operations or results. Future events such as new environmental regulations or changes in or modified interpretations of existing laws and regulations or enforcement policies, newly discovered information or further investigation or evaluation of the potential health hazards of products or business activities, may give rise to additional compliance and other costs that could have a material adverse effect on the Company's business, financial conditions and operations.

New regulations related to “conflict minerals” may force us to incur additional expenses and may make the Company’s supply chain more complex. In August 2012 the SEC adopted annual disclosure and reporting requirements for those companies who use certain minerals known as “conflict minerals” mined from the Democratic Republic of Congo and adjoining countries in their products. These new requirements required due diligence efforts in 2013, with initial disclosure requirements beginning in 2014. There will be significant costs associated with complying with these disclosure requirements, including for diligence to determine the sources of conflict minerals used in the Company’s products and other potential changes to products, processes or sources of supply as a consequence of such verification activities.

The Company is involved from time to time in legal proceedings and commercial or contractual disputes, which could have an adverse impact on the Company’s profitability and consolidated financial position. The Company is involved in legal proceedings and commercial or contractual disputes that, from time to time, are significant. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes, including disputes with suppliers, intellectual property matters, personal injury claims, environmental issues, tax matters and employment matters. No assurances can be given that such proceedings and claims will not have a material adverse impact on the Company’s profitability and consolidated financial position.

If the Company is unable to protect its intellectual property and prevent its improper use by third parties, the Company’s ability to compete in the market may be harmed. Various patent, copyright, trade secret and trademark laws afford only limited protection and may not prevent the Company’s competitors from duplicating the Company’s products or gaining access to its proprietary information and technology. These means also may not permit the Company to gain or maintain a competitive advantage.

Any of the Company’s patents may be challenged, invalidated, circumvented or rendered unenforceable. The Company cannot guarantee that it will be successful should one or more of its patents be challenged for any reason and countries outside the U.S. may diminish the protection of the Company’s patents. If the Company’s patent claims are rendered invalid or unenforceable, or narrowed in scope, the patent coverage afforded to the Company’s products could be impaired, which could significantly impede the Company’s ability to market its products, negatively affect its competitive position and materially adversely affect its business and results of operations.

The Company’s pending or future patent applications may not result in an issued patent. Additionally, newly issued patents may not provide meaningful protection against competitors or against competitive technologies. Courts in the United States and in other countries may invalidate the Company’s patents or find them unenforceable. Competitors may also be able to design around the Company’s patents. Other parties may develop and obtain patent protection for more effective technologies, designs or methods. If these developments were to occur, it could have an adverse effect on the Company’s sales. If the Company’s intellectual property rights are not adequately protected, the Company may not be able to commercialize its technologies, products or services and the Company’s competitors could commercialize the Company’s technologies, which could result in a decrease in the Company’s sales and market share and could materially adversely affect the Company’s business, financial condition and results of operations.

The Company’s products could infringe the intellectual property rights of others, which may lead to litigation that could itself be costly, could result in the payment of substantial damages or royalties, and could prevent the Company from using technology that is essential to its products. The Company cannot guarantee that its products, manufacturing processes or other methods do not infringe the patents or other intellectual property rights of third parties. Infringement and other intellectual property claims and proceedings brought against the Company, whether successful or not, could result in substantial costs and harm the Company’s reputation. Such claims and proceedings can also distract and divert management and key personnel from other tasks important to the success of its business. In addition, intellectual property litigation or claims could force the Company to do one or more of the following:

- cease selling or using of any products that incorporate the asserted intellectual property, which would adversely affect the Company’s revenue,
- pay substantial damages for past use of the asserted intellectual property,
- obtain a license from the holder of the asserted intellectual property, which license may not be available on reasonable terms, if at all, and
- redesign or rename, in the case of trademark claims, products to avoid infringing the intellectual property rights of third parties, which may not be possible and could be costly and time-consuming if it is possible to do.

In the event of an adverse determination in an intellectual property suit or proceeding, or the Company’s failure to license essential technology, the Company’s sales could be harmed and its costs could increase, which could materially adversely affect the Company’s business, financial condition and results of operations.

The Company may be exposed to certain regulatory and financial risks related to climate change Climate change is continuing to receive ever increasing attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide, which could lead to additional legislative and regulatory efforts to limit greenhouse gas emissions. The focus on emissions could increase costs associated with the Company's operations, including costs for raw materials and transportation. Because the scope of future laws in this area is uncertain, the Company cannot predict the potential impact of such laws on its future consolidated financial condition, results of operations or cash flows.

ITEM 1 B. UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 2 PROPERTIES

The Company's world headquarters is located in Southfield Michigan, which is a leased facility. The Company had 174 manufacturing facilities, technical centers, distribution centers, and sales and administration office facilities worldwide at December 31, 2014. Approximately 41% of the facilities are leased, the majority of which are distribution centers, and sales and administration offices. The Company owns the remainder of the facilities.

Type of Facility	North America	EMEA	Rest of World	Total
Manufacturing facilities	31	41	27	99
Technical centers	8	5	1	14
Distribution centers	11	9	4	24
Sales and administration offices	9	13	15	37
	59	68	47	174

The facilities range in size from approximately 100 square feet to 700 thousand square feet. Management believes that substantially all of the Company's facilities are in good condition and that it has sufficient capacity to meet its current and expected manufacturing and distribution needs.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various litigation matters regarding environmental matters and other matters as described below.

Environmental Matters

The Company is a defendant in lawsuits filed, or the recipient of administrative orders issued or demand letters received, in various jurisdictions pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA") or other similar national, provincial or state environmental remedial laws. These laws provide that responsible parties may be liable to pay for remediating contamination resulting from hazardous substances that were discharged into the environment by them, by prior owners or occupants of property they currently own or operate, or by others to whom they sent such substances for treatment or other disposition at third party locations. The Company has been notified by the United States Environmental Protection Agency, other national environmental agencies, and various provincial and state agencies that it may be a potentially responsible party ("PRP") under such laws for the cost of remediating hazardous substances pursuant to CERCLA and other national and state or provincial environmental laws. PRP designation typically requires the funding of site investigations and subsequent remedial activities.

Many of the sites that are likely to be the costliest to remediate are often current or former commercial waste disposal facilities to which numerous companies sent wastes. Despite the potential joint and several liability which might be imposed on the Company under CERCLA and some of the other laws pertaining to these sites, the Company's share of the total waste sent to these sites has generally been small. Therefore, the Company believes its exposure for liability at these sites is limited.

The Company has also identified certain other present and former properties at which it may be responsible for cleaning up or addressing environmental contamination, in some cases as a result of contractual commitments and/or federal or state environmental laws. The Company is actively seeking to resolve these actual and potential statutory, regulatory and contractual obligations. Although difficult to quantify based on the complexity of the issues, the Company has accrued amounts corresponding to its best estimate of the costs associated with such regulatory and contractual obligations on the basis of available information from site investigations and best professional judgment of consultants.

Total environmental liabilities were \$15 million and \$14 million at December 31, 2014 and 2013, respectively. Management believes that such accruals will be adequate to cover the Company's estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by the Company, the Company's results of operations and financial condition could be materially affected. At December 31, 2014, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs, as recorded, approximate \$40 million.

Other Matters

The Company is involved in other legal actions and claims, directly and through its subsidiaries that arise in the normal course of business. Management does not believe that the outcomes of these other actions or claims are likely to have a material adverse effect on the Company's financial position, operating results, or cash flows.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

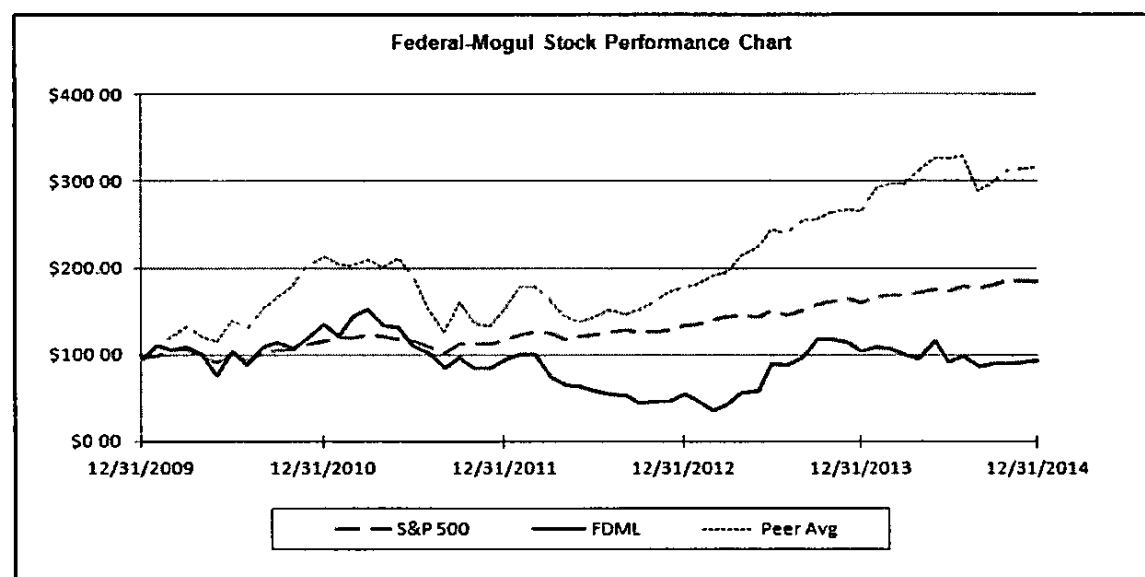
The Company's stock is listed on the NASDAQ Global Stock Market

There were approximately 56 stockholders of record of Common Stock as of February 19, 2015 including multiple beneficial holders at depositories, banks and brokers listed as a single holder of record in the street name of each respective depository bank or broker. High and low sales prices for the Company's common stock for each quarter in 2014 and 2013 are as follows:

Quarter	2014		2013	
	High	Low	High	Low
First	\$ 22.97	\$ 15.82	\$ 9.88	\$ 5.98
Second	\$ 20.51	\$ 16.19	\$ 10.39	\$ 4.84
Third	\$ 20.82	\$ 14.87	\$ 17.33	\$ 9.92
Fourth	\$ 16.39	\$ 14.14	\$ 21.15	\$ 14.97

The Company did not pay any dividends in 2014 or 2013. The Company has certain restrictions under its debt facilities from paying dividends in the future.

The following graph compares the cumulative total stockholder return during the five year period from December 31, 2009 to December 31, 2014. The graph assumes that \$100 was invested on December 31, 2009, in each of the Company's common stock, the stocks comprising the S&P 500 Index and the stocks comprising the peer group. The peer group is comprised of the following companies: BorgWarner Inc., Dana, Magna International, Mentor, Tenneco and TRW. This performance graph shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Form 10-K into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed soliciting material or filed under such Acts.



ITEM 6 SELECTED FINANCIAL DATA

The following table presents information from the Consolidated Financial Statements as of or for the five years ended December 31, 2014. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements and Supplemental Data."

	Year Ended December 31				
	2014	2013	2012	2011	2010
	(Millions of Dollars, Except Per Share Amounts)				
Consolidated Statement of Operations Data					
Net sales	\$ 7,317	\$ 6,786	\$ 6,444	\$ 6,719	\$ 6,045
Cost of products sold	(6,260)	(5,766)	(5,531)	(5,640)	(5,049)
Gross profit	1,057	1,020	913	1,079	996
Selling, general and administrative expenses	(776)	(719)	(702)	(680)	(676)
OPEB curtailment gains	—	19	51	1	29
Adjustment of assets to fair value	(144)	(8)	(187)	(279)	(2)
Interest expense, net	(120)	(99)	(128)	(127)	(129)
Restructuring expense, net	(86)	(40)	(26)	(5)	(8)
Amortization expense	(49)	(47)	(49)	(48)	(49)
Equity earnings of non-consolidated affiliates	48	34	34	37	32
Loss on debt extinguishment	(24)	—	—	—	—
Other (expense) income, net	(11)	(3)	(26)	(18)	(17)
Income tax (expense) benefit	(56)	(56)	29	(16)	(11)
Net income (loss) from continuing operations	(161)	101	(91)	(56)	165
(Loss) income from discontinued operations, net of tax	—	(52)	(19)	(27)	2
Less net income attributable to noncontrolling interests	(7)	(8)	(7)	(7)	(6)
Net (loss) income attributable to Federal-Mogul	\$ (168)	\$ 41	\$ (117)	\$ (90)	\$ 161
Amounts attributable to Federal-Mogul					
Net (loss) income from continuing operations	(168)	93	(98)	(63)	159
(Loss) income from discontinued operations, net of tax	—	(52)	(19)	(27)	2
Net (loss) income	\$ (168)	\$ 41	\$ (117)	\$ (90)	\$ 161
Common Share Summary Attributable to Federal-Mogul					
Net (loss) income per common share - basic					
Net (loss) income from continuing operations	\$ (1.12)	\$ 0.75	\$ (0.99)	\$ (0.64)	\$ 1.61
(Loss) income from discontinued operations, net of tax	—	(0.42)	(0.19)	(0.27)	0.02
Net (loss) income	\$ (1.12)	\$ 0.33	\$ (1.18)	\$ (0.91)	\$ 1.63
Net (loss) income per common share - diluted					
Net (loss) income from continuing operations	\$ (1.12)	\$ 0.75	\$ (0.99)	\$ (0.64)	\$ 1.60
(Loss) income from discontinued operations, net of tax	—	(0.42)	(0.19)	(0.27)	0.02
Net (loss) income	\$ (1.12)	\$ 0.33	\$ (1.18)	\$ (0.91)	\$ 1.62
Weighted average shares outstanding – basic (in millions)					
	150.0	123.4	98.9	98.9	98.9
Weighted average shares outstanding – diluted (in millions)					
	150.0	123.4	99.4	99.4	99.4
Dividends declared per common share					
	\$ —	\$ —	\$ —	\$ —	\$ —

	2014	2013	2012	2011	2010
Other Financial Information					
Net cash provided from (used by) operating activities	\$ 278	\$ 418	\$ (53)	\$ 241	\$ 404
Expenditures for property, plant, equipment	(418)	(380)	(387)	(348)	(251)
Depreciation and amortization expense	(334)	(296)	(289)	(284)	(333)

	As of December 31				
	2014	2013	2012	2011	2010
(Millions of Dollars)					
Consolidated Balance Sheet Data					
Total assets	\$ 7,067	\$ 7,182	\$ 6,927	\$ 7,029	\$ 7,296
Short-term debt, including current portion of long-term debt	127	1,694	94	88	73
Long-term debt	2,563	905	2,733	2,741	2,752
Federal-Mogul shareholders' equity	806	1,490	725	953	1,277

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company

On April 15, 2014, Federal-Mogul Corporation completed a holding company reorganization (the "Reorganization"). As a result of the Reorganization, the outstanding shares of Federal-Mogul Corporation common stock were automatically converted on a one-for-one basis into shares of Federal-Mogul Holdings Corporation common stock, and all of the stockholders of Federal-Mogul Corporation immediately prior to the Reorganization automatically became stockholders of Federal-Mogul Holdings Corporation. The rights of stockholders of Federal-Mogul Holdings Corporation are generally governed by Delaware law and Federal-Mogul Holdings Corporation's certificate of incorporation and bylaws, which are the same in all material respects as those of Federal-Mogul Corporation immediately prior to the Reorganization. In addition, the board of directors of Federal-Mogul Holdings Corporation and its Audit Committee and Compensation Committee are composed of the same members as the board of directors, Audit Committee and Compensation Committee of Federal-Mogul Corporation prior to the Reorganization.

References herein to the "Company," "Federal-Mogul," "we," "us," "our" refer to Federal-Mogul Corporation for the period prior to the effective time of the Reorganization on April 15, 2014 and to Federal-Mogul Holdings Corporation for the period after the effective time of the Reorganization.

On September 3, 2014, the Company announced its plan to separate its Powertrain and Motorparts divisions into two independent, publicly-traded companies serving the global original equipment and aftermarket industries. The planned separation will be implemented through a tax-free distribution of Federal-Mogul's Motorparts division to shareholders of Federal-Mogul Holdings Corporation. Completion of the transaction is subject to customary conditions, including among others, the Company's receipt of an IRS ruling or opinion of counsel to the effect that the distribution will qualify as a transaction that is generally tax-free for US Federal Income tax purposes, as well as effectiveness of a Form 10 Registration Statement to be filed with the SEC. On February 24, 2015, the Company announced that it would defer the previously announced spin-off of its Motorparts division to allow for the integration of its recently completed brake component, chassis and valvetrain acquisitions and to recognize the benefits of the strategic initiatives in the Motorparts division. As a result of the deferral and the recent closing of the acquisition of TRW's valvetrain business, the Company will commence a common stock rights offering to strengthen its balance sheet. The Company's board of directors intends to revisit the timing of the spin-off prior to year-end. Meanwhile the company will continue to operate as two separate, independent divisions. No assurances can be given regarding the ultimate timing of the separation or that it will be consummated.

Overview

Federal-Mogul Corporation is a leading global supplier of a broad range of components, accessories and systems to the automotive, small engine, heavy-duty, marine, railroad, agricultural, off-road, aerospace and energy, industrial and transport markets, including customers in both the original equipment manufacturers and servicers ("OE") market and the replacement market ("aftermarket"). The Company's customers include the world's largest automotive OEMs and major distributors and retailers in the independent aftermarket. Geographically, the Company derived 36% of its 2014 sales in the United States and 64% internationally. The Company has operations in established markets including Australia, Belgium, France, Germany, Italy, Japan, Spain, Sweden, the United Kingdom and the United States, and emerging markets including Argentina, Brazil, China, Czech Republic, Hungary, India, Korea, Mexico, Morocco, Poland, Romania, Russia, South Africa and Thailand. The attendant risks of the Company's international operations are primarily related to currency fluctuations, changes in local economic and political conditions, and changes in laws and regulations.

The Company operates with two end-customer focused business segments. The Powertrain segment focuses on original equipment products for automotive, heavy duty and industrial applications. The Motorparts segment sells and distributes a broad portfolio of products in the global aftermarket, while also serving original equipment manufacturers with products including braking, chassis, wipers and other vehicle components. This organizational model allows for a strong product line focus benefitting both original equipment and aftermarket customers and enables the global Federal-Mogul teams to be responsive to customers' needs for superior products and to promote greater identification with Federal-Mogul premium brands. Additionally, this organizational model enhances management focus to capitalize on opportunities for organic or acquisition growth, profit improvement, resource utilization and business model optimization in line with the unique requirements of the two different customer bases.

The Company operates in an extremely competitive industry, driven by global vehicle production volumes and part replacement trends. Business is typically awarded to the supplier offering the most favorable combination of cost, quality, technology and service. Customers continue to require periodic cost reductions which drive the Company to continually assess, redefine, and improve its operations, products, and manufacturing capabilities to maintain and improve profitability. Management continues to

develop and execute initiatives to meet the challenges of the industry and to achieve its strategy for sustainable global profitable growth, including the following ongoing initiatives

- **Best-Cost Production** – The Company has established and expanded manufacturing operations in best-cost countries in an effort to meet the cost pressures inherent in the industry and increase profitability. The Company has manufacturing operations or affiliations in Brazil, China, Czech Republic, Hungary, India, Korea, Mexico, Poland, Romania, Russia, South Africa, Thailand and Turkey.
- **Global Organization** – Recognizing the ever-increasing globalization of the automotive industry, the Company organized its primary business units on both a global and regional basis. This allows each business to take advantage of best practices in product development, technology and innovation, manufacturing capability and capacity as well as adapt to regional customer preferences. Furthermore, the Company continues to develop and implement standardized processes and consolidated systems to further the direction and performance of the business.
- **Global Distribution Optimization** – The Company continued its efforts to optimize its aftermarket distribution network in order to improve both the efficiency of operations and customer order fulfillment and delivery performance, including initiatives to streamline its American and European aftermarket operations, and expand its aftermarket operations in Asia.
- **Global Delivery Performance** – In addition to the distribution network consolidation efforts, the Company upgraded many of its remaining distribution centers with state-of-the-art warehouse management systems. Furthermore, the Company has renewed its focus on internal logistics and execution of inventory “pull” systems throughout its manufacturing operations and suppliers to ensure prompt and accurate replenishment of its distribution network.
- **Expand Asia Pacific Presence** – The Company has invested in manufacturing operations, both wholly-owned and non-consolidated affiliate relationships, in the Asia Pacific region and maintains a technical center in Shanghai, China to support the Company’s efforts in this region. The Company intends to use these operations and technical center to strengthen its current, as well as to develop new, customer relationships in this important region.
- **Customer Valued Technology** – The Company has significant engineering and technical resources throughout its businesses focused on creating value for customers with innovative solutions for both product applications and manufacturing processes.

Critical Accounting Policies

The accompanying Consolidated Financial Statements, included in Item 8 of this report, have been prepared in conformity with US GAAP and, accordingly, the Company’s accounting policies have been disclosed in Note 1, *Basis of Presentation and Summary of Significant Accounting Policies*, to the Consolidated Financial Statements. The Company considers accounting estimates to be critical accounting policies when

- the estimates involve matters that are highly uncertain at the time the accounting estimate is made, and
- different estimates or changes to estimates could have a material impact on the reported financial position, changes in financial position, or results of operations.

When more than one accounting principle, or the method of its application, is generally accepted, management selects the principle or method that it considers to be the most appropriate given the specific circumstances. Application of these accounting principles requires the Company’s management to make estimates about the future resolution of existing uncertainties. Estimates are typically based upon historical experience, current trends, contractual documentation, and other information, as appropriate. Due to the inherent uncertainty involving estimates, actual results reported in the future may differ from those estimates. In preparing these financial statements, management has made its best estimates and judgments of the amounts and disclosures included in the financial statements, giving due regard to materiality. The following summarizes the Company’s critical accounting policies.

Pension Plans and Other Postemployment Benefit Plans

The Company sponsors defined benefit pension plans (“Pension Benefits”) and postemployment health care and life insurance benefits (“Other Postemployment Benefits” or “OPEB”) for certain employees and retirees around the world. Using appropriate actuarial methods and assumptions, the Company’s defined benefit pension plans and postemployment benefits other than pensions are accounted for in accordance with FASB ASC Topic 715 *Compensation – Retirement Benefits*.

Actual results that differ from assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods. Therefore, assumptions used to calculate benefit obligations as of the end of a fiscal year directly impact the expense to be recognized in future periods. The primary assumptions affecting the Company’s accounting for employee benefits as of December 31, 2014 are as follows:

- **Long-term rate of return on plan assets** The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. While the development of the long-term rate of return on assets gives appropriate consideration to recent fund performance and historical returns, the assumption is designed to approximate a long-term prospective rate. The expected long-term rate of return used to calculate net periodic pension cost is 6.95% for U.S. plans and a weighted average of 4.18% for non-U.S. plans.
- **Discount rate** The discount rate reflects the effective yield on high quality fixed income securities available in the marketplace as of the measurement date to settle pension and postemployment benefit obligations. The weighted-average discount rates used to calculate net periodic benefit cost for the 2014 and year-end obligations as of December 31, 2014 were as follows:

	Pension Benefits		Other Postemployment Benefits
	United States Plans	Non-U.S. Plans	
Used to calculate net periodic benefit cost	4.55%	3.49%	4.45%
Used to calculate benefit obligations	3.85%	1.77%	3.84%

- **Health care cost trend** For postemployment health care plan accounting, the Company reviews external data and Company specific historical trends for health care costs to determine the health care cost trend rate. The assumed health care cost trend rate used to measure next year's postemployment health care benefits is 7.25% for health care and 7.25% for drug cost, both declining to an ultimate trend rate of 5.00% in 2022.

The following table illustrates the sensitivity to a change in certain assumptions for projected benefit obligations ("PBO"), associated expense and other comprehensive loss ("OCL"). The changes in these assumptions have no impact on the Company's funding requirements.

	Pension Benefits						Other Postemployment Benefits	
	United States Plans			Non-U.S. Plans				
	Change in 2015 Pension Expense	Change in PBO	Change in Accumulated OCL	Change in 2015 Pension Expense	Change in PBO	Change in Accumulated OCL	Change in 2015 Expense	Change in PBO
(Millions of Dollars)								
25 basis point ("bp") decrease in discount rate	\$ (1)	\$ 36	\$ (36)	\$ 1	\$ 20	\$ (20)	\$ —	\$ 9
25 bp increase in discount rate	—	(34)	34	(1)	(20)	20	—	(9)
25 bp decrease in return on assets rate	2	—	—	—	—	—	—	—
25 bp increase in return on assets rate	(2)	—	—	—	—	—	—	—

The assumed health care trend rate has a significant impact on the amounts reported for non-pension plans. The following table illustrates the sensitivity to a change in the assumed health care trend rate.

	Total Service and Interest Cost	APBO
(Millions of Dollars)		
100 bp increase in health care cost trend rate	\$ 1	\$ 32
100 bp decrease in health care cost trend rate	\$ (1)	\$ (28)

Environmental Matters

The Company is a defendant in lawsuits filed, or the recipient of administrative orders issued or demand letters received, in various jurisdictions pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA") or other similar national, provincial or state environmental remedial laws. These laws provide that responsible parties may be liable to pay for remediating contamination resulting from hazardous substances that were discharged into the environment by them, by prior owners or occupants of property they currently own or operate, or by others to whom they sent such substances for treatment or other disposition at third party locations. The Company has been notified by the United States Environmental Protection Agency, other national environmental agencies, and various provincial and state agencies that it may be a potentially responsible party ("PRP") under such laws for the cost of remediating hazardous substances pursuant to CERCLA and other national and state or provincial environmental laws. PRP designation typically requires the funding of site investigations and subsequent remedial activities.

Many of the sites that are likely to be the costliest to remediate are often current or former commercial waste disposal facilities to which numerous companies sent wastes. Despite the potential joint and several liability which might be imposed on the Company under CERCLA and some of the other laws pertaining to these sites, the Company's share of the total waste sent to these sites has generally been small. Therefore, the Company believes its exposure for liability at these sites is limited.

The Company has also identified certain other present and former properties at which it may be responsible for cleaning up or addressing environmental contamination, in some cases as a result of contractual commitments and/or federal or state environmental laws. The Company is actively seeking to resolve these actual and potential statutory, regulatory and contractual obligations. Although difficult to quantify based on the complexity of the issues, the Company has accrued amounts corresponding to its best estimate of the costs associated with such regulatory and contractual obligations on the basis of available information from site investigations and best professional judgment of consultants.

Recorded environmental liabilities were \$15 million and \$14 million at December 31, 2014 and 2013, respectively. These accruals are based upon management's best estimates, which requires management to make assumptions regarding the costs for remediation activities, the extent to which costs may be borne by other liable parties, the financial viability of such parties, the time periods over which remediation activities will be completed, and other factors. Although management believes its accruals will be adequate to cover the Company's estimated liability for its exposure in respect to such environmental matters, any changes in the underlying assumptions could materially impact the Company's future results of operations and financial condition. At December 31, 2014, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximate \$40 million.

Asset Retirement Obligations

The Company records asset retirement obligations ("ARO") in accordance with FASB ASC Topic 410 *Asset Retirement and Environmental Obligations*. The Company's primary ARO activities relate to the removal of hazardous building materials at its facilities. The Company records an ARO at fair value upon initial recognition when the amount can be reasonably estimated, typically upon the expectation that an operating site may be closed or sold. The Company has identified sites with contractual obligations and several sites that are closed or expected to be closed and sold. In connection with these sites, the Company has accrued \$24 million and \$26 million as of December 31, 2014 and 2013, respectively, for ARO, primarily related to anticipated costs of removing hazardous building materials, and has considered impairment issues that may result from capitalization of an ARO.

In determining whether the fair value of ARO can reasonably be estimated, the Company must determine if the obligation can be assessed in relation to the acquisition price of the related asset or if an active market exists to transfer the obligation. If the obligation cannot be assessed in connection with an acquisition price and if no market exists for the transfer of the obligation, the Company must determine if it has sufficient information upon which to estimate the obligation using expected present value techniques. This determination requires the Company to estimate the range of settlement dates and the potential methods of settlement, and then to assign the probabilities to the various potential settlement dates and methods.

The Company has conditional asset retirement obligations ("CARO"), primarily related to removal costs of hazardous materials in buildings, for which it believes reasonable cost estimates cannot be made at this time because the Company does not believe it has a reasonable basis to assign probabilities to a range of potential settlement dates for these retirement obligations. Accordingly, the Company is currently unable to determine amounts to accrue for CARO at such sites. If new information were to become available whereby the Company could make reasonable probability assessments for these CARO, the amount accrued for ARO could change significantly, which could materially impact the Company's statement of operations and/or financial position. Settlements of ARO in the near-future at amounts other than the Company's best estimates as of December 31, 2014 also could materially impact the Company's future results of operations and financial condition.

Long-Lived Asset Impairment Testing

As a result of fresh-start reporting, long-lived assets such as property, plant and equipment (PP&E) have been stated at estimated replacement cost as of December 31, 2007, unless the expected future use of the assets indicated a lower value was appropriate. Long-lived assets such as definite-lived intangible assets have been stated at fair value as of December 31, 2007. Depreciation and amortization is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes. Long-lived assets are periodically reviewed for impairment indicators. If impairment indicators exist, the Company performs the required analysis and records an impairment charge, as required, in accordance with the subsequent measurement provisions of FASB ASC Topic 360, *Property, Plant & Equipment*. The Company recognized PP&E impairments of \$19 million, \$8 million and \$43 million for the years ended December 31, 2014, 2013 and 2012, respectively. The 2012 property, plant and equipment impairment excludes \$7 million related to discontinued operations. Discontinued operations are further discussed in Note 6, *Discontinued Operations*, to the Consolidated Financial Statements, included in Item 8 of this report.

Goodwill Impairment Testing

In accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other*, goodwill, and any other intangible asset having an indefinite useful life, must be reviewed for impairment annually, or more frequently if events and circumstances arise that suggest the asset may be impaired. The Company conducts its review for goodwill impairments on October 1 of each year. Goodwill impairment testing is performed at the reporting unit level. The fair value of each reporting unit is determined and compared to the carrying value. If the carrying value exceeds the fair value, then possible goodwill impairment may exist and further evaluation is required. Indefinite-lived intangible assets are tested for impairment by comparing the fair value to the carrying value. If the carrying value exceeds the fair value, the asset is adjusted to fair value.

In contemplation of its annual impairment analysis, the Company noted impairment indicators existed in one reporting unit within the Motorparts segment including lower than expected profits and cash flows resulting from decreases in volumes and pricing pressure from customers. As a result of these impairment indicators, the Company concluded that there was also a potential impairment of its long-lived assets and definite-lived intangible assets. These impairment tests were performed before the goodwill impairment test, and an impairment loss related to long-lived assets of \$7 million was recognized prior to goodwill being tested for impairment. The Company then tested goodwill for impairment and determined the carrying value of one reporting unit, within the Motorparts segment, exceeded its fair value. Accordingly, as part of a second step of the goodwill impairment test, the Company made a preliminary conclusion that the carrying amount of the reporting units' goodwill exceeded the implied fair value of that goodwill and an impairment loss of \$120 million was recognized for the year ended December 31, 2014. Due to the complexity of the second step of the goodwill impairment test, the Company expects to finalize its assessment of the of goodwill impairment during the first quarter of 2015. Any resulting difference in the amount of the impairment will be adjusted at that time.

The Company has nine reporting units that have goodwill. The following table categorizes the Company's goodwill by reporting unit as of October 1, 2014 according to the level of excess between the reporting unit's fair value and carrying value giving effect to the 2014 impairment charges.

	Fair Value Exceeds Carrying Value	Goodwill
		(Millions of Dollars)
Reporting Units 1 - 4	> 15%	\$ 131
Reporting Units 5 - 9	> 30%	570
		<u>\$ 701</u>

In order to align with its regional focus as of December 31, 2014, the Motorparts segment moved from a product-centered reporting structure to a regional reporting structure. The analysis above, reflects the regional reporting units of the Motorparts segment.

Other Indefinite-Lived Intangible Assets Impairment Testing

The Company performs its annual trademarks and brand names impairment analysis as of October 1, or more frequently if impairment indicators exist, in accordance with the subsequent measurement provisions of FASB ASC Topic 350 *Intangibles – Goodwill and Other*. This impairment analysis compares the fair values of these assets to the related carrying values, and impairment charges are recorded for any excess of carrying values over fair values. These fair values are based upon the prospective stream of hypothetical after-tax royalty cost savings discounted at rates that reflect the rates of return appropriate for these intangible assets.

All of the Company's trademarks and brand names are associated with its aftermarket sales and are further broken down by product line. The primary, and most sensitive, input utilized in determining the fair values of trademarks and brand names is aftermarket sales by product line. The Company performed a sensitivity analysis on its trademarks and brand names and determined that a one percentage point decrease in its projected future sales growth rates within each aftermarket product line would result in a \$2 million impairment.

Results of Impairment Testing Described Above

The Company recorded total impairment charges for the years ended December 31, 2014, 2013 and 2012 as follows:

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Goodwill	\$ 120	\$ —	\$ 96
Property, plant and equipment	19	8	43
Other indefinite-lived intangible assets	—	—	46
Investments in non-consolidated affiliates	5	—	2
	<u>\$ 144</u>	<u>\$ 8</u>	<u>\$ 187</u>

Impairments of goodwill and other indefinite-lived intangible assets are discussed further in Note 8, *Fair Value Measurements* and Note 11, *Goodwill and Other Intangible Assets*.

The 2012 property, plant and equipment impairment excludes \$7 million related to discontinued operations. Discontinued operations are further discussed in Note 6, *Discontinued Operations*.

The Company's adjustment of assets to fair value is further discussed in Note 3, *Adjustment of Assets to Fair Value* to the Consolidated Financial Statements, included in Item 8 of this report.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC Topic 718, *Compensation – Stock Compensation* ("FASB ASC 718"), which requires companies to expense the fair value of employee stock options and other forms of stock-based compensation. Estimating fair value for share-based payments in accordance with FASB ASC 718 requires management to make assumptions regarding expected volatility of the underlying shares, the risk-free rate over the life of the share-based payment, and the date on which share-based payments will be settled. Any differences in actual results from management's estimates could result in fair values different from estimated fair values, which could materially impact the Company's future results of operations and financial condition. Additional financial information related to the Company's share-based payments is presented in Note 21, *Stock-Based Compensation* to the Consolidated Financial Statements included in Item 8 of this report.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes* ("FASB ASC 740"). The determination of the Company's tax provision is complex due to operations in many tax jurisdictions outside the United States. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other tax loss and credit carryforwards. The realization of deferred tax assets is dependent upon the Company's ability to generate future taxable income. The Company records a valuation allowance to offset its deferred tax assets to the amount that it believes is more likely than not to be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance that primarily represents operating and other loss carryforwards for which utilization is uncertain. Management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against the Company's net deferred tax assets.

The Company did not record taxes on its undistributed earnings of \$902 million at December 31, 2014 since these earnings are considered by the Company to be permanently reinvested. If at some future date, these earnings cease to be permanently reinvested, the Company may be subject to United States income taxes and foreign withholding taxes on such amounts. Determining the unrecognized deferred tax liability on the potential distribution of these earnings is not practicable as such liability, if any, is dependent on circumstances existing when remittance occurs.

At December 31, 2014, the Company had deferred tax assets of \$230 million, net of a valuation allowance of \$1,314 million, and deferred tax liabilities of \$494 million. At December 31, 2013, the Company had deferred tax assets of \$236 million, net of a valuation allowance of \$1,151 million, and deferred tax liabilities of \$492 million.

The Company is subject to income taxes in the U.S. at the federal and state level and numerous non-U.S. jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is less than certain. Accruals for income tax contingencies are provided for in accordance with the requirements of FASB ASC 740. The Company's U.S. federal and certain state income tax returns and certain non-U.S. income tax returns are currently under various stages of audit by applicable tax authorities. Although the outcome of ongoing tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions include amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At December 31, 2014, the Company has recorded a liability for its best estimate of the more likely than not loss on certain of its tax positions, which is included in other non-current liabilities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

On July 11, 2013, the Company became part of an affiliated group of corporations as defined in Section 1504 of the Internal Revenue Code of 1986 ("the Code"), as amended, of which American Entertainment Properties Corp. ("AEP"), a wholly owned subsidiary of Icahn Enterprises, is the common parent. The Company subsequently entered into a tax allocation agreement (the "Tax Allocation Agreement") with AEP. Pursuant to the Tax Allocation Agreement, AEP and the Company have agreed to the allocation of certain income tax items. The Company will join AEP in the filing of AEP's federal consolidated return and certain state consolidated returns. In those jurisdictions where the Company is filing consolidated returns with AEP, the Company will pay to AEP any tax it would have owed had it continued to file separately. To the extent that the AEP consolidated group is able to reduce its tax liability as a result of including the Company in its consolidated group, AEP will pay the Company an amount equal to 20% of such reduction and the Company will carryforward for its own use under the Tax Allocation Agreement 80% of the items that caused the tax reduction (the "Excess Tax Benefits"). While a member of the AEP affiliated group, the Company will reduce the amounts it would otherwise owe AEP by the Excess Tax Benefits. Moreover, if the Company should ever become deconsolidated from AEP, AEP will reimburse the Company for any tax liability in post-deconsolidation years the Company would not have paid had it actually had the Excess Tax Benefits for its own use. The cumulative payments to the Company by AEP post-deconsolidation cannot exceed the cumulative reductions in tax to the AEP group resulting from its use of the Excess Tax Benefits. Separate return methodology will be used in determining income taxes.

RESULTS OF OPERATIONS

The following discussion of the Company's results of operations should be read in connection with Items 1, 3 and 7A of this Form 10-K, as well as "Forward-Looking Statements" and Item 1A "Risk Factors." These items provide additional relevant information regarding the business of the Company, its strategy, and the various industry dynamics in the OE market and the aftermarket which have a direct and significant impact on the Company's results of operations as well as the risks associated with the Company's business.

Consolidated Results

Net sales

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ 4,430	\$ 4,173	\$ 3,926
Motorparts	3,192	2,935	2,853
Inter-segment eliminations	(305)	(322)	(335)
Total	\$ 7,317	\$ 6,786	\$ 6,444

Net sales by group and region

	Powertrain	Motorparts	Total
2014			
North America	34%	55%	43%
EMEA	48%	39%	44%
Rest of World	18%	6%	13%
2013			
North America	34%	57%	43%
EMEA	49%	37%	44%
Rest of World	17%	6%	13%
2012			
North America	32%	61%	45%
EMEA	50%	32%	42%
Rest of World	18%	7%	13%

Cost of products sold

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ (3,897)	\$ (3,656)	\$ (3,470)
Motorparts	(2,668)	(2,432)	(2,390)
Inter-segment eliminations	305	322	335
Total Reporting Segment	(6,260)	(5,766)	(5,525)
Corporate	—	—	(6)
Total Company	\$ (6,260)	\$ (5,766)	\$ (5,531)

Gross profit by reporting segment

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ 533	\$ 517	\$ 456
Motorparts	524	503	463
Total Reporting Segment	1,057	1,020	919
Corporate	—	—	(6)
Total Company	\$ 1,057	\$ 1,020	\$ 913

Consolidated Results – 2014 versus 2013

Consolidated net sales increased by \$531 million, or 8%, to \$7,317 million for the year ended December 31, 2014 from \$6,786 million for the year ended December 31, 2013. Excluding the impact of unfavorable foreign currency of \$51 million, sales increased by \$582 million or 9% on a constant dollar basis. This increase is driven by sales growth in the Powertrain division of \$301 million or 8% and an increase in sales in the Motorparts division of \$281 million or 10%, driven by the Affinia chassis and the Honeywell brake component business acquisitions.

The sales growth of the Company's Powertrain segment of \$301 million is driven by an increase in Powertrain's volumes of \$330 million, partially offset by customer price reductions of \$29 million. This increase comes from higher sales volumes and market share gains across all regions. In Europe, Powertrain sales increased by 6% or \$108 million compared to an increase in European light vehicle production of 4% and a decrease in commercial vehicle production of 9%. In North America, Powertrain sales increased by 9% or \$117 million compared to an increase in both light vehicle and commercial vehicle production of 5% and 12% respectively. In ROW, as Powertrain's presence in the emerging light vehicle market continued to grow, Powertrain sales increased by \$76 million or 12%, compared to an increase in light vehicle production of 1% and a decline in commercial vehicle production of 2%. When taking into account Powertrain's regional and market mix, its sales therefore grew in excess of underlying market demand.

Net sales in the Motorparts division increased by \$281 million or 10% as a result of the Affinia chassis and the Honeywell brake component acquisitions. This increase was partially offset by a decrease in sales in North America of 2% primarily due to the exit of certain unprofitable business. In Europe, Motorparts base sales decreased by 3% largely driven by Eastern European sales decline. Sales in the ROW increased by 4% driven by stronger aftermarket demand in the China and India.

Cost of products sold increased by \$494 million to \$6,260 million for the year ended December 31, 2014 compared to \$5,766 million for the year ended December 31, 2013. Including acquisitions, the increase in materials, labor and overheads as a direct result of the increase in external and inter-segment sales volumes was \$507 million. The impact from Motorparts strategic initiatives and project costs and unfavorable productivity of \$38 million, as well as the increase in depreciation of \$26 million were partially offset by savings in material costs of \$34 million and foreign currency of \$43 million.

Gross profit increased by \$37 million to \$1,057 million, or 14.4% of sales, for the year ended December 31, 2014 compared to \$1,020 million, or 15.0% of sales, for the year ended December 31, 2013. The favorable impact on gross profit due to sales volumes/mix was \$107 million, including acquisitions. Favorable materials and services sourcing savings of \$34 million were offset by unfavorable customer pricing of \$30 million, project costs and costs related to Motorparts strategic initiatives of \$27 million, increased depreciation of \$26 million, and unfavorable productivity of \$11 million.

Consolidated Results - 2013 versus 2012

Consolidated net sales increased by \$342 million, or 5%, to \$6,786 million for the year ended December 31, 2013 from \$6,444 million for the year ended December 31, 2012 with a favorable foreign currency impact of \$24 million. Excluding sales directly related to the acquisition of the spark plug business from BorgWarner, Inc. ("BWA") of \$43 million and sales from the European distribution agreement for ignition products of \$112 million, sales organically increased by \$163 million, which is net of \$19 million from customer price decreases. This organic growth is comprised of Powertrain increases of \$202 million partially offset by Motorparts decreases of \$39 million.

Given Powertrain's weighted market presence in the light vehicle, commercial vehicle and industrial markets and the year-over-year changes in production rates for those markets, the expected Powertrain sales change would be negligible compared to the prior year. However, Powertrain sales increased by 5%, excluding the impact on sales from the acquisition of the spark plug business from BWA - reflecting growth in excess of the underlying market. This was driven by an increase in sales in North America of 10%, an increase in sales in ROW of 12% and an increase in sales in Europe of 1%.

In the Motorparts segment, external sales volumes decreased by \$39 million excluding the impact of sales from the European distribution agreement for ignition products of \$112 million. This was mainly attributable to the decrease in sales in North America of 3%. This reflects the exit of selected non-strategic business contracts as well as a softening in the export business, mainly into Venezuela as a result of a tightening in exchange rate control in the country. However, this was partly offset by an increase in sales in Motorparts Europe of 4% resulting from aftermarket volume gains and improved market conditions.

Cost of products sold increased by \$235 million to \$5,766 million for the year ended December 31, 2013 compared to \$5,531 million for the year ended December 31, 2012. The increase in materials, labor and overheads as a direct result of the increase in external and inter-segment sales volumes was \$249 million along with an increase of \$33 million directly related to the acquisition of the spark plug business from BWA. Materials and sourcing savings of \$71 million and favorable productivity of \$2 million were partly offset by currency movements of \$20 million.

Gross profit increased by \$107 million to \$1,020 million, or 15.0% of sales, for the year ended December 31, 2013 compared to \$913 million, or 14.2% of sales, for the year ended December 31, 2012, driven mainly by materials and services sourcing savings of \$71 million. As well, the product mix issues experienced in the first half of the year due to commercial vehicle production declining to a greater extent than light vehicle production has stabilized. Therefore, the impact on gross profit due to volume increases was an increase of \$57 million. Other factors contributing to the increased profit were \$10 million from the acquisition of the spark plug business from BWA, reduced pension expense of \$6 million, \$4 million of currency movements, and favorable productivity of \$2 million. These increases were partially offset by unfavorable customer pricing of \$19 million, \$12 million of increased depreciation, and unabsorbed fixed costs on inter-segment sales volumes of \$12 million.

Reporting Segment Results 2014 versus 2013

The following table provides a reconciliation of changes in net sales, cost of products sold, gross profit and operational EBITDA for the year ended December 31, 2014 compared with the year ended December 31, 2013 for each of the Company's reporting segments. Operational EBITDA is defined as earnings from continuing operations before interest, income taxes, depreciation and amortization, and certain items such as restructuring and impairment charges, Chapter 11 and U.K. Administration related reorganization expenses, gains or losses on the sales of businesses, the non-service cost components of the US based funded pension plan, OPEB curtailment gains or losses, the income statement impacts associated with stock appreciation rights, loss on extinguishment of debt and costs associated with acquisitions, legal separation and headquarters relocation.

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment	Corporate	Total
(Millions of Dollars)						
2013 Sales	\$ 4,173	\$ 2,935	\$ (322)	\$ 6,786	\$ —	\$ 6,786
External sales volumes	330	282	—	612	—	612
Inter-segment sales volumes	(17)	—	17	—	—	—
Customer pricing	(29)	(1)	—	(30)	—	(30)
Foreign currency	(27)	(24)	—	(51)	—	(51)
2014 Sales	\$ 4,430	\$ 3,192	\$ (305)	\$ 7,317	\$ —	\$ 7,317

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment	Corporate	Total
2013 Cost of Products Sold	\$ (3,656)	\$ (2,432)	\$ 322	\$ (5,766)	\$ —	\$ (5,766)
External sales volumes / mix	(252)	(253)	—	(505)	—	(505)
Inter-segment sales volumes	15	—	(17)	(2)	—	(2)
Productivity, net of inflation	(4)	(7)	—	(11)	—	(11)
Project costs / strategic initiatives	(17)	(10)	—	(27)	—	(27)
Materials and services sourcing	11	23	—	34	—	34
Depreciation	(16)	(10)	—	(26)	—	(26)
Foreign currency	22	21	—	43	—	43
2014 Cost of Products Sold	\$ (3,897)	\$ (2,668)	\$ 305	\$ (6,260)	\$ —	\$ (6,260)

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment	Corporate	Total
2013 Gross Profit	\$ 517	\$ 503	\$ —	\$ 1,020	\$ —	\$ 1,020
External sales volumes / mix	78	29	—	107	—	107
Inter-segment sales volumes	—	—	—	—	—	—
Unabsorbed fixed costs on inter-segment sales	(2)	—	—	(2)	—	(2)
Customer pricing	(29)	(1)	—	(30)	—	(30)
Productivity, net of inflation	(4)	(7)	—	(11)	—	(11)
Project costs / strategic initiatives	(17)	(10)	—	(27)	—	(27)
Materials and services sourcing	11	23	—	34	—	34
Depreciation	(16)	(10)	—	(26)	—	(26)
Foreign currency	(5)	(3)	—	(8)	—	(8)
2014 Gross Profit	\$ 533	\$ 524	\$ —	\$ 1,057	\$ —	\$ 1,057

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment	Corporate	Total
2013 Operational EBITDA	\$ 378	\$ 213	\$ —	\$ 591	\$ —	\$ 591
External sales volumes / mix	82	12	—	94	—	94
Unabsorbed fixed costs on inter-segment sales	(2)	—	—	(2)	—	(2)
Customer pricing	(29)	(1)	—	(30)	—	(30)
Productivity, net of inflation	—	(8)	—	(8)	—	(8)
Project costs / strategic initiatives	(18)	(32)	—	(50)	—	(50)
Sourcing, cost of products sold	11	23	—	34	—	34
Sourcing, SG&A	—	2	—	2	—	2
Equity earnings of non-consolidated affiliates	10	2	—	12	—	12
Foreign currency	(3)	(7)	—	(10)	—	(10)
Other	—	(9)	—	(9)	—	(9)
2014 Operational EBITDA	\$ 429	\$ 195	\$ —	\$ 624	\$ —	\$ 624
Depreciation and amortization						(334)
Adjustment of assets to fair value						(144)
Interest expense, net						(120)
Restructuring expense net						(86)
Loss on debt extinguishment						(24)
Acquisition related costs						(16)
Legal separation costs						(10)
Headquarters relocation costs						(6)
Non-service cost components associated with U S based funded pension plans						6
Stock appreciation rights						4
Income tax expense						(56)
Other						1
Net income						\$ (161)

Powertrain

Sales increased by \$257 million to \$4,430 million for the year ended December 31, 2014 from \$4,173 million for the year ended December 31, 2013. Excluding unfavorable foreign currency impact of \$27 million, external sales volumes increased by \$301 million, including the impact of customer price reductions of \$29 million. This increase is driven by higher sales volumes and market share gains across all regions. In Europe, Powertrain sales increased by 6% or \$108 million compared to an increase in European light vehicle production of 4% and a decrease in commercial vehicle production of 9%. In North America, Powertrain sales increased by 9% or \$117 million compared to an increase in both light vehicle and commercial vehicle production of 5% and 12% respectively. In ROW, as Powertrain's presence in the emerging light vehicle market continued to grow, Powertrain sales increased by \$76 million or 12%, compared to an increase in light vehicle production of 1% and a decline in commercial vehicle production of 2%. When taking into account Powertrain's regional and market mix, its sales therefore grew in excess of underlying market demand.

Cost of products sold increased by \$241 million to \$3,897 million for the year ended December 31, 2014 compared to \$3,656 million for the year ended December 31, 2013. The increase in materials, labor and overhead as a direct result of external and inter-segment sales volumes/mix was \$237 million. The increase from project costs of \$17 million, increased depreciation of \$16 million, and unfavorable productivity of \$4 million, were partially offset by foreign currency impacts of \$22 million and savings in materials and services sourcing costs of \$11 million.

Gross profit increased by \$16 million to \$533 million, or 12% of sales, for the year ended December 31, 2014 compared to \$517 million, or 12.4% of sales, for the year ended December 31, 2013. Gross profit increased by \$78 million due to the increase in external sales volumes/mix representing a conversion of 24% on the incremental sales. However, this was partly offset by unfavorable customer pricing of \$29 million and increased depreciation of \$16 million. In addition, gross profit was further impacted by project cost spending of \$17 million related to a continued expansion and improvement of Powertrain's manufacturing footprint in order to meet customer demand and improve the cost structure.

Operational EBITDA increased by \$51 million to \$429 million or 9.7% of sales for the year ended December 31, 2014 from \$378 million or 9.1% of sales for the year ended December 31, 2013. The increase in Operational EBITDA was driven by market share gains and volume increases across all regions which improved Operational EBITDA by \$82 million. Additionally, Operational EBITDA increased from savings from materials and services sourcing of \$11 million and a \$10 million increase in earnings from non-consolidated affiliates. These increases were partially offset by unfavorable customer pricing of \$29 million and project costs of \$18 million.

Motorparts

Sales increased by \$257 million, or 9%, to \$3,192 million for the year ended December 31, 2014, from \$2,935 million for the year ended December 31, 2013. Excluding unfavorable foreign currency impact of \$24 million, sales increased by \$281 million or 10% driven by the Affinia chassis and the Honeywell brake component business acquisitions. This increase was partially offset by a decrease in sales in North America of 2% primarily due to the exit of certain unprofitable business. In Europe, Motorparts base sales decreased by 3% largely driven by Eastern European sales decline. Sales in the ROW increased by 4% driven by stronger aftermarket demand in the China and India.

Cost of products sold increased by \$236 million to \$2,668 million for the year ended December 31, 2014 compared to \$2,432 million for the year ended December 31, 2013. Including acquisitions, the increase in materials, labor and overheads volumes was \$253 million. Cost of products sold further increased due to increased depreciation of \$10 million, project costs of \$10 million and \$7 million of unfavorable productivity. These increases were partially offset by materials and services sourcing savings of \$23 million and currency movements of \$21 million.

Gross profit increased by \$21 million to \$524 million, or 16.4% of sales, for the year ended December 31, 2014 compared to \$503 million or 17.1% of sales, for the year ended December 31, 2013. The increase in gross profit of \$23 million includes the additional volume from the Affinia chassis and the Honeywell brake component business acquisition. Gross profit further increased by \$23 million from materials and services sourcing savings, but was offset by increased depreciation of \$10 million, project costs of \$10 million and \$7 million of unfavorable productivity. Gross margin percentage was negatively impacted by the inclusion of the Honeywell brake component business which is operating with a lower gross margin percentage than the Company's existing business (Honeywell was in the process of completing its restructuring and ramping up production at its two new low-cost facilities in Romania and China when acquired). Excluding the impact from the Honeywell brake component business acquisition, gross margin increased to 17.4% for the year ended December 31, 2014.

Operational EBITDA decreased by \$18 million to \$195 million for the year ended December 31, 2014 from \$213 million for the year ended December 31, 2013. EBITDA for the year ended December 31, 2014 includes costs related to strategic initiatives of \$21 million and integration costs related to the Affinia chassis and the Honeywell brake component business acquisition of \$14 million. In addition, Operational EBITDA was negatively impacted by unfavorable foreign currency, other reductions primarily related to weaker performance in the wiper business, offset by savings in materials and sourced products for a net impact of \$9 million.

Selling, General and Administrative Expense

Selling, general and administrative expenses ("SG&A") were \$776 million, or 10.6% of net sales, for the year ended December 31, 2014 as compared to \$719 million, or 10.6% of net sales, for the year ended December 31, 2013. This \$57 million increase was primarily driven by SG&A costs related to the Affinia chassis and the Honeywell brake component business acquisition of \$36 million. Additionally, the Company incurred during the year \$39 million of acquisition and integration related costs primarily related to the Affinia chassis and Honeywell brake acquisitions, as well as costs related to strategic initiatives in Motorparts.

The Company maintains technical centers throughout the world designed to integrate the Company's leading technologies into advanced products and processes, to provide engineering support for all of the Company's manufacturing sites, and to provide technological expertise in engineering and design development providing solutions for customers and bringing new, innovative products to market. Included in SG&A were research and development ("R&D") costs, including product and validation costs, of \$192 million and \$173 million for the years ended December 31, 2014 and December 31, 2013, respectively.

OPEB Curtailment Gain

During the second quarter of 2013, the Company ceased operations at one of its U.S. manufacturing locations. As this location participated in the Company's U.S. Welfare Benefit Plan, the plan was re-measured due to its curtailment implications. The resulting reduction in the average remaining future service period to the full eligibility date of the remaining active plan participants in the Company's U.S. Welfare Benefit Plan triggered the recognition of a \$19 million OPEB curtailment gain, which was recognized in the consolidated statements of operations during the second quarter of 2013. The calculation of the curtailment excluded the newly created prior service credit.

Interest Expense, Net

Net interest expense was \$120 million in the year ended December 31, 2014 compared to \$99 million for the year ended December 31, 2013. The increase is primarily due to the increased interest rates after the refinancing of the Company's term loans in April 2014.

Other Expense, Net

Other expense, net was \$11 million for the year ended December 31, 2014 compared to \$3 million for the year ended December 31, 2013.

Foreign currency exchange The Company recognized \$7 million in foreign currency exchange losses during the year ended December 31, 2014, compared to \$10 million in foreign currency exchange losses during the year ended December 31, 2013.

Reporting Segment Results 2013 versus 2012

The following table provides a reconciliation of changes in net sales, cost of products sold, gross profit and operational EBITDA for the year ended December 31, 2013 compared with the year ended December 31, 2012 for each of the Company's reporting segments. Operational EBITDA is defined as earnings from continuing operations before interest, income taxes, depreciation and amortization, and certain items such as restructuring and impairment charges, Chapter 11 and U.K. Administration related reorganization expenses, gains or losses on the sales of businesses, the non-service cost components of the U.S. based funded pension plan, OPEB curtailment gains or losses, the income statement impacts associated with stock appreciation rights, loss on extinguishment of debt and costs associated with acquisitions, legal separation and headquarters relocation.

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment	Corporate	Total
(Millions of Dollars)						
2012 Sales	\$ 3,926	\$ 2,853	\$ (335)	\$ 6,444	\$ —	\$ 6,444
External sales volumes	209	85	—	294	—	294
Inter-segment sales volumes	(19)	6	13	—	—	—
Customer pricing	(7)	(12)	—	(19)	—	(19)
Acquisitions	43	—	—	43	—	43
Foreign currency	21	3	—	24	—	24
2013 Sales	\$ 4,173	\$ 2,935	\$ (322)	\$ 6,786	\$ —	\$ 6,786

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment	Corporate	Total
2012 Cost of Products Sold	\$ (3,470)	\$ (2,390)	\$ 335	\$ (5,525)	\$ (6)	\$ (5,531)
External sales volumes / mix	(165)	(72)	—	(237)	—	(237)
Inter-segment sales volumes	7	(6)	(13)	(12)	—	(12)
Productivity net of inflation	(1)	3	—	2	—	2
Materials and services sourcing	41	30	—	71	—	71
Pension	—	—	—	—	6	6
Depreciation	(11)	(1)	—	(12)	—	(12)
Acquisitions	(33)	—	—	(33)	—	(33)
Foreign currency	(24)	4	—	(20)	—	(20)
2013 Cost of Products Sold	\$ (3,656)	\$ (2,432)	\$ 322	\$ (5,766)	\$ —	\$ (5,766)

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment	Corporate	Total
2012 Gross Profit	\$ 456	\$ 463	\$ —	\$ 919	\$ (6)	\$ 913
External sales volumes / mix	44	13	—	57	—	57
Inter-segment sales volumes	—	—	—	—	—	—
Unabsorbed fixed costs on inter-segment sales	(12)	—	—	(12)	—	(12)
Customer pricing	(7)	(12)	—	(19)	—	(19)
Productivity net of inflation	(1)	3	—	2	—	2
Materials and services sourcing	41	30	—	71	—	71
Pension	—	—	—	—	6	6
Depreciation	(11)	(1)	—	(12)	—	(12)
Acquisitions	10	—	—	10	—	10
Foreign currency	(3)	7	—	4	—	4
2013 Gross Profit	\$ 517	\$ 503	\$ —	\$ 1,020	\$ —	\$ 1,020

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment	Corporate	Total
2012 Operational EBITDA	\$ 289	\$ 200	\$ —	\$ 489	\$ —	\$ 489
External sales volumes / mix	46	(5)	—	41	—	41
Unabsorbed fixed costs on inter-segment sales	(12)	—	—	(12)	—	(12)
Customer pricing	(7)	(12)	—	(19)	—	(19)
Productivity – Cost of products sold	(1)	3	—	2	—	2
Productivity – SG&A	4	(36)	—	(32)	—	(32)
Productivity – Other	11	3	—	14	—	14
Sourcing – Cost of products sold	41	30	—	71	—	71
Sourcing – SG&A	2	3	—	5	—	5
Sourcing – Other	(2)	—	—	(2)	—	(2)
Equity earnings of non-consolidated affiliates	3	(4)	—	(1)	—	(1)
Foreign currency	2	5	—	7	—	7
Other	2	26	—	28	—	28
2013 Operational EBITDA	\$ 378	\$ 213	\$ —	\$ 591	\$ —	\$ 591
Depreciation and amortization						(294)
Interest expense, net						(99)
Discontinued operations						(52)
Restructuring expense, net						(40)
Adjustment of assets to fair value						(8)
OPEB curtailment gain						19
Non-service cost components associated with the U S based funded pension plan						(2)
Acquisition related costs						(5)
Stock appreciation rights						(5)
Income tax benefit						(56)
Net loss						\$ 49

Powertrain

Sales increased by \$247 million to \$4,173 million for the year ended December 31, 2013 from \$3,926 million for the year ended December 31, 2012, of which \$43 million of this increase resulted from the acquisition of the spark plug business from BWA. External sales volumes increased by \$202 million net of customer price decreases of \$7 million. This was driven by an increase in sales in North America of 10% or \$117 million, an increase in sales in ROW of 12% or \$73 million and an increase in sales in Europe of 1% or \$12 million. Given PT's weighted market presence in the light vehicle, commercial vehicle and industrial markets and the year over year changes in production rates for those markets, the expected PT sales change would be negligible compared to the prior year. However, PT sales increased by 5%, excluding the impact on sales from the acquisition of the spark plug business from BWA - reflecting growth in excess of the underlying market. The Powertrain segment generated approximately 70% of its revenue outside the United States and the resulting currency movements increased reported sales by \$21 million.

Cost of products sold increased by \$186 million to \$3,656 million for the year ended December 31, 2013 compared to \$3,470 million for the year ended December 31, 2012. The increase in materials, labor and overheads as a direct result of the increase in external and inter-segment sales volumes/mix was \$158 million along with an increase of \$33 million directly related to the acquisition of the spark plug business from BWA and materials and sourcing savings of \$41 million. These increases were partially offset by currency movements of \$24 million, increased depreciation of \$11 million and unfavorable productivity of \$1 million.

Gross profit increased by \$61 million to \$517 million, or 12.4% of sales, for the year ended December 31, 2013 compared to \$456 million, or 11.6% of sales, for the year ended December 31, 2012. This increase consists of a net favorable sales volumes and regional mix impact of \$44 million, materials and services sourcing savings of \$41 million and a \$10 million increase in gross profit directly related to the acquisition of the spark plug business from BWA partially offset by unabsorbed fixed costs on inter-segment sales volumes of \$12 million, increased depreciation of \$11 million, \$7 million of unfavorable customer pricing, currency movements of \$3 million and unfavorable productivity of \$1 million.

Operational EBITDA increased by \$89 million to \$378 million for the year ended December 31, 2013 from \$289 million for the year ended December 31, 2012. This increase was caused by net favorable external sales volume and mix of \$46 million, materials and services sourcing savings of \$41 million, favorable productivity of \$14 million, an increase in equity earnings of non-consolidated affiliates of \$3 million, currency movements of \$2 million and other increases of \$2 million partially offset by unabsorbed fixed costs on inter-segment sales volumes of \$12 million and unfavorable customer pricing of \$7 million.

Motorparts

Sales increased by \$82 million to \$2,935 million for the year ended December 31, 2013, from \$2,853 million for the year ended December 31, 2012, including \$112 million from the European distribution agreement for ignition products. The organic external sales volumes change was therefore a decrease of \$39 million including the impact of customer price decreases of \$12 million. This was driven by a decline in North America of \$51 million or 3%. This reflects the cessation of selected non-strategic business contracts as well as a softening in the export business, mainly into Venezuela as a result of a tightening in exchange rate control in the country. Sales in ROW decreased by \$21 million or 11%. However, this was offset by an increase in sales in Europe of \$33 million or 4%, excluding the impact on sales from the European distribution agreement for ignition products, due to strong aftermarket volume gains as market conditions in this region continued to improve.

Cost of products sold increased by \$42 million to \$2,432 million for the year ended December 31, 2013 compared to \$2,390 million for the year ended December 31, 2012. This increase was due to \$72 million directly associated with external sales volumes/mix, partially offset by favorable materials and services sourcing savings of \$30 million, currency movements of \$4 million, and efficiencies of \$3 million.

Gross profit increased by \$40 million to \$503 million, or 17.1% of sales, for the year ended December 31, 2013 compared to \$463 million or 16.2% of sales, for the year ended December 31, 2012. This is the result of materials and services sourcing savings of \$30 million, favorable external sales volume/mix of \$13 million, currency movements of \$7 million and favorable productivity of \$3 million, partially offset by unfavorable customer pricing of \$12 million and increased depreciation of \$1 million.

Operational EBITDA increased by \$13 million to \$213 million for the year ended December 31, 2013 from \$200 million for the year ended December 31, 2012. Favorable materials and services sourcing of \$33 million and other increases of \$26 million, inclusive of a year-over-year improvement as 2012 operational EBITDA was negatively impacted by a \$9 million legal and contractual settlement, were partially offset by unfavorable productivity of \$30 million including labor inflation, increased year-over-year incentive compensation and project costs, customer price decreases of \$12 million and a decrease in equity earnings of non-consolidated affiliates of \$4 million.

Selling, General and Administrative Expense

Selling, general and administrative expenses ("SG&A") were \$719 million, or 10.6% of net sales, for the year ended December 31, 2013 as compared to \$702 million, or 10.9% of net sales, for the year ended December 31, 2012. This \$17 million increase was due to costs related to acquisitions of \$14 million, increased costs in excess of labor and benefits inflation of \$9 million, and \$3 million due to currency movements, partially offset by materials and services sourcing savings of \$4 million and decreased depreciation of \$2 million.

The Company maintains technical centers throughout the world designed to integrate the Company's leading technologies into advanced products and processes, to provide engineering support for all of the Company's manufacturing sites, and to provide technological expertise in engineering and design development providing solutions for customers and bringing new, innovative products to market. Included in SG&A were research and development ("R&D") costs, including product and validation costs, of \$173 million for both the years ended December 31, 2013 and December 31, 2012.

OPEB Curtailment Gain

During the second quarter of 2013, the Company ceased operations at one of its U.S. manufacturing locations. As this location participated in the Company's U.S. Welfare Benefit Plan, the plan was re-measured due to its curtailment implications. The resulting reduction in the average remaining future service period to the full eligibility date of the remaining active plan participants in the Company's U.S. Welfare Benefit Plan triggered the recognition of a \$19 million OPEB curtailment gain, which was recognized in the consolidated statements of operations during the second quarter of 2013. The calculation of the curtailment excluded the newly created prior service credit.

In July 2012, as a result of contract negotiations with a union at one of the Company's U.S. manufacturing locations, the benefits under the U.S. Welfare Benefit Plan were eliminated for the location's active participants. Since this plan change reduced benefits attributable to employee service already rendered, it was treated as a negative plan amendment, which created a \$13 million prior service credit in accumulated other comprehensive loss. The corresponding reduction in the average remaining future service period to the full eligibility date also triggered the recognition of a \$51 million OPEB curtailment gain, which was recognized in the consolidated statements of operations during the third quarter of 2012. The calculation of the curtailment excluded the newly created prior service credit.

Interest Expense, Net

Net interest expense was \$99 million in the year ended December 31, 2013 compared to \$128 million for the year ended December 31, 2012. The decrease is primarily due to the expiration of unfavorable interest rate swaps.

Other Expense, Net

Other expense, net was \$3 million for the year ended December 31, 2013 compared to \$26 million for the year ended December 31, 2012.

Foreign currency exchange. The Company recognized \$10 million in foreign currency exchange losses during the year ended December 31, 2013. The Company recognized \$18 million in foreign currency exchange losses during the year ended December 31, 2012, \$10 million of which relates to unrealized losses associated with outstanding foreign currency hedge contracts that settle during 2013.

Adjustment of Assets to Fair Value

The Company recorded total impairment charges for the years ended December 31, 2014, 2013 and 2012 as follows:

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Goodwill	\$ 120	\$ —	\$ 96
Property, plant and equipment	19	8	43
Investments in non-consolidated affiliates	5	—	2
Other indefinite-lived intangible assets	—	—	46
	<u>\$ 144</u>	<u>\$ 8</u>	<u>\$ 187</u>

Impairments of goodwill and other indefinite-lived intangible assets are discussed further in Note 8, *Fair Value Measurements* and Note 11, *Goodwill and Other Intangible Assets* to the Consolidated Financial Statements, included in Item 8 of this report.

The Company recorded impairment charges to adjust property, plant and equipment to their fair values in accordance with the subsequent measurement provisions of FASB ASC Topic 360, *Property, Plant & Equipment*. Adjustments of property, plant and equipment to fair value are discussed further in Note 8, *Fair Value Measurements* to the Consolidated Financial Statements, included in Item 8 of this report.

The impairment of the Company's investment in non-consolidated affiliates is discussed further in Note 12, *Investment in Non-consolidated Affiliates* to the Consolidated Financial Statements, included in Item 8 of this report.

The 2012 PP&E impairment excludes \$7 million related to discontinued operations. Discontinued operations are further discussed in Note 6, *Discontinued Operations* to the Consolidated Financial Statements, included in Item 8 of this report.

Restructuring Activities

The following table is a summary of the Company's consolidated restructuring liabilities and related activity for 2014, 2013 and 2012 by reporting segment.

	Powertrain	Motorparts	Total Reporting Segment	Corporate	Total Company
	(Millions of Dollars)				
Balance at January 1, 2012	\$ 6	\$ 1	\$ 7	\$ 1	\$ 8
Provisions	6	16	22	4	26
Reversals	(1)	—	(1)	—	(1)
Payments	(7)	(6)	(13)	(2)	(15)
Reclassifications to pension liability	—	(6)	(6)	—	(6)
Balance at December 31, 2012	4	5	9	3	12
Provisions	20	20	40	4	44
Reversals	(3)	—	(3)	(1)	(4)
Payments	(13)	(11)	(24)	(4)	(28)
Balance at December 31, 2013	8	14	22	2	24
Provisions	59	27	86	1	87
Reversals	—	(1)	(1)	—	(1)
Payments	(27)	(24)	(51)	(2)	(53)
Foreign Currency	(4)	—	(4)	—	(4)
Balance at December 31, 2014	\$ 36	\$ 16	\$ 52	\$ 1	\$ 53

Income Taxes

For the year ended December 31, 2014, the Company recorded an income tax expense of \$56 million on a loss from continuing operations before income taxes of \$105 million, compared to income tax expense of \$56 million on a income from continuing operations before income taxes of \$157 million for the year ended December 31, 2013, and compared to an income tax benefit of \$29 million on a loss from continuing operations before income taxes of \$120 million for the year ended December 31, 2012

The income tax expense for the year ended December 31, 2014 differs from the U.S. statutory rate due primarily to goodwill impairment, pre-tax income taxed at rates lower than the U.S. Statutory rate, recording a valuation allowance on deferred tax assets that are believed to be not more likely than not to be realized, income in jurisdictions with no tax expense due to offsetting valuation allowance release, partially offset by pre-tax losses with no tax benefits and a tax benefit recorded related to special economic zone tax incentive

The income tax benefit for the year ended December 31, 2013 differs from statutory rates due primarily to a goodwill impairment with no tax benefit and pre-tax losses with no tax benefit, partially offset by pre-tax income taxed at rates lower than the U.S. statutory rate, income in jurisdictions with no tax expense due to offsetting valuation allowance releases, release of uncertain tax positions due to audit settlements, valuation allowance release, and a tax benefit recorded related to a special economic zone tax incentive

The income tax expense for the year ended December 31, 2012 differs from the U.S. statutory rate primarily due to a goodwill impairment with no tax benefit and pre-tax losses with no tax benefit partially offset by pre-tax income taxed at rates lower than the U.S. statutory rate, income in jurisdictions with no tax expense due to offsetting valuation allowance releases, tax refund from prior years, release of uncertain tax positions due to audit settlement and a tax benefit recorded related to a special economic zone tax incentive

The Company believes that it is reasonably possible that its unrecognized tax benefits in multiple jurisdictions, which primarily relate to transfer pricing, corporate reorganization and various other matters, may decrease by approximately \$3 million in the next 12 months due to audit settlements or statute expirations, of which approximately \$2 million, if recognized, could impact the effective tax rate

On July 11, 2013, Federal-Mogul Corporation became part of the Icahn Enterprises affiliated group of corporations as defined in Section 1504 of the Internal Revenue Code of 1986 ("the Code"), as amended, of which American Entertainment Properties Corp. ("AEP") is the common parent. The Company subsequently entered into a Tax Allocation Agreement (the "Tax Allocation Agreement") with AEP. Pursuant to the Tax Allocation Agreement, AEP and the Company have agreed to the allocation of certain income tax items. The Company will join AEP in the filing of AEP's federal consolidated return and certain state consolidated returns. In those jurisdictions where the Company is filing consolidated returns with AEP, the Company will pay to AEP any tax it would have owed had it continued to file separately. To the extent that the AEP consolidated group is able to reduce its tax liability as a result of including the Company in its consolidated group, AEP will pay the Company an amount equal to 20% of such reduction and the Company will carryforward for its own use under the Tax Allocation Agreement 80% of the items that caused the tax reduction (the "Excess Tax Benefits"). While a member of the AEP affiliated group the Company will reduce the amounts it would otherwise owe AEP by the Excess Tax Benefits. Moreover, if the Company should ever become deconsolidated from AEP, AEP will reimburse the Company for any tax liability in post-consolidation years the Company would not have paid had it actually had the Excess Tax Benefits for its own use. The cumulative payments to the Company by AEP post-consolidation cannot exceed the cumulative reductions in tax to the AEP group resulting from its use of the Excess Tax Benefits. Separate return methodology will be used in determining income taxes.

The Company's income taxes are further discussed in Note 16, *Income Taxes*, to the Consolidated Financial Statements, included in Item 8 of this report.

Discontinued Operations

In connection with its strategic planning process, the Company assesses its operations for market position, product technology and capability and profitability. Those businesses determined by management not to have a sustainable competitive advantage are considered non-core and may be considered for divestiture or other exit activities.

During the year ended December 31, 2013, the Company divested its sintered components operations located in France, its connecting rod manufacturing facility located in Canada, its camshaft foundry located in the United Kingdom and its fuel pump business, which included an aftermarket business component and a manufacturing and research and development facility located in the United States. These divestitures have been presented as discontinued operations in the consolidated statements of operations.

The Company's discontinued operations are further discussed in Note 6, *Discontinued Operations*, to the Consolidated Financial Statements, included in Item 8 of this report.

Liquidity and Capital Resources

Operating Activities

As summarized in the table below net cash provided from (used by) operating activities was \$278 million, \$418 million and \$(53) million for the years ended December 31, 2014, 2013 and 2012, respectively

	Years Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Operational cash flow before changes in operating assets and liabilities	\$ 296	\$ 318	\$ 203
Changes in operating assets and liabilities			
Accounts receivable	(47)	1	(197)
Inventories	(84)	(21)	(93)
Accounts payable	72	79	(2)
Other assets and liabilities	41	41	36
Total change in operating assets and liabilities	(18)	100	(256)
Net Cash Provided From (Used by) Operating Activities	\$ 278	\$ 418	\$ (53)

Operating cash flow before changes in operating assets and liabilities

Cash flow from operations before changes in operating assets and liabilities was \$296 million, \$318 million and \$203 million for the years ended December 31, 2014, 2013 and 2012, respectively

Cash flow from operations before changes in operating assets and liabilities was \$22 million lower for the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease mainly relates to higher interest expense, net of \$21 million, the increase in restructuring payments of \$25 million as well as the timing of cash dividends received from affiliates, partially offset by the change in deferred taxes.

Cash flow from operations before changes in operating assets and liabilities was \$115 million higher for the year ended December 31, 2013 compared to the year ended December 31, 2012. This was driven by the improvement in earnings in 2013 compared to 2012.

Cash inflow (outflow) from changes in operating assets and liabilities

The cash inflows (outflows) from changes in operating assets and liabilities were \$(18) million, \$100 million and \$(256) million for the years ended December 31, 2014, 2013 and 2012, respectively.

The cash outflow due to changes in accounts receivable for the year ended December 31, 2014 was \$47 million driven by the sales increase in the Powertrain division.

The cash inflow due to changes in accounts receivable for the year ended December 31, 2013 was \$1 million as term extensions with certain customers in the North American aftermarket reached plateau near the end of 2012.

The cash outflow due to changes in accounts receivable for the year ended December 31, 2012 of \$197 million was primarily the result of terms extensions with certain customers in the North American aftermarket.

The cash outflow due to changes in inventory of \$84 million for the year ended December 31, 2014 was driven by an outflow of \$43 million related to increased volumes within Powertrain and a \$41 million investment in inventory made as part of the strategic initiatives within Motorparts to improve customer service and delivery times.

The cash outflows due to changes in inventory of \$21 million and \$93 million for the years ended December 31, 2013 and 2012, respectively, are largely in support of increased customer service and delivery.

Investing Activities

Cash flow used by investing activities was \$735 million for the years ended December 31, 2014 which included \$321 million of payments to acquire businesses, net of cash acquired, which included \$15 million to acquire the DZV bearings business, \$140 million to acquire the Affinia chassis business, exclusive of \$9 million of contingent consideration classified within financing activities, \$156 million to acquire the Honeywell brake component business and other investments of \$10 million. The Company assumed \$10 million of pre-existing debt associated with the DZV bearings business acquisition. Capital expenditures of \$418 million were required to support future sales growth and productivity improvements.

Cash flow used by investing activities was \$355 million for the year ended December 31, 2013. During the year ended December 31, 2013, the Company divested its sintered components operations located in France, its connecting rod manufacturing facility located in Canada, its camshaft foundry located in the United Kingdom and its fuel pump business, which included an aftermarket business component and a manufacturing and research and development facility located in the United States. The Company recognized net proceeds of \$26 million associated with these divestitures. Capital expenditures of \$380 million were required to support future sales growth and productivity improvements.

Cash flow used by investing activities was \$427 million for the year ended December 31, 2012. During the year ended December 31, 2012, the Company entered into a definitive agreement to purchase the spark plug business from BorgWarner, Inc. The purchase was completed in September 2012 for \$52 million, net of cash acquired. Also during the year ended December 31, 2012, the Company received \$30 million in insurance proceeds directly associated with the Thailand manufacturing facility flood. Of the total proceeds, \$13 million was classified as investing. Capital expenditures of \$387 million were required to support future sales growth and productivity improvements.

Excluding acquisitions and divestitures, the expenditures for property, plant and equipment were \$418 million, \$380 million and \$387 million for the year ended December 31, 2014, 2013 and 2012, respectively. The increase in 2014 versus 2013 was all in the Motorparts division for the investment in its strategic growth initiatives.

Financing Activities and Liquidity

Cash flow provided from (used by) financing activities was \$35 million, \$242 million and \$(22) million for the years ended December 31, 2014, 2013, and 2012, respectively.

The cash flow from financing activities in 2014 was primarily from the financing of the term loan facilities.

On April 15, 2014, Federal-Mogul Holdings Corporation entered into a new tranche B term loan facility (the "New Tranche B Facility") and a new tranche C term loan facility (the "New Tranche C Facility," and together with the New Tranche B Facility, the "New Term Facilities"), which were arranged by Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC (the "Term Arrangers"), and assumed all of the obligations of Federal-Mogul Corporation with respect to the Replacement Revolving Facility under the Credit Agreement (both defined below). The New Term Facilities were entered into, and the Replacement Revolving Facility was assumed, by Federal-Mogul Holdings Corporation pursuant to an amendment dated as of April 15, 2014 to the previously existing Term Loan and Revolving Credit Agreement dated December 27, 2007 among Federal-Mogul Corporation, the lenders party thereto, the Term Arrangers, Citibank, N.A., as Revolving Administrative Agent, Citibank, N.A., as Tranche B Term Administrative Agent, Credit Suisse AG, as Tranche C Term Administrative Agent, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and Wells Fargo Bank, N.A. as Joint Lead Arrangers and Joint Bookrunners with respect to the Revolving Facility and Wells Fargo Bank, N.A., as sole Documentation Agent with respect to the Revolving Facility (as amended, the "Credit Agreement").

Immediately following the closing of the New Term Facilities, Federal-Mogul Holdings Corporation contributed all of the net proceeds from the New Facilities to Federal-Mogul Corporation, and Federal-Mogul Corporation repaid its existing outstanding indebtedness as a borrower under the tranche B and tranche C term loan facilities.

In accordance with FASB ASC Topic 405, *Extinguishments of Liabilities*, the Company recognized a \$24 million non-cash loss on the extinguishment of debt attributable to the write-off of the unamortized fair value adjustment and unamortized debt issuance costs which is recorded in the line item "Loss on Debt Extinguishment" in the Company's Condensed Consolidated Statements of Operations.

The New Term Facilities among other things, (i) provides for aggregate commitments under the New Tranche B Facility of \$700 million with a maturity date of April 15, 2018, (ii) provides for aggregate commitments under the New Tranche C Facility of \$1.9 billion with a maturity date of April 15, 2021, (iii) increases the interest rates applicable to the New Facilities as described below, (iv) provides that for all outstanding letters of credit there is a corresponding decrease in borrowings available under the Replacement Revolving Facility, (v) provides that in the event that as of a particular determination date more than \$700 million aggregate principal amount of existing term loans and certain related refinancing indebtedness will become due within 91 days of such determination date, the Replacement Revolving Facility will mature on such determination date, (vi) provides for additional incremental indebtedness, secured on a pari passu basis, of an unlimited amount of additional indebtedness if the Company meets a financial covenant incurrence test, and (vii) amends certain other restrictive covenants. Pursuant to the New Term Facilities, Federal-Mogul Holdings Corporation assumed all of the obligations of Federal-Mogul Corporation with respect to the Replacement Revolving Facility under the Credit Agreement.

Advances under the New Tranche B Facility generally bear interest at a variable rate per annum equal to (i) the Alternate Base Rate plus a margin of 2.00% or (ii) the Adjusted LIBOR Rate plus a margin of 3.00%, subject, in each case, to a floor of 1.00%. Advances under the New Tranche C Facility generally bear interest at a variable rate per annum equal to (i) the Alternate Base Rate plus a margin of 2.75% or (ii) the Adjusted LIBOR Rate plus a margin of 3.75%, subject, in each case, to a minimum rate of 1.00% plus the applicable margin.

The 2013 cash inflow was primarily the result of a \$500 million rights offering in July 2013, partially offset by a \$250 million prepayment on the Company's tranche B term loan in November 2013.

On December 6, 2013, the Company entered into an amendment (the "Replacement Revolving Facility") of its Term Loan and Revolving Credit Agreement dated as of December 27, 2007 (as amended, the "Credit Agreement"), among the Company, the lenders party thereto, Citicorp USA, Inc., as Administrative Agent, JPMorgan Chase Bank, N.A., as Syndication Agent, and Wachovia Capital Finance Corporation and Wells Fargo Foothill, LLC, as Co-Documentation Agents, to amend its existing revolving credit facility to provide for a replacement revolving credit facility (the "Replacement Revolving Facility"). The Replacement Revolving Facility, among other things, (i) increased the aggregate commitments available under the Replacement Revolving Facility from \$540 million to \$550 million, (ii) extended the maturity date of the Replacement Revolving Facility to December 6, 2018, subject to certain limited exceptions described below, and (iii) amended the Company's borrowing base to provide the Company with additional liquidity.

Advances under the Replacement Revolving Facility generally bear interest at a variable rate per annum equal to (i) the Alternate Base Rate (as defined in the Credit Agreement) plus an adjustable margin of 0.50% to 1.00% based on the average monthly availability under the Replacement Revolving Facility or (ii) Adjusted LIBOR Rate (as defined in the Credit Agreement) plus a margin of 1.50% to 2.00% based on the average monthly availability under the Replacement Revolving Facility. An unused commitment fee of 0.375% also is payable under the terms of the Replacement Revolving Facility.

The Company's ability to obtain cash adequate to fund its needs depends generally on the results of its operations, restructuring initiatives, and the availability of financing. Management believes that cash on hand, cash flow from operations, available borrowings under its New Facilities and its Replacement Revolving Facility and ability to secure additional borrowings will be sufficient to fund capital expenditures and meet its operating obligations through the end of 2015. In the longer term, the Company believes that its base operating potential supplemented by the benefits from its announced restructuring programs, will provide adequate long-term cash flows. However, there can be no assurance that such initiatives are achievable in this regard.

Off Balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements.

Contractual Obligations and Commercial Commitments

The Company has the following contractual obligations and commercial commitments outstanding at December 31, 2014

	2015	2016	2017	2018	2019	Thereafter	Total
	(Millions of Dollars)						
Debt obligations	\$ 127	\$ 28	\$ 29	\$ 696	\$ 19	\$ 1,801	\$ 2,700
Interest payments	129	121	121	121	93	93	678
Letters of credit	34	—	—	—	—	—	34
Pension and other postemployment benefit plans	135	85	83	70	64	318	755
Operating leases	41	40	31	20	17	44	193
Total	<u>\$ 466</u>	<u>\$ 274</u>	<u>\$ 264</u>	<u>\$ 907</u>	<u>\$ 193</u>	<u>\$ 2,256</u>	<u>\$ 4,360</u>

In addition, the Company estimates its 2015 capital expenditures to be in the range of \$450-\$500 million

Other Liquidity and Capital Resource Items

As of December 31, 2014, the Company had \$332 million of cash and cash equivalents, of which \$138 million was held by foreign subsidiaries in accordance with FASB ASC 740-30-25-17 through 19, the Company asserts that these funds are indefinitely reinvested due to operational and investing needs of the foreign locations. Furthermore, the Company will accrue any applicable taxes in the period when the Company no longer intends to indefinitely reinvest these funds. The Company would expect that the impact on cash taxes would be immaterial due to the availability of net operation loss carryforwards and related valuation allowances, earnings considered previously taxed, and applicable tax treaties.

The Company maintains investments in several non-consolidated affiliates, which are located in China, France, Germany, Korea, Turkey, India and the United States. With the exception of the deconsolidated business discussed below, the Company generally equates control to ownership percentage whereby investments that are more than 50% owned are consolidated.

As part of the regulatory approval related to the acquisition of certain business assets of the Honeywell brake component business, the Company committed to divest, or procure the divestiture of the commercial vehicle brake pads business relating to the original equipment/original equipment services ("OEM/OES") market in the European Economic Area ("EEA"), based at the manufacturing plant in Manenheide, Germany and light vehicle brake pads business relating to the OEM/OES market in the EEA, based at the manufacturing plant in Noyon, France (collectively, the "Divestment Business"). Furthermore, to the extent possible, the Company committed to keep the Divestment Business separate from the business(es) it is retaining, and unless explicitly permitted committed to ensure (i) management and staff have no involvement in the Divestment Business, (ii) certain key personnel of the Divestment Business have no involvement in any business retained by the Company and do not report to any individual outside the Divestment Business. As such, the Company deconsolidated its subsidiaries or group of assets which are subject to regulatory commitments and recorded an investment in unconsolidated subsidiary, which will be accounted for as an equity method investment until disposition.

The Company does not hold a controlling interest in an entity based on exposure to economic risks and potential rewards (variable interests) for which it is the primary beneficiary. Further, the Company's affiliations are businesses established and maintained in connection with its operating strategy and are not special purpose entities.

The following represents the Company's aggregate investments and direct ownership in these affiliates:

	December 31	
	2014	2013
	(Millions of Dollars)	
Investments in non-consolidated affiliates	\$ 269	\$ 253
Direct ownership percentages	2% to 100%	2% to 50%

The following table represents amounts reflected in the Company's financial statements related to non-consolidated affiliates:

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Equity earnings of non-consolidated affiliates	\$ 48	\$ 34	\$ 34
Cash dividends received from non-consolidated affiliates	25	33	31

The Company holds a 50% non-controlling interest in a joint venture located in Turkey ("Turkey JV"). The Turkey JV was established in 1995 for the purpose of manufacturing and marketing automotive parts, including pistons, piston rings, piston pins and cylinder liners to original equipment and aftermarket customers. The Company purchases/sells inventory from/to the Turkey JV. Purchases from the Turkey JV for the years ended December 31, 2014, 2013 and 2012 were \$180 million, \$152 million and \$150 million, respectively. Sales to the Turkey JV for the years ended December 31, 2014, 2013 and 2012 were \$45 million, \$44 million and \$45 million, respectively. The Company had net accounts payable balances with the Turkey JV of \$5 million and \$6 million as of December 31, 2014 and 2013, respectively.

Federal-Mogul subsidiaries in Brazil, France, Germany, Italy and the United States are party to accounts receivable factoring and securitization facilities. Amounts factored under these facilities consist of the following:

	December 31	
	2014	2013
	(Millions of Dollars)	
Gross accounts receivable factored	\$ 306	\$ 271
Gross accounts receivable factored, qualifying as sales	293	258
Undrawn cash on factored accounts receivable	2	—

Proceeds from the factoring of accounts receivable qualifying as sales and expenses associated with the factoring of accounts receivable are as follows:

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Proceeds from factoring qualifying as sales	\$ 1,679	\$ 1,482	\$ 1,475
Losses on sales of account receivables	(6)	(7)	(7)

Accounts receivables factored but not qualifying as a sale, as defined in FASB ASC Topic 860, *Transfers and Servicing*, were pledged as collateral and accounted for as secured borrowings and recorded in the consolidated balance sheets within "Accounts receivable, net" and "Short-term debt, including the current portion of long-term debt."

The losses on sales of accounts receivable are recorded in the consolidated statements of operations within "Other expense, net." Where the Company receives a fee to service and monitor these transferred receivables, such fees are sufficient to offset the costs and as such, a servicing asset or liability is not recorded as a result of such activities.

Certain of the facilities contain terms that require the Company to share in the credit risk of the sold receivables. The maximum exposures to the Company associated with these certain facilities' terms were \$17 million and \$21 million as of December 31, 2014 and 2013, respectively. The fair values of the exposures to the Company associated with these certain facilities' terms were determined to be immaterial.

Subsequent Events

On February 6, 2015, the Company completed the purchase of certain business assets of the TRW engine components business. The business was acquired through a combination of asset and stock purchases for a base purchase price of approximately \$313 million, funded primarily from the available Replacement Revolver Facility and subject to certain customary closing and post-closing adjustments. The purchase of TRW's engine valve business adds a completely new product line to the Company's portfolio, strengthens the Company's position as a leading developer and supplier of core components for engines, and enhances the Company's ability to support its customers to improve fuel economy and reduce emissions.

The assets acquired and liabilities assumed will be recorded at fair value as of the acquisition date in accordance with FASB ASC Topic No. 805, *Business Combinations*. The preliminary allocation of the purchase price will occur in the first quarter of 2015. There were no revenues or earnings related to TRW included in the Company's condensed consolidated statement of income.

On February 24, 2015, the Company announced that it intends to launch a registered rights offering on or about March 6, 2015. In the rights offering, each holder of the Company's common stock as of the close of business on the record date of March 6, 2015 will be issued, at no charge, one transferable subscription right for each whole share of common stock owned by that stockholder on the record date (the "basic subscription privilege"). The rights offering will also include an over-subscription privilege, which will entitle stockholders who exercise all of their subscription rights in the basic subscription privilege the right to purchase additional shares of common stock in the rights offering, subject to availability and pro rata allocation of shares among rights holders exercising such over-subscription privilege.

The Company will offer a number of shares of its common stock in the rights offering, inclusive of the over-subscription privilege, representing approximately \$250 million of gross proceeds. The Company plans to use the proceeds from the rights offering to strengthen its balance sheet.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to Note 7, *Financial Instruments*, to the Consolidated Financial Statements, included in Item 8 of this report, for information with respect to interest rate risk, commodity price risk and foreign currency risk.

The translated values of revenue and expense from the Company's international operations are subject to fluctuations due to changes in currency exchange rates. During the year ended December 31, 2014, the Company derived 36% of its sales in the United States and 64% internationally. Of these international sales, 57% are denominated in the euro, with no other single currency representing more than 10%. To minimize foreign currency risk, the Company generally maintains natural hedges within its non-U.S. activities, including the matching of operational revenues and costs. Where natural hedges are not in place, the Company manages certain aspects of its foreign currency activities and larger transactions through the use of foreign currency options or forward contracts. The Company estimates that a hypothetical 10% adverse movement of all foreign currencies in the same direction against the U.S. dollar over the year ended December 31, 2014 would have increased the net loss from continuing operations attributable to Federal-Mogul by approximately \$9 million.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934. Under the supervision and with the participation of the principal executive and financial officers of the Company, an evaluation of the effectiveness of internal controls over financial reporting was conducted based upon the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations (the "COSO 2013 Framework") of the Treadway Commission. Based on the evaluation performed under the COSO 2013 Framework as of December 31, 2014, management has concluded that the Company's internal control over financial reporting was effective.

The Company may omit an assessment of an acquired business's internal control over financial reporting from its assessment of internal control. Accordingly, the Company's management excluded the Honeywell brake component business acquisition from its assessment of the effectiveness of internal control over financial reporting as of December 31, 2014, however, the exclusion may not extend beyond one year from the date of acquisition nor may such assessment be omitted from more than one annual management report on internal control over financial reporting. The total assets of \$375 million and total net sales of \$250 million associated with the Honeywell brake component business acquisition are included in consolidated financial statements of the Company for the year ended December 31, 2014.

Grant Thornton LLP, an independent registered public accounting firm, has audited the Company's internal control over financial reporting as of December 31, 2014, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Federal-Mogul Holdings Corporation

We have audited the internal control over financial reporting of Federal-Mogul Holdings Corporation (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. Our audit of, and opinion on, the Company's internal control over financial reporting does not include the internal control over financial reporting of the Honeywell brake component business acquisition whose financial statements reflect total assets and revenues constituting 5 and 3 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014. As indicated in Management's Report, the Honeywell brake component business was acquired during 2014. Management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of the Honeywell brake component business.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2014, and our report dated February 26, 2015, expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Southfield, Michigan

February 26, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Federal-Mogul Holdings Corporation

We have audited the accompanying consolidated balance sheets of Federal-Mogul Holdings Corporation (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Federal-Mogul Holdings Corporation and subsidiaries as of December 31, 2014 and 2013 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, which did not include an audit of internal control over financial reporting of the Honeywell brake component business acquired in 2014 based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2015 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Southfield, Michigan

February 26, 2015

FEDERAL-MOGUL HOLDINGS CORPORATION

Consolidated Statements of Operations

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars, Except Per Share Amounts)		
Net sales	\$ 7,317	\$ 6,786	\$ 6,444
Cost of products sold	(6 260)	(5 766)	(5,531)
Gross profit	1,057	1 020	913
Selling, general and administrative expenses	(776)	(719)	(702)
OPEB curtailment gain	—	19	51
Adjustment of assets to fair value	(144)	(8)	(187)
Interest expense, net	(120)	(99)	(128)
Restructuring expense, net	(86)	(40)	(26)
Amortization expense	(49)	(47)	(49)
Equity earnings of non-consolidated affiliates	48	34	34
Loss on debt extinguishment	(24)	—	—
Other expense, net	(11)	(3)	(26)
(Loss) income from continuing operations before income taxes	(105)	157	(120)
Income tax (expense) benefit	(56)	(56)	29
(Loss) income from continuing operations	(161)	101	(91)
Loss from discontinued operations, net of tax	—	(52)	(19)
Net (loss) income	(161)	49	(110)
Less net income attributable to noncontrolling interests	(7)	(8)	(7)
Net (loss) income attributable to Federal-Mogul	\$ (168)	\$ 41	\$ (117)
<u>Amounts attributable to Federal-Mogul</u>			
Net (loss) income from continuing operations	\$ (168)	\$ 93	\$ (98)
Loss from discontinued operations, net of tax	—	(52)	(19)
Net (loss) income	\$ (168)	\$ 41	\$ (117)
<u>Net (loss) income per common share attributable to Federal-Mogul</u>			
<u>Basic and diluted</u>			
Net (loss) income from continuing operations	\$ (1 12)	\$ 0 75	\$ (0 99)
Loss from discontinued operations, net of tax	—	(0 42)	(0 19)
Net (loss) income	\$ (1 12)	\$ 0 33	\$ (1 18)

See accompanying notes to consolidated financial statements

FEDERAL-MOGUL HOLDINGS CORPORATION
Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Net (loss) income	\$ (161)	\$ 49	\$ (110)
Other comprehensive (loss) income			
Foreign currency translation adjustments and other	(248)	(11)	56
Postemployment benefits			
Net unrealized postemployment benefits (costs) credits arising during year	(314)	246	(211)
Reclassification of net postemployment benefits (credits) costs included in net (loss) income during year	7	(14)	(29)
Reclassification of net postemployment benefit losses of deconsolidated affiliates	3	—	—
Income taxes	22	(9)	27
Postemployment benefits, net of tax	(282)	223	(213)
Hedge instruments			
Net unrealized hedging (losses) gains arising during year	—	(7)	1
Reclassification of net hedging losses included in net (loss) income during year	—	14	47
Income taxes	(1)	1	(2)
Hedge instruments, net of tax	(1)	8	46
Other comprehensive (loss) income, net of tax	(531)	220	(111)
Comprehensive (loss) income	(692)	269	(221)
Less comprehensive (income) loss attributable to noncontrolling interests	8	(4)	(7)
Comprehensive (loss) income attributable to Federal-Mogul	\$ (684)	\$ 265	\$ (228)

See accompanying notes to consolidated financial statements

FEDERAL-MOGUL HOLDINGS CORPORATION
Consolidated Balance Sheets

		December 31	
		2014	2013
		(Millions of Dollars)	
ASSETS			
Current assets			
Cash and equivalents	\$	332	\$ 761
Accounts receivable, net		1 419	1 324
Inventories, net		1 215	1 068
Prepaid expenses and other current assets		225	224
Total current assets		3 191	3 377
Property, plant and equipment, net		2 160	2 038
Goodwill and other indefinite-lived intangible assets		928	1 017
Definite-lived intangible assets, net		354	356
Investments in non-consolidated affiliates		269	253
Other noncurrent assets		165	141
	\$	7 067	\$ 7 182
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt, including current portion of long-term debt	\$	127	\$ 1 694
Accounts payable		926	799
Accrued liabilities		546	454
Current portion of pensions and other postemployment benefits liability		46	44
Other current liabilities		186	147
Total current liabilities		1 831	3 138
Long-term debt		2 563	905
Pensions and other postemployment benefits liability		1 282	1 028
Long-term portion of deferred income taxes		389	383
Other accrued liabilities		93	127
Shareholders' equity			
Preferred stock (\$0.01 par value, 90 000 000 authorized shares, none issued)			
Common stock (\$0.01 par value, 450 100 000 authorized shares, 151 624 744 issued shares and 150 029 244 outstanding shares as of both December 31, 2014 and 2013)		2	2
Additional paid-in capital, including warrants		2 649	2 649
Accumulated deficit		(686)	(518)
Accumulated other comprehensive loss		(1 142)	(626)
Treasury stock, at cost		(17)	(17)
Total Federal-Mogul shareholders' equity		806	1 490
Noncontrolling interests		103	111
Total shareholders' equity		909	1 601
	\$	7 067	\$ 7 182

See accompanying notes to consolidated financial statements

FEDERAL-MOGUL HOLDINGS CORPORATION
Consolidated Statements of Cash Flows

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Cash Provided From (Used By) Operating Activities			
Net (loss) income	\$ (161)	\$ 49	\$ (110)
Adjustments to reconcile net (loss) income to net cash provided from (used by) operating activities			
Depreciation and amortization	334	296	289
Adjustment of assets to fair value	144	8	194
Restructuring expense, net	86	40	26
Payments against restructuring liabilities	(53)	(28)	(15)
Change in postemployment benefits, excluding curtailment gains	(75)	(72)	(66)
Equity earnings of non-consolidated affiliates	(48)	(34)	(34)
Cash dividends received from non-consolidated affiliates	25	33	31
Loss on debt extinguishment	24	—	—
OPEB curtailment gain	—	(19)	(51)
Deferred tax expense (benefit)	20	(2)	(78)
Net loss from business dispositions	—	47	—
Insurance proceeds related to Thailand flood	—	—	17
Changes in operating assets and liabilities			
Accounts receivable	(47)	1	(197)
Inventories	(84)	(21)	(93)
Accounts payable	72	79	(2)
Other assets and liabilities	41	41	36
Net Cash Provided From (Used By) Operating Activities	278	418	(53)
Cash Provided From (Used By) Investing Activities			
Expenditures for property, plant and equipment	(418)	(380)	(387)
Payments to acquire businesses net of cash acquired	(321)	—	(52)
Net proceeds associated with business dispositions	—	26	—
Net proceeds from sales of property plant and equipment	4	3	5
Insurance proceeds related to Thailand flood	—	—	13
Capital investment in non-consolidated affiliate	—	(4)	(6)
Net Cash Used By Investing Activities	(735)	(355)	(427)
Cash Provided From (Used By) Financing Activities			
Proceeds from term loans, net of original issue discount	2 589	—	—
Principal payments on term loans	(2 544)	(275)	(30)
Debt issuance costs	(12)	(4)	—
Contingent consideration to acquire business	(9)	—	—
Proceeds from equity rights offering, net of related fees	—	500	—
Increase in other long-term debt	12	2	—
Increase in short-term debt	—	23	6
Net (remittances) proceeds on servicing of factoring arrangements	(1)	(4)	2
Net Cash Provided From (Used By) Financing Activities	35	242	(22)
Effect of foreign currency exchange rate fluctuations on cash	(7)	(11)	16
(Decrease) Increase in cash and equivalents	(429)	294	(486)
Cash and equivalents at beginning of year	761	467	953
Cash and equivalents at end of year	<u>\$ 332</u>	<u>\$ 761</u>	<u>\$ 467</u>

See accompanying notes to consolidated financial statements

FEDERAL-MOGUL HOLDINGS CORPORATION
Consolidated Statements of Shareholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock at Cost	Total	Noncontrolling Interests
	(Millions of Dollars)						
Balance at January 1, 2012	\$ 1	\$ 2,150	\$ (442)	\$ (739)	\$ (17)	\$ 953	\$ 100
Net (loss) income	—	—	(110)	—	—	(110)	7
Less net income attributable to noncontrolling interests	—	—	(7)	—	—	(7)	—
Other comprehensive loss, net of tax	—	—	—	(111)	—	(111)	—
Balance at December 31, 2012	1	2,150	(559)	(850)	(17)	725	107
Net income	—	—	49	—	—	49	8
Less net income attributable to noncontrolling interests	—	—	(8)	—	—	(8)	—
Other comprehensive loss, net of tax	—	—	—	224	—	224	(4)
Equity rights offering	1	499	—	—	—	500	—
Balance at December 31, 2013	2	2,649	(518)	(626)	(17)	1,490	111
Net (loss) income	—	—	(161)	—	—	(161)	7
Less net income attributable to noncontrolling interests	—	—	(7)	—	—	(7)	—
Other comprehensive loss, net of tax	—	—	—	(516)	—	(516)	(15)
Balance at December 31, 2014	\$ 2	\$ 2,649	\$ (686)	\$ (1,142)	\$ (17)	\$ 806	\$ 103

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Holding Company Reorganization On April 15, 2014, Federal-Mogul Corporation completed a holding company reorganization (the "Reorganization"). As a result of the Reorganization, the outstanding shares of Federal-Mogul Corporation common stock were automatically converted on a one-for-one basis into shares of Federal-Mogul Holdings Corporation common stock, and all of the stockholders of Federal-Mogul Corporation immediately prior to the Reorganization automatically became stockholders of Federal-Mogul Holdings Corporation. The rights of stockholders of Federal-Mogul Holdings Corporation are generally governed by Delaware law and Federal-Mogul Holdings Corporation's certificate of incorporation and bylaws, which are the same in all material respects as those of Federal-Mogul Corporation immediately prior to the Reorganization. In addition, the board of directors of Federal-Mogul Holdings Corporation and its Audit Committee and Compensation Committee are composed of the same members as the board of directors, Audit Committee and Compensation Committee of Federal-Mogul Corporation prior to the Reorganization.

References herein to the "Company," "Federal-Mogul," "we," "us," "our" refer to Federal-Mogul Corporation for the period prior to the effective time of the Reorganization on April 15, 2014 and to Federal-Mogul Holdings Corporation for the period after the effective time of the Reorganization.

Financial Statement Presentation The audited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Principles of Consolidation The Company consolidates into its financial statements the accounts of the Company, all wholly-owned subsidiaries, and any partially-owned subsidiary that the Company has the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50% owned are consolidated, investments in affiliates of 50% or less but greater than 20% are accounted for using the equity method, and investments in affiliates of 20% or less are accounted for using the cost method. See Note 12, *Investment in Non-consolidated Affiliates* for discussion regarding the Company's subsidiaries that are subject to regulatory control.

The Company does not consolidate any entity for which it has a variable interest based solely on power to direct the activities and significant participation in the entity's expected results that would not otherwise be consolidated based on control through voting interests. Further, the Company's affiliates are businesses established and maintained in connection with the Company's operating strategy. All intercompany transactions and balances have been eliminated.

In 2012, the Company began exiting substantially all its activities in Venezuela with only residual cash and de minimis administrative costs remaining in 2014. In the fourth quarter of 2014, the Company concluded that the inability to freely exchange currency between the Venezuelan bolivar currency and the U.S. dollar coupled with the significant government regulations and restrictions currently in place, which are expected to continue or worsen, severely limits its ability to manage and control its Venezuelan operations. As a result, the Company's Venezuelan subsidiary was deconsolidated as of December 31, 2014. The impact of the deconsolidation was a \$2 million dollar charge included in the results of operations for the year ended December 31, 2014.

Use of Estimates The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from these estimates.

Controlling Ownership As of December 31, 2014, Mr. Carl C. Icahn indirectly controls approximately 80.73% of the voting power of the Company's capital stock and, by virtue of such stock ownership, is able to control or exert substantial influence over the Company, including the election of directors, business strategy and policies, mergers or other business combinations, acquisition or disposition of assets, future issuances of common stock or other securities, incurrence of debt or obtaining other sources of financing, and the payment of dividends on the Company's common stock. The existence of a controlling stockholder may have the effect of making it difficult for, or may discourage or delay, a third party from seeking to acquire a majority of the Company's outstanding common stock, which may adversely affect the market price of the stock.

Mr. Icahn's interests may not always be consistent with the Company's interests or with the interests of the Company's other stockholders. Mr. Icahn and entities controlled by him may also pursue acquisitions or business opportunities that may or may not be complementary to the Company's business. To the extent that conflicts of interest may arise between the Company and Mr. Icahn and his affiliates, those conflicts may be resolved in a manner adverse to the Company or its other shareholders.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Related Party Icahn Sourcing, LLC ("Icahn Sourcing") is an entity formed by Mr Icahn in order to maximize the potential buying power of a group of entities with which Mr Icahn has a relationship in negotiating with a wide range of suppliers of goods, services and tangible and intangible property at negotiated rates. The Company was a member of the buying group in 2012. Prior to December 31, 2012, the Company did not pay Icahn Sourcing any fees or other amounts with respect to the buying group arrangement.

In December, 2012, Icahn Sourcing advised the Company that effective January 1, 2013 it would restructure its ownership and change its name to Insight Portfolio Group LLC ("Insight Portfolio Group"). In connection with the restructuring, the Company acquired a minority equity interest in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group's operating expenses in 2013. In addition to the minority equity interest held by the Company, certain subsidiaries of Icahn Enterprises Holdings, including CVR, Tropicana, ARI, Viskase PSC Metals and WPH also acquired minority equity interests in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group's operating expenses. A number of other entities with which Mr Icahn has a relationship also acquired equity interests in Insight Portfolio Group and also agreed to pay certain operating expenses.

The Company's payments to Insight Portfolio Group were less than \$0.5 million for both of the years ended December 31, 2014 and 2013. The Company anticipates its 2015 payments to Insight Portfolio Group to be similar to the amounts paid in 2014.

Cash and Equivalents The Company considers all highly liquid investments with maturities of 90 days or less from the date of purchase to be cash equivalents.

Divestitures In connection with its strategic planning process, the Company assesses its operations for market position, product technology and capability, and profitability. Those businesses determined by management not to have a sustainable competitive advantage are considered non-core and may be considered for divestiture or other exit activities. During the year ended December 31, 2013, the Company divested its sintered components operations located in France, its connecting rod manufacturing facility located in Canada, its camshaft foundry located in the United Kingdom and its fuel pump business, which included an aftermarket business component and a manufacturing and research and development facility located in the United States. These divestitures have been presented as discontinued operations in the consolidated statements of operations. See Note 6, *Discontinued Operations*, for further details.

Trade Accounts Receivable and Allowance for Doubtful Accounts Trade accounts receivable is stated at net realizable value, which approximates fair value. The Company does not generally require collateral for its trade accounts receivable. Accounts receivable is reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is based primarily on management's evaluation of specific balances as the balances become past due, the financial condition of its customers and the Company's historical experience of write-offs. The Company's general policy for uncollectible accounts, if not reserved through specific examination procedures, is to reserve based upon the aging categories of accounts receivable and whether amounts are due from an original equipment manufacturer or servicer ("OE") or aftermarket customer. Past due status is based upon the invoice date of the original amounts outstanding. Included in selling, general and administration ("SG&A") expenses are bad debt expenses of \$5 million, \$3 million and \$2 million for the years ended December 31, 2014, 2013 and 2012, respectively. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company's allowance for doubtful accounts was \$11 million at both December 31, 2014 and 2013.

Federal-Mogul subsidiaries in Brazil, France, Germany, Italy and the United States are party to accounts receivable factoring and securitization facilities. Amounts factored under these facilities consist of the following:

	December 31	
	2014	2013
	(Millions of Dollars)	
Gross accounts receivable factored	\$ 306	\$ 271
Gross accounts receivable factored, qualifying as sales	293	258
Undrawn cash on factored accounts receivable	2	—

Proceeds from the factoring of accounts receivable qualifying as sales and expenses associated with the factoring of accounts receivable are as follows:

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Proceeds from factoring qualifying as sales	\$ 1,679	\$ 1,482	\$ 1,475
Losses on sales of account receivables	(6)	(7)	(7)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Accounts receivables factored but not qualifying as a sale, as defined in FASB Topic 860, *Transfers and Servicing*, were pledged as collateral and accounted for as secured borrowings and recorded in the consolidated balance sheets within 'Accounts receivable, net' and 'Short-term debt, including the current portion of long-term debt'.

The losses on sales of accounts receivable are recorded in the consolidated statements of operations within "Other expense, net." Where the Company receives a fee to service and monitor these transferred receivables, such fees are sufficient to offset the costs and as such, a servicing asset or liability is not recorded as a result of such activities.

Certain of the facilities contain terms that require the Company to share in the credit risk of the sold receivables. The maximum exposures to the Company associated with these certain facilities' terms were \$17 million and \$21 million as of December 31, 2014 and 2013, respectively. The fair values of the exposures to the Company associated with these certain facilities' terms were determined to be immaterial.

Inventories The Company values inventory at the lower of cost or market, with cost determined on a first-in, first-out ("FIFO") basis. Cost of inventory includes direct materials, labor and applicable manufacturing overhead costs. The value of inventories are reduced for excess and obsolete inventories based on management's review of on-hand inventories compared to historical and estimated future sales and usage.

Long-Lived Assets As a result of fresh-start reporting, long-lived assets such as property, plant and equipment ("PP&E") that were purchased prior to January 1, 2008 were stated at estimated replacement cost, unless the expected future use of the assets indicated a lower value was appropriate. PP&E purchased since that time are recorded at cost. Definite-lived intangible assets have been stated at fair value established at emergence and at cost thereafter. Long-lived assets are periodically reviewed for impairment indicators. If impairment indicators exist, the Company performs the required analysis and records an impairment charge, if required, in accordance with the subsequent measurement provisions of FASB ASC Topic 360, *Property Plant & Equipment*. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Depreciation and amortization is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes.

Goodwill As of December 31, 2007, in accordance with fresh-start reporting, goodwill was determined as the excess of reorganization value over amounts attributable to specific tangible and intangible assets, including developed technology and customer relationships. Goodwill is reviewed for impairment annually as of October 1, or more frequently if impairment indicators exist, in accordance with the subsequent measurement provisions of FASB ASC Topic 350, *Intangibles – Goodwill and Other*. This impairment analysis compares the fair values of the Company's reporting units to their related carrying values. If a reporting unit's carrying value exceeds its fair value, the Company must then calculate the reporting unit's implied fair value of goodwill and impairment charges are recorded for any excess of the goodwill carrying value over the implied fair value of goodwill. The reporting units' fair values are based upon consideration of various valuation methodologies, including projected future cash flows discounted at rates commensurate with the risks involved, guideline transaction multiples, and multiples of current and future earnings.

Trademarks and Brand Names As of December 31, 2007, trademarks and brand names were stated at fair value as a result of fresh-start reporting. These indefinite-lived intangible assets are reviewed for impairment annually as of October 1, or more frequently if impairment indicators exist, in accordance with the subsequent measurement provisions of FASB ASC Topic 350, *Intangibles – Goodwill and Other*. This impairment analysis compares the fair values of these assets to the related carrying values, and impairment charges are recorded for any excess of carrying values over fair values. These fair values are based upon the prospective stream of hypothetical after-tax royalty cost savings discounted at rates that reflect the rates of return appropriate for these intangible assets.

Pension and Other Postemployment Obligations Pension and other postemployment benefit costs are dependent upon assumptions used in calculating such costs. These assumptions include discount rates, health care cost trends, expected returns on plan assets and other factors. In accordance with US GAAP, actual results that differ from the assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods.

Revenue Recognition The Company records sales when products are shipped and the risks and rewards of ownership have transferred to the customer, the sales price is fixed and determinable, and the collectability of revenue is reasonably assured. Accruals for sales returns and other allowances are provided at point of sale based upon past experience. Adjustments to such returns and allowances are made as new information becomes available.

Rebates The Company accrues for rebates pursuant to specific arrangements with certain of its customers, primarily in the aftermarket. Rebates generally provide for price reductions based upon the achievement of specified purchase volumes and are recorded as a reduction of sales as earned by such customers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Sales and Sales Related Taxes The Company collects and remits taxes assessed by various governmental authorities that are both imposed on and concurrent with revenue-producing transactions with its customers. These taxes may include, but are not limited to, sales, use, value-added, and some excise taxes. The collection of these taxes is reported on a net basis (excluded from revenues).

Shipping and Handling Costs The Company recognizes shipping and handling costs as incurred as a component of cost of products sold in the consolidated statements of operations.

Engineering and Tooling Costs Pre-production tooling and engineering costs that the Company will not own and that will be used in producing products under long-term supply arrangements are expensed as incurred unless the supply arrangement provides the Company with the noncancelable right to use the tools, or the reimbursement of such costs is agreed to by the customer. Pre-production tooling costs that are owned by the Company are capitalized as part of machinery and equipment, and are depreciated over the shorter of the tool's expected life or the duration of the related program.

Research and Development The Company expenses research and development ("R&D") costs as incurred. R&D expense, including product engineering and validation costs, was \$192 million, \$173 million and \$173 million for the years ended December 31, 2014, 2013 and 2012, respectively. R&D expense is recorded in the consolidated statements of operations within "Selling, general and administrative expenses."

Advertising Costs Advertising and promotion expenses for continuing operations are expensed as incurred and were \$47 million, \$41 million and \$37 million for the years ended December 31, 2014, 2013 and 2012, respectively. Advertising and promotion expenses are recorded in the consolidated statements of operations within "Selling, general and administrative expenses."

Restructuring The costs contained within "Restructuring expense, net" in the Company's consolidated statements of operations are comprised of two types: employee costs (principally termination benefits) and facility closure costs. Termination benefits are accounted for in accordance with FASB ASC Topic 712, *Compensation - Nonretirement Postemployment Benefits* and are recorded when it is probable that employees will be entitled to benefits and the amounts can be reasonably estimated. Estimates of termination benefits are based on the frequency of past termination benefits, the similarity of benefits under the current plan and prior plans, and the existence of statutory required minimum benefits. Termination benefits are also accounted for in accordance with FASB ASC Topic 420, *Exit or Disposal Cost Obligations* ("FASB ASC 420"), for one-time termination benefits and are recorded dependent upon future service requirements. Facility closure and other costs are accounted for in accordance with FASB ASC 420 and are recorded when the liability is incurred.

Foreign Currency Translation Exchange adjustments related to international currency transactions and translation adjustments for international subsidiaries whose functional currency is the United States dollar (principally those located in highly inflationary economies) are reflected in the consolidated statements of operations. Translation adjustments of international subsidiaries for which the local currency is the functional currency are reflected in the consolidated balance sheets as a component of "Accumulated other comprehensive loss." Deferred taxes are not provided on translation adjustments as the earnings of the subsidiaries are considered to be permanently reinvested.

Environmental Liabilities The Company recognizes environmental liabilities in accordance with FASB ASC Topic 410, *Asset Retirement and Environmental Obligations* when a loss is probable and reasonably estimable. Such liabilities are generally not subject to insurance coverage. Engineering and legal specialists within the Company estimate each environmental obligation based on current law and existing technologies. Such estimates are based primarily upon the estimated cost of investigation and remediation required and the likelihood that other potentially responsible parties will be able to fulfill their commitments at the sites where the Company may be jointly and severally liable with such parties. The Company regularly evaluates and revises its estimates for environmental obligations based on expenditures against established accruals and the availability of additional information.

Asset Retirement Obligations The Company records asset retirement obligations ("ARO") in accordance with FASB ASC 410, *Asset Retirement and Environmental Obligations*. The Company's primary ARO activities relate to the removal of hazardous building materials at its facilities. The Company records ARO when amounts can be reasonably estimated, typically upon the expectation that facilities may be closed or sold.

Derivative Financial Instruments The Company uses interest rate swaps, commodity forward contracts and currency swaps to manage volatility of underlying exposures. The Company recognizes all of its derivative instruments as either assets or liabilities at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated, and is effective, as a hedge and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. Gains and losses related to a hedge are either recognized in income immediately to offset the gain or loss on the hedged item or are deferred and reported as a component of "Accumulated other comprehensive loss" and subsequently recognized in earnings when the hedged item affects

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

earnings. The change in fair value of the ineffective portion of a financial instrument, determined using the hypothetical derivative method, is recognized in earnings immediately. The gain or loss related to financial instruments that are not designated as hedges are recognized immediately in earnings. Cash flows related to hedging activities are included in the operating section of the consolidated statements of cash flows. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The Company's objectives for holding derivatives are to minimize risks using the most effective and cost-efficient methods available.

New Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-8, *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This ASU is effective for disposals that occur within annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015. This ASU elevates the threshold for a disposal to qualify as discontinued operations and significantly expands the disclosure requirements for transactions that meet the criteria for discontinued operations. The Company is currently evaluating the impact that the adoption of this guidance will have on its financial position, results of operations, comprehensive income, cash flows and/or disclosures.

In May 2014, the FASB issued ASU No. 2014-9, *Revenue from Contracts with Customers (Topic 606)*. This ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. This ASU clarifies the principles for recognizing revenue and provides a common revenue standard for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The Company is currently evaluating the impact that the adoption of this guidance will have on its financial position, results of operations, comprehensive income, cash flows and/or disclosures.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation-Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. This ASU is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2015. The Company is currently evaluating the impact that the adoption of this guidance will have on its financial position, results of operations, comprehensive income, cash flows and/or disclosures.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern (subtopic 205-40)*. This ASU is effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter, and defines management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The Company expects the adoption of this guidance will have no impact on the Company's financial position, results of operations, comprehensive income, cash flows and disclosures.

In November 2014, the FASB issued ASU No. 2014-16, *Derivatives and Hedging (Topic 815) Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity*. This ASU is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The Company expects the adoption of this guidance will have no impact on the Company's financial position, results of operations, comprehensive income, cash flows and disclosures.

In November 2014, the FASB issued ASU No. 2014-17, *Business Combinations (Topic 805) Pushdown Accounting*. This ASU is effective on November 18, 2014 and provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The Company expects the adoption of this guidance will have no impact on the Company's financial position, results of operations, comprehensive income, cash flows and disclosures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

2 RESTRUCTURING

The Company's restructuring activities are undertaken as necessary to execute management's strategy and streamline operations, consolidate and take advantage of available capacity and resources, and ultimately achieve net cost reductions. Restructuring activities include efforts to integrate and rationalize the Company's businesses and to relocate manufacturing operations to best cost manufacturing locations.

The costs contained within "Restructuring expense, net" in the Company's consolidated statements of operations contain two types: employee costs (principally termination benefits) and facility closure and other costs. Termination benefits are accounted for in accordance with FASB ASC Topic 712, *Compensation - Nonretirement Postemployment Benefits*, and are recorded when it is probable that employees will be entitled to benefits and the amounts can be reasonably estimated. Estimates of termination benefits are based on the frequency of past termination benefits, the similarity of benefits under the current plan and prior plans, and the existence of statutory required minimum benefits. Termination benefits are also accounted for in accordance with FASB ASC Topic 420, *Exit or Disposal Cost Obligations* ("FASB ASC 420"), for one-time termination benefits and are recorded dependent upon future service requirements. Facility closure and other costs are accounted for in accordance with FASB ASC 420 and are recorded when the liability is incurred.

Estimates of restructuring charges are based on information available at the time such charges are recorded. In certain countries where the Company operates, statutory requirements include involuntary termination benefits that extend several years into the future. Accordingly, severance payments continue well past the date of termination at many international locations. Thus, restructuring programs appear to be ongoing when, in fact, terminations and other activities have been substantially completed.

Restructuring opportunities include potential plant closures and employee headcount reductions in various countries that require consultation with various parties including, but not limited to, unions/works councils, local governments and/or customers. The consultation process can take a significant amount of time and impact the final outcome and timing. The Company's policy is to record a provision for qualifying restructuring costs in accordance with the applicable accounting guidance when the outcome of such consultations becomes probable.

Management expects to finance its restructuring programs through cash generated from its ongoing operations or through cash available under its existing credit facility, subject to the terms of applicable covenants. Management does not expect that the execution of these programs will have an adverse impact on its liquidity position.

The following table is a summary of the Company's consolidated restructuring liabilities and related activity for 2014, 2013 and 2012 by reporting segment.

	Powertrain	Motorparts	Total Reporting Segment	Corporate	Total Company
	(Millions of Dollars)				
Balance at January 1, 2012	\$ 6	\$ 1	\$ 7	\$ 1	\$ 8
Provisions	6	16	22	4	26
Reversals	(1)	—	(1)	—	(1)
Payments	(7)	(6)	(13)	(2)	(15)
Reclassifications to pension liability	—	(6)	(6)	—	(6)
Balance at December 31, 2012	4	5	9	3	12
Provisions	20	20	40	4	44
Reversals	(3)	—	(3)	(1)	(4)
Payments	(13)	(11)	(24)	(4)	(28)
Balance at December 31, 2013	8	14	22	2	24
Provisions	59	27	86	1	87
Reversals	—	(1)	(1)	—	(1)
Payments	(27)	(24)	(51)	(2)	(53)
Foreign Currency	(4)	—	(4)	—	(4)
Balance at December 31, 2014	\$ 36	\$ 16	\$ 52	\$ 1	\$ 53

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table provides a summary of the Company's consolidated restructuring liabilities and related activity for each type of exit cost for 2014, 2013 and 2012. As the table indicates, facility closure costs are typically paid within the year of incurrence.

	Employee Costs	Facility Closure and Other Exit Costs	Total
	(Millions of Dollars)		
Balance at January 1, 2012	\$ 8	\$ —	\$ 8
Provisions	25	1	26
Reversals	(1)	—	(1)
Payments	(14)	(1)	(15)
Reclassification to pension liability	(6)	—	(6)
Balance at December 31, 2012	12	—	12
Provisions	41	3	44
Reversals	(4)	—	(4)
Payments	(25)	(3)	(28)
Balance at December 31, 2013	24	—	24
Provisions	77	10	87
Reversals	(1)	—	(1)
Payments	(45)	(8)	(53)
Foreign Currency	(4)	—	(4)
Balance at December 31, 2014	\$ 51	\$ 2	\$ 53

Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially estimated. Accordingly, the Company reversed \$1 million, \$4 million and \$1 million of previously recorded liabilities in 2014, 2013 and 2012, respectively. Such reversals result from changes in estimated amounts to accomplish previously planned activities, changes in expected (based on historical practice) outcome of negotiations with labor unions, which reduced the level of originally committed actions, newly implemented government employment programs, which lowered the expected cost, and changes in approach to accomplish restructuring activities.

Activities under Restructuring Programs

The Company has initiated approved restructuring activities as part of a broader initiative to improve operating performance and reduce cost.

The following table provides a summary of the Company's restructuring activities which commenced in the first quarter of 2013 and through December 31, 2014. The Company will continue to evaluate its activities and opportunities to align its business with executive management's strategy.

	Total Expected Costs	Costs in 2013	Costs in 2014	Estimated Additional Costs
	(Millions of Dollars)			
Employee costs	\$ 127	\$ 38	\$ 76	\$ 13
Facility closure and other exit costs	7	1	6	—
	\$ 134	\$ 39	\$ 82	\$ 13

3. ADJUSTMENT OF ASSETS TO FAIR VALUE

The Company recorded total impairment charges for the years ended December 31, 2014, 2013 and 2012 as follows

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Goodwill	\$ 120	\$ —	\$ 96
Property, plant and equipment	19	8	43
Investments in non-consolidated affiliates	5	—	2
Other indefinite-lived intangible assets	—	—	46
	<u>\$ 144</u>	<u>\$ 8</u>	<u>\$ 187</u>

Impairments of goodwill and other indefinite-lived intangible assets are discussed further in Note 8, *Fair Value Measurements* and Note 11, *Goodwill and Other Intangible Assets*

The Company recorded impairment charges to adjust property plant and equipment to their fair values in accordance with the subsequent measurement provisions of FASB ASC Topic 360, *Property Plant & Equipment*. Adjustments of property, plant and equipment to fair value are discussed further in Note 8, *Fair Value Measurements*

The impairment of the Company's investment in non-consolidated affiliates is discussed further in Note 12, *Investment in Non-consolidated Affiliates*

The impairment of property, plant and equipment by reporting segment for the years ended December 31, 2014, 2013 and 2012 are as follows

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ 7	\$ 5	\$ 19
Motorparts	12	2	23
Corporate	—	1	1
	<u>\$ 19</u>	<u>\$ 8</u>	<u>\$ 43</u>

The 2012 property plant and equipment impairment excludes \$7 million related to discontinued operations. Discontinued operations are further discussed in Note 6, *Discontinued Operations*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

4 OTHER EXPENSE, NET

The specific components of "Other expense, net" are as follows

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Legal separation costs	\$ (10)	\$ —	\$ —
Foreign currency exchange	(7)	(10)	(18)
Losses on sales of account receivables	(6)	(7)	(7)
Third party royalty income	7	8	3
Unrealized gain on hedge instruments	1	—	—
Adjustment of Chapter 11 accrual	—	4	—
Other	4	2	(4)
	<u>\$ (11)</u>	<u>\$ (3)</u>	<u>\$ (26)</u>

Foreign currency exchange The Company recognized \$7 million, \$10 million and \$18 million in foreign currency exchange losses during the years ended December 31, 2014, 2013 and 2012, respectively. Of the \$18 million in foreign currency exchange losses during the year ended December 31, 2012, \$10 million related to unrealized losses associated with outstanding foreign currency hedge contracts that settled during 2013. See Note 7, *Financial Instruments*, for further details.

5 ACQUISITIONS

On May 1, 2014, the Company completed the Affinia chassis business acquisition. This business serves leading U.S. aftermarket customers with private label chassis product lines and will allow the Company to broaden its product offering, provide operational synergies and better service customers globally. The purchase price was \$149 million, net of acquired cash. The Company paid \$140 million in the second quarter of 2014 and \$9 million in the third quarter of 2014.

A valuation of the assets from the Affinia chassis business acquisition resulted in \$71 million allocated to tangible net assets, \$26 million allocated to goodwill, and \$51 million allocated to other intangible assets based on estimated fair values as of the acquisition date as determined by third party valuation specialists. The valuation of assets was performed utilizing cost, income and market approaches.

On July 11, 2014, the Company completed the purchase of certain business assets of the Honeywell brake component business including two recently established manufacturing facilities in China and Romania which substantially strengthens the manufacturing and engineering capabilities of the Company's current global braking portfolio. The business was acquired through a combination of asset and stock purchases for a base purchase price of \$169 million and a provisional estimate of \$15 million subject to certain customary post-closing adjustments, contingent consideration and other liabilities.

A valuation of the assets from the Honeywell brake component business acquisition was performed utilizing cost, income and market approaches resulting in \$184 million allocated to tangible net assets.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company is in the process of finalizing certain customary post-closing adjustments which could have an effect on the third-party valuations of certain tangible assets; thus, the provisional measurements of net assets are subject to change.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

	Preliminary Estimated Fair Value	Measurement Period Adjustments	Estimated Fair Value as of December 31, 2014
	(Millions of Dollars)		
Cash, net of assumed debt	\$ 6	\$ —	\$ 6
Accounts receivable, net	108	—	108
Inventory, net	77	(2)	75
Property, plant and equipment, net	164	25	189
Accounts payable	(107)	—	(107)
Acquired post-employment benefits	(60)	(21)	(81)
Other net assets	(4)	(2)	(6)
Total identifiable net assets	\$ 184	\$ —	\$ 184

The initial allocations of purchase price were recorded at the estimated fair value of assets acquired and liabilities assumed based upon the best information available to management. The measurement period adjustments reflect additional information obtained to record the fair value of certain assets acquired and liabilities assumed based on facts and circumstances existing as of the acquisition date.

The following proforma results for the years ended December 31, 2014 and 2013 assumes the Affinia chassis business acquisition and the purchase of Honeywell's brake component business already occurred as of the beginning of 2013 and is inclusive of provisional purchase price adjustments. The proforma results are not necessarily indicative of the results that actually would have been obtained.

	Year Ended December 31	
	2014	2013
	(Millions of Dollars, Except Per Share Amounts)	
	Unaudited	
Net sales	\$ 7,673	\$ 7,510
Net income (loss) attributable to Federal-Mogul	\$ (172)	\$ 11
Earnings (loss) per share attributable to Federal-Mogul - basic and diluted	\$ (1.14)	\$ 0.09

During the year ended December 31, 2014, the Company recorded \$1 million in transaction related expenses associated with the Affinia chassis business acquisition and \$6 million in transaction related expenses associated with the Honeywell brake component acquisition. During the year ended December 31, 2013, the Company recorded \$1 million in transaction related expenses associated with the Affinia chassis business acquisition and \$3 million in transaction related expenses associated with the Honeywell brake component acquisition. All of these transaction related expenses are recorded in selling, general and administrative expenses within the consolidated statement of operations.

6. DISCONTINUED OPERATIONS

In connection with its strategic planning process, the Company assesses its operations for market position, product technology and capability, and profitability. Those businesses not core to the Company's long-term portfolio may be considered for divestiture or other exit activities.

During March 2013, the Company's Powertrain Segment completed the divestiture of its sintered components operations located in France. This disposal resulted in a \$48 million net loss (no income tax impact) which is included in "Loss from discontinued operations, net of tax" during the year ended December 31, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

During June 2013, the Company's Powertrain Segment completed the divestiture of its connecting rod manufacturing facility located in Canada and its camshaft foundry located in the United Kingdom. This disposal resulted in a \$6 million net loss (no income tax impact), which is included in "Loss from discontinued operations, net of tax" during the year ended December 31, 2013.

During September 2013, the Company completed the divestiture of its fuel pump business. This disposal resulted in a \$7 million net gain (inclusive of a \$2 million tax benefit), which is included in "Loss from discontinued operations, net of tax" during the year ended December 31, 2013. As certain employees at the fuel pump manufacturing facility participated in the Company's US Welfare Benefit Plan, the Company had this plan re-measured due to its curtailment implications. The termination of those employees and the related reduction in the average remaining future service period to the full eligibility date of the remaining active plan participants in the US Welfare Benefit Plan triggered a \$19 million OPEB curtailment gain which is included in "Loss on sale of discontinued operations" during the year ended December 31, 2013.

Operating results related to discontinued operations are as follows:

	Year Ended December 31	
	2013	2012
	(Millions of Dollars)	
Net sales	\$ 119	\$ 220
Cost of products sold	(119)	(222)
Gross profit	—	(2)
Selling, general and administrative expenses	(6)	(9)
Adjustment of assets to fair value	—	(7)
Other income (expense), net	1	(1)
Operating loss (no income tax impact)	(5)	(19)
Loss on sale of discontinued operations (net of tax benefit of \$2 million for the year ended December 31, 2013)	(47)	—
Loss from discontinued operations, net of tax	\$ (52)	\$ (19)

7. FINANCIAL INSTRUMENTS

Commodity Price Risk

The Company's production processes are dependent upon the supply of certain raw materials that are exposed to price fluctuations on the open market. The primary purpose of the Company's commodity price forward contract activity is to manage the volatility associated with forecasted purchases. The Company monitors its commodity price risk exposures regularly to maximize the overall effectiveness of its commodity forward contracts. Principal raw materials hedged include natural gas, copper, nickel, tin, zinc, high-grade aluminum and aluminum alloy. Forward contracts are used to mitigate commodity price risk associated with raw materials, generally related to purchases forecast for up to fifteen months in the future.

Information regarding the Company's outstanding commodity price hedge contracts is as follows:

	December 31	
	2014	2013
	(Millions of Dollars)	
Combined notional value	\$ 36	\$ 51
Combined notional value designated as hedging instruments	36	51
Unrealized net (loss) recorded in "Accumulated other comprehensive loss"	(1)	(1)

Substantially all of the commodity price hedge contracts mature within one year.

Foreign Currency Risk

The Company manufactures and sells its products in North America, South America, Asia, Europe and Africa. As a result, the Company's financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets in which the Company manufactures and sells its products. The Company's operating results are primarily exposed to changes in exchange rates between the US dollar and European currencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company generally tries to use natural hedges within its foreign currency activities, including the matching of revenues and costs, to minimize foreign currency risk. Where natural hedges are not in place, the Company considers managing certain aspects of its foreign currency activities and larger transactions through the use of foreign currency options or forward contracts. Principal currencies hedged have historically included the euro, British pound and Polish zloty. Foreign currency forwards are also used in conjunction with the Company's commodity hedging program. In order to obtain critical terms match for commodity exposure, the Company engages the use of foreign exchange contracts.

Information regarding the Company's outstanding foreign currency hedge contracts is as follows:

	December 31	
	2014	2013
	(Millions of Dollars)	
Combined notional value	\$ —	\$ 12
Combined notional value designated as hedging instruments	—	12
Unrealized net (loss) recorded in "Accumulated other comprehensive loss"	—	(1)

The Company does not hold any foreign currency price hedge contracts as of December 31, 2014.

During 2013, foreign currency contracts not designated as hedging instruments were entered into by the Company in order to offset fluctuations in consolidated earnings caused by changes in currency rates used to translate earnings at foreign subsidiaries into US dollars over 2013. These contracts were not designated as hedging instruments for accounting purposes and were marked to market through the income statement.

Interest Rate Risk

The Company, during 2008, entered into a series of five-year interest rate swap agreements with a total notional value of \$1.190 billion to hedge the variability of interest payments associated with its variable-rate term loans. As of December 31, 2013, all of these five-year interest rate swap agreements had expired.

Other

The Company presents its derivative positions and any related material collateral under master netting agreements on a net basis. For derivatives designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness. Unrealized gains and losses associated with ineffective hedges, determined using the hypothetical derivative method, are recognized in "Other (expense) income, net." Derivative gains and losses included in "Accumulated other comprehensive loss" for effective hedges are reclassified into operations upon recognition of the hedged transaction. Derivative gains and losses associated with undesignated hedges are recognized in "Other (expense) income, net" for outstanding hedges and "Cost of products sold" or "Other (expense) income, net" upon hedge maturity.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of accounts receivable and cash investments. The Company's customer base includes virtually every significant global light and commercial vehicle manufacturer and a large number of distributors, installers and retailers of automotive aftermarket parts. The Company's credit evaluation process and the geographical dispersion of sales transactions help to mitigate credit risk concentration. No individual customer accounted for more than 6% of the Company's direct sales during 2014. The Company has two Motorparts customer that accounts for 18% of the Company's net accounts receivable balance as of December 31, 2014. The Company requires placement of cash in financial institutions evaluated as highly creditworthy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table discloses the fair values and balance sheet locations of the Company's derivative instruments, all of which were designated as cash flow hedging instruments

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	December 31, 2014	December 31, 2013	Balance Sheet Location
		(Millions of Dollars)		
Commodity contracts	Other current liabilities	1	1	Other current liabilities
Foreign currency contracts	Other current liabilities	—	—	(2)
		\$ 1	\$ 1	(2)
				\$ (2)
				\$ (3)

The following tables disclose the effect of the Company's derivative instruments on the consolidated statement of operations for the year ended December 31, 2014, all of which were designated as hedging instruments

Derivatives Designated as Hedging Instruments	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
		(Millions of Dollars)			
Commodity contracts	\$ —	Cost of products sold	\$ —	Other expense, net	1
Foreign currency contracts	—	Cost of products sold	(1)		—
	\$ —		\$ (1)		1

The following tables disclose the effect of the Company's derivative instruments on the consolidated statement of operations for the year ended December 31, 2013

Derivatives Designated as Hedging Instruments	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Reclassified from AOCI into Income (Effective Portion)
		(Millions of Dollars)	
Interest rate swap contracts	\$ 1	Interest expense, net	(9)
Commodity contracts	(7)	Cost of products sold	(5)
Foreign currency contracts	(1)	Cost of products sold	—
	\$ (7)		\$ (14)

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized in Income on Derivatives	Amount of Loss Recognized in Income on Derivatives
		(Millions of Dollars)
Foreign currency contracts	Interest expense, net	\$ (1)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following tables disclose the effect of the Company's derivative instruments on the consolidated statement of operations for the year ended December 31, 2012

Derivatives Designated as Hedging Instruments	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
		(Millions of Dollars)	
Interest rate swap contracts	\$ (4)	Interest expense, net	\$ (38)
Commodity contracts	7	Cost of products sold	(10)
Foreign currency contracts	(2)	Cost of products sold	1
	<u>\$ 1</u>		<u>\$ (47)</u>
		Location of Loss Recognized in Income on Derivatives	Amount of Loss Recognized in Income on Derivatives
Derivatives Not Designated as Hedging Instruments			(Millions of Dollars)
Foreign currency contracts		Interest expense, net	\$ (10)

8 FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("FASB ASC 820"), clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1* Observable inputs such as quoted prices in active markets
- Level 2* Inputs, other than quoted prices in active markets, that are observable either directly or indirectly, and
- Level 3* Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques noted in FASB ASC 820:

- A *Market approach* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities
- B *Cost approach* Amount that would be required to replace the service capacity of an asset (replacement cost)
- C *Income approach* Techniques to convert future amounts to a single present amount based upon market expectations (including present value techniques, option-pricing and excess earnings models)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Assets and liabilities remeasured and disclosed at fair value on a recurring basis at December 31, 2014 and 2013 are set forth in the table below

	Asset (Liability)	Level 2	Valuation Technique
	(Millions of Dollars)		
December 31, 2014			
Commodity contracts	\$ (1)	\$ (1)	C
December 31, 2013			
Commodity contracts	\$ (1)	\$ (1)	C
Foreign currency contracts	(1)	(1)	C

The Company calculates the fair value of its commodity contracts and foreign currency contracts using quoted commodity forward rates and quoted currency forward rates, respectively, to calculate forward values, and then discounts the forward values. The discount rates for all derivative contracts are based on quoted bank deposit rates.

The following table presents the Company's defined benefit plan assets measured at fair value on a recurring basis as of December 31, 2014

	Total	Level 1	Level 2	Level 3	Valuation Technique
	(Millions of Dollars)				
U.S. Plans.					
Cash	\$ 44	\$ 44	\$ —	\$ —	A
Investments with registered investment companies					
Equity securities	314	314	—	—	A
Fixed income securities	166	166	—	—	A
Real estate and other	25	25	—	—	A
Equity securities	231	231	—	—	A
Debt securities					
Corporate and other	21	—	21	—	B
Government	20	16	4	—	A
Hedge funds	91	—	—	91	A,C
	<u>\$ 912</u>	<u>\$ 796</u>	<u>\$ 25</u>	<u>\$ 91</u>	
Non-U.S. Plans.					
Insurance contracts	\$ 41	\$ —	\$ —	\$ 41	B
Investments with registered investment companies					
Fixed income securities	10	10	—	—	A
Equity securities	1	1	—	—	A
Corporate bonds	2	—	2	—	B
	<u>\$ 54</u>	<u>\$ 11</u>	<u>\$ 2</u>	<u>\$ 41</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table summarizes the activity for the U S plan assets classified in level 3

	Balance at January 1, 2014	Net Realized/ Unrealized Gains (Loss)	Purchases, and Settlements, Net	Sales, Net	Transfers Into (Out) of Level 3	Foreign Currency Exchange Rate Movements	Balance at December 31, 2014
(Millions of Dollars)							
Assets							
Hedge funds and other	\$ 85	\$ 6	\$ 47	\$ (47)	\$ —	\$ —	\$ 91

The following table summarizes the activity for the non-U S plan assets classified in level 3

	Balance at January 1, 2014	Net Realized/ Unrealized Gains (Loss)	Purchases, and Settlements, Net	Sales, Net	Transfers Into (Out) of Level 3	Foreign Currency Exchange Rate Movements	Balance at December 31, 2014
(Millions of Dollars)							
Assets							
Insurance contracts	\$ 44	\$ 2	\$ 6	\$ (5)	\$ —	\$ (6)	\$ 41

The following table presents the Company's defined benefit plan assets measured at fair value on a recurring basis as of December 31, 2013

	Total	Level 1	Level 2	Level 3	Valuation Technique
(Millions of Dollars)					
U.S. Plans					
Cash	\$ 33	\$ 33	\$ —	\$ —	A
Investments with registered investment companies					
Equity securities	347	347	—	—	A
Fixed income securities	135	135	—	—	A
Real estate and other	23	23	—	—	A
Equity securities	242	242	—	—	A
Debt securities					
Corporate and other	22	—	22	—	B
Government	22	14	8	—	A
Hedge funds	85	—	—	85	A,C
	<u>\$ 909</u>	<u>\$ 794</u>	<u>\$ 30</u>	<u>\$ 85</u>	
Non-U S. Plans.					
Insurance contracts	\$ 44	\$ —	\$ —	\$ 44	B
Investments with registered investment companies					
Fixed income securities	7	7	—	—	A
Equity securities	2	2	—	—	A
Corporate bonds	2	—	2	—	B
	<u>\$ 55</u>	<u>\$ 9</u>	<u>\$ 2</u>	<u>\$ 44</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table summarizes the activity for the U S plan assets classified in level 3

	Balance at January 1, 2013	Net Realized/ Unrealized Gains (Loss)	Purchases, and Settlements, Net	Sales, Net	Transfers Into (Out) of Level 3	Foreign Currency Exchange Rate Movements	Balance at December 31, 2013
(Millions of Dollars)							
Assets							
Hedge funds and other	\$ 14	\$ 11	\$ 83	\$ (23)	\$ —	\$ —	\$ 85

The following table summarizes the activity for the non-U S plan assets classified in level 3

	Balance at January 1, 2013	Net Realized/ Unrealized Gains (Loss)	Purchases, and Settlements, Net	Sales, Net	Transfers Into (Out) of Level 3	Foreign Currency Exchange Rate Movements	Balance at December 31, 2013
(Millions of Dollars)							
Assets							
Insurance contracts	\$ 42	\$ 1	\$ 6	\$ (6)	\$ —	\$ 1	\$ 44

US Plan

As of December 31, 2014, plan assets were comprised of 60% equity investments, 23% fixed income investments, and 17% in other investments which include hedge funds. Approximately 76% of the U S plan assets were invested in actively managed investment funds. The Company's investment strategy includes a target asset allocation of 50% equity investments, 25% fixed income investments and 25% in other investment types including hedge funds.

Investments with registered investment companies, common and preferred stocks, and government debt securities are valued at the closing price reported on the active market on which the funds are traded. Corporate debt securities are valued by third-party pricing sources. Hedge funds and collective trusts are valued at net asset value per share.

Non-US Plans

The insurance contracts guarantee a minimum rate of return. The Company has no input into the investment strategy of the assets underlying the contracts, but they are typically heavily invested in active bond markets and are highly regulated by local law.

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2014 and 2013 are set forth in the table below.

	Asset (Liability)	Level 3	(Loss)	Valuation Technique
(Millions of Dollars)				
December 31, 2014				
Goodwill	\$ 37	\$ 37	\$ (120)	C
Property, plant and equipment	38	38	(19)	C
Investments in non-consolidated affiliates	10	10	(5)	C
December 31, 2013				
Property, plant and equipment	\$ 55	\$ 55	\$ (8)	C

One of the Company's reporting units with goodwill of \$157 million recorded an impairment charge of \$120 million which reduced the implied fair value of goodwill to \$37 million for the year ended December 31, 2014. The impairment charge was recorded within "Adjustment of assets to fair value." The estimated fair values were determined based upon consideration of various valuation methodologies, including projected future cash flows discounted at rates commensurate with the risks involved, guideline transaction multiples, and multiples of current and future earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Property, plant and equipment with a carrying value of \$57 million were written down to their fair value of \$38 million, resulting in an impairment charge of \$19 million, which was recorded within "Adjustment of assets to fair value" for the year ended December 31, 2014

Investments in non-consolidated affiliates with a carrying value of \$15 million were written down to their fair value of \$10 million resulting in a \$5 million impairment for the year ended December 31, 2014. The Company's investment in non-consolidated affiliates is discussed further in Note 12, *Investment in Non-consolidated Affiliates*

Property, plant and equipment with a carrying value of \$63 million were written down to their fair value of \$55 million, resulting in an impairment charge of \$8 million which was recorded within "Adjustment of assets to fair value" for the year ended December 31, 2013

9 INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out ("FIFO") method at December 31, 2014 and 2013. Inventories are reduced by an allowance for excess and obsolete inventories based on management's review of on-hand inventories compared to historical and estimated future sales and usage.

Net inventories consist of the following:

	December 31 2014	December 31 2013
	(Millions of Dollars)	
Raw materials	\$ 232	\$ 207
Work-in-process	171	160
Finished products	934	819
	1,337	1,186
Inventory valuation allowance	(122)	(118)
	<u>\$ 1,215</u>	<u>\$ 1,068</u>

10 PROPERTY, PLANT AND EQUIPMENT

As a result of fresh-start reporting, PP&E that were purchased prior to January 1, 2008 were stated at estimated replacement cost, unless the expected future use of the assets indicated a lower value was appropriate. PP&E purchased since that time are recorded at cost. Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was \$285 million, \$247 million and \$236 million, respectively.

PP&E consist of the following:

	Useful Life	December 31 2014	December 31 2013
		(Millions of Dollars)	
Land	—	\$ 215	\$ 219
Buildings and building improvements	10 - 39 years	511	495
Machinery and equipment	3 - 12 years	2,832	2,662
		3,558	3,376
Accumulated depreciation		(1,398)	(1,338)
		<u>\$ 2,160</u>	<u>\$ 2,038</u>

The Company leases PP&E used in its operations. Future minimum payments under non-cancelable operating leases with initial or remaining terms of more than one year are as follows:

	Millions of Dollars	
2015	\$	41
2016		40
2017		31
2018		20
2019		17
Thereafter		44
	\$	193

Total rental expense under operating leases for the years ended December 31, 2014, 2013 and 2012 was \$70 million, \$63 million and \$55 million, respectively, exclusive of property taxes, insurance and other occupancy costs generally payable by the Company.

11 GOODWILL AND OTHER INTANGIBLE ASSETS

At December 31, 2014 and 2013, goodwill and other indefinite-lived intangible assets consist of the following:

	December 31, 2014			December 31, 2013		
	Gross Carrying Amount	Accumulated Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Impairment	Net Carrying Amount
	(Millions of Dollars)					
Goodwill	\$ 1,391	\$ (690)	\$ 701	\$ 1,362	\$ (570)	\$ 792
Trademarks and brand names	425	(198)	227	423	(198)	225
	<u>\$ 1,816</u>	<u>\$ (888)</u>	<u>\$ 928</u>	<u>\$ 1,785</u>	<u>\$ (768)</u>	<u>\$ 1,017</u>

At December 31, 2014 and 2013, definite-lived intangible assets consist of the following:

	December 31, 2014			December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Millions of Dollars)					
Developed technology	\$ 116	\$ (73)	\$ 43	\$ 116	\$ (63)	\$ 53
Customer relationships	598	(287)	311	555	(252)	303
	<u>\$ 714</u>	<u>\$ (360)</u>	<u>\$ 354</u>	<u>\$ 671</u>	<u>\$ (315)</u>	<u>\$ 356</u>

The Company's net goodwill balances by reporting segment as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
	(Millions of Dollars)	
Powertrain	\$ 490	\$ 487
Motorparts	211	305
	<u>\$ 701</u>	<u>\$ 792</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company's net trademarks and brand names balances by reporting segment as of December 31, 2014 and 2013 are as follows

	December 31 2014	December 31 2013
	(Millions of Dollars)	
Motorparts	\$ 223	\$ 222
Powertrain	4	3
	<u>\$ 227</u>	<u>\$ 225</u>

The following is a rollforward of the Company's goodwill and other intangible assets (net) for the years ended December 31, 2014 and 2013

	Goodwill	Trademarks and Brand Names	Total Goodwill and Indefinite- Lived Intangibles	Definite- Lived Intangibles
	(Millions of Dollars)			
Balance at January 1, 2013	\$ 787	\$ 232	\$ 1,019	\$ 408
Acquisition and purchase accounting adjustments	8	—	8	(3)
Dispositions	(3)	(7)	(10)	(2)
Amortization expense	—	—	—	(47)
Balance at December 31, 2013	792	225	1,017	356
Impairments	(120)	—	(120)	—
Acquisition and purchase accounting adjustments	32	3	35	52
Dispositions	—	—	—	(1)
Amortization expense	—	—	—	(49)
Foreign currency	(3)	(1)	(4)	(4)
Balance at December 31, 2014	<u>\$ 701</u>	<u>\$ 227</u>	<u>\$ 928</u>	<u>\$ 354</u>

Goodwill

In accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other*, goodwill, and any other intangible asset having an indefinite useful life, must be reviewed for impairment annually, or more frequently if events and circumstances arise that suggest the asset may be impaired. The Company conducts its review for goodwill impairments on October 1 of each year. Goodwill impairment testing is performed at the reporting unit level. The fair value of each reporting unit is determined and compared to the carrying value. If the carrying value exceeds the fair value, then possible goodwill impairment may exist and further evaluation is required. Indefinite-lived intangible assets are tested for impairment by comparing the fair value to the carrying value. If the carrying value exceeds the fair value, the asset is adjusted to fair value.

As part of its annual goodwill impairment test, the Company noted impairment indicators existed in one reporting unit within the Motorparts segment. Among other factors, this reporting unit experienced lower than expected profits and cash flows resulting from decreases in volumes and pricing pressure from customers towards the end of 2014. As a result of these impairment indicators, the Company concluded that there was also a potential impairment of its long-lived assets and definite-lived intangible assets. These impairment tests were performed before the goodwill impairment test, and an impairment loss related to long-lived assets of \$7 million was recognized prior to goodwill being tested for impairment. The Company then tested goodwill for impairment and determined the carrying value of one reporting unit within the Motorparts segment exceeded its fair value. Accordingly, as part of a second step of the goodwill impairment test, the Company made a preliminary conclusion that the carrying amount of the reporting units' goodwill exceeded the implied fair value of that goodwill and an impairment loss of \$120 million was recognized for the year ended December 31, 2014. Due to the complexity of the second step of the goodwill impairment test, the Company expects to finalize its assessment during the first quarter of 2015. Any resulting difference in the amount of the impairment will be adjusted at that time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Effective September 1, 2012, the Company re-segmented its business. Given the business realignments that occurred due to this re-segmentation and the fact that some reporting units containing goodwill under the former segmentation were being divided within the new Company structure thus requiring the Company to determine the relative fair value of these divided reporting units in order to allocate goodwill, the Company deemed it prudent to perform an interim goodwill impairment test in accordance with FASB ASC 350. As a result of this interim testing, one divided reporting unit that received a relative fair value goodwill allocation of \$3 million had a carrying value in excess of fair value, thus requiring the Company to recognize a full impairment charge of \$3 million in the third quarter of 2012.

In the second quarter of 2012, the Company determined that goodwill impairment indicators existed in the Company's friction reporting unit, including lower than expected profits and cash flows due to continued lower aftermarket volumes, further product mix shifts and pressure on margins. In response to these trends, the Company's board of directors approved a restructuring plan to reduce or eliminate capacity at several high cost facilities and transfer production to lower cost locations. The friction reporting unit goodwill was tested for impairment in accordance with the FASB ASC 350 during the second quarter of 2012. The fair value of friction reporting unit did not support the recorded goodwill and accordingly the Company recognized a full impairment charge of \$91 million in the second quarter of 2012.

Given the complexity of the calculation, the Company had not finalized "Step 2" of its annual goodwill impairment assessment for the year ended December 31, 2011 prior to filing its annual report on Form 10-K. The goodwill impairment charge recognized during the fourth quarter of 2011 was \$259 million. During the second quarter of 2012, the Company completed this assessment, and recorded an additional \$1 million goodwill impairment charge.

The Company has nine reporting units that have goodwill. The following table categorizes the Company's goodwill by reporting unit as of October 1, 2014 according to the level of excess between the reporting unit's fair value and carrying value giving effect to the 2014 impairment charges.

	Fair Value Exceeds Carrying Value	Goodwill
		(Millions of Dollars)
Reporting Units 1 - 4	> 15%	\$ 131
Reporting Units 5 - 9	> 30%	570
		<u>\$ 701</u>

In order to align with its regional focus, as of December 31, 2014, the Motorparts segment moved from a product-centered reporting structure to a regional reporting structure. The analysis above, reflects the regional reporting units of the Motorparts segment.

In May 2014, the Company completed the purchase of the Affinia chassis business. This business serves leading U.S. aftermarket customers with private label chassis product lines and will allow the Company to broaden its product offering, provide operational synergies and better service customers globally. The purchase price was \$149 million, net of acquired cash. The Company allocated the purchase price in accordance with FASB ASC Topic 805, *Business Combinations*. The Company utilized a third party to assist in the fair value determination of certain components of the purchase price allocation, namely fixed assets and intangible assets. The Company recorded \$51 million of definite-lived intangible assets (customer relationships) and \$27 million of indefinite-lived intangible assets (primarily goodwill) associated with this acquisition. The goodwill established as part of the Affinia chassis business acquisition was included in the Company's respective reporting unit as part of the annual impairment test discussed above and subsequently included in the estimated impairment charge recorded in the fourth quarter of 2014.

Also during 2014, the Company recorded \$6 million of goodwill, \$2 million of brand names and \$1 million of customer relationship in connection with its January 2014 acquisition of the DZV bearings business. The acquisition of the DZV bearings business did not have a material impact on the Company's financial statements or liquidity.

Other Intangible Assets

The Company performs its annual trademarks and brand names impairment analysis as of October 1, or more frequently if impairment indicators exist, in accordance with the subsequent measurement provisions of FASB ASC 350, *Intangibles - Goodwill and Other*. This impairment analysis compares the fair values of these assets to the related carrying values, and impairment charges are recorded for any excess of carrying values over fair values. The fair values are based upon the prospective stream of hypothetical after-tax royalty cost savings discounted at rates that reflect the rates of return appropriate for these intangible assets.

All of the Company's trademarks and brand names passed the October 1, 2014 and 2013 impairment analysis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

In connection with the September 1, 2012 goodwill impairment test discussed above, the Company also performed its trademarks and brand names impairment analysis. This impairment analysis compares the fair values of these assets to the related carrying values, and impairment charges are recorded for any excess of carrying values over fair values. These fair values are based upon the prospective stream of hypothetical after-tax royalty cost savings discounted at rates that reflect the rates of return appropriate for these intangible assets. Primarily all of the Company's trademarks and brand names are associated with its aftermarket sales and are further broken down by product line. Based upon this annual analysis, the Company recognized a \$33 million impairment charge in the third quarter of 2012. Prior to the September 1, 2012 analysis, the Company noted impairment indicators and performed an interim trademarks and brand names impairment analysis. Based upon this analysis, the Company recognized a \$13 million impairment charge in the second quarter of 2012.

The Company recorded amortization expense of \$49 million, \$47 million and \$49 million associated with definite-lived intangible assets during the years ended December 31, 2014, 2013 and 2012, respectively. The Company utilizes the straight line method of amortization, recognized over the estimated useful lives of the assets. The Company's developed technology intangible assets have useful lives of between 10 and 15 years. The Company's customer relationships intangible assets have useful lives of between 5 and 24 years.

The Company's estimated future amortization expense for its definite-lived intangible assets is as follows:

	Millions of Dollars
2015	\$ 50
2016	49
2017	49
2018	40
2019	40
Thereafter	126
	<u>\$ 354</u>

12 INVESTMENT IN NON-CONSOLIDATED AFFILIATES

The Company maintains investments in several non-consolidated affiliates, which are located in China, France, Germany, Korea, Turkey, India and the United States. With the exception of the deconsolidated business discussed below, the Company generally equates control to ownership percentage whereby investments that are more than 50% owned are consolidated.

As part of the regulatory approval related to the acquisition of certain business assets of the Honeywell brake component business, the Company committed to divest, or procure the divestiture of the commercial vehicle brake pads business relating to the original equipment/original equipment services ("OEM/OES") market in the European Economic Area ("EEA"), based at the manufacturing plant in Marienheide, Germany and light vehicle brake pads business relating to the OEM/OES market in the EEA, based at the manufacturing plant in Noyon, France (collectively, the "Divestment Business"). Furthermore, to the extent possible, the Company committed to keep the Divestment Business separate from the business(es) it is retaining, and unless explicitly permitted committed to ensure (i) management and staff have no involvement in the Divestment Business, (ii) certain key personnel of the Divestment Business have no involvement in any business retained by the Company and do not report to any individual outside the Divestment Business. As such, the Company deconsolidated its subsidiaries or group of assets which are subject to regulatory commitments and recorded an investment in unconsolidated subsidiary, which will be accounted for as an equity method investment until disposition. As the bidding process progressed and exclusive negotiations began for the sale of the Divestment Business, it became evident that an impairment existed for the Divestment Business as of December 31, 2014. The Divestment Business was written down to its fair value resulting in an impairment charge of \$5 million, which was recorded within "Adjustment of assets to fair value" for the year ended December 31, 2014.

The Company does not hold a controlling interest in an entity based on exposure to economic risks and potential rewards (variable interests) for which it is the primary beneficiary. Further, the Company's affiliations are businesses established and maintained in connection with its operating strategy and are not special purpose entities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following represents the Company's aggregate investments and direct ownership in these affiliates

	December 31	
	2014	2013
	(Millions of Dollars)	
Investments in non-consolidated affiliates	\$ 269	\$ 253
Direct ownership percentages	2% to 100%	2% to 50%

In accordance with FASB ASC Topic 323, *Investments - Equity Method and Joint Ventures*, the Company discloses summarized financial information of its non-consolidated affiliates

The following table represents amounts reflected in the Company's financial statements related to non-consolidated affiliates

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Equity earnings of non-consolidated affiliates	\$ 48	\$ 34	\$ 34
Cash dividends received from non-consolidated affiliates	25	33	31

The following tables present summarized aggregated financial information of the Company's non-consolidated affiliates

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Statements of Operations			
Sales	\$ 906	\$ 918	\$ 682
Gross profit	192	185	151
Income from continuing operations	128	120	91
Net income	112	105	79

	December 31	
	2014	2013
	(Millions of Dollars)	
Balance Sheets		
Current assets	\$ 397	\$ 402
Noncurrent assets	443	398
Current liabilities	181	180
Noncurrent liabilities	47	38

The Company holds a 50% non-controlling interest in a joint venture located in Turkey ("Turkey JV"). The Turkey JV was established in 1995 for the purpose of manufacturing and marketing automotive parts, including pistons, piston rings, piston pins, and cylinder liners to original equipment and aftermarket customers. The Company purchases/sells inventory from/to the Turkey JV. Purchases from the Turkey JV for the years ended December 31, 2014, 2013 and 2012 were \$180 million, \$152 million and \$150 million, respectively. Sales to the Turkey JV for the years ended December 31, 2014, 2013 and 2012 were \$45 million, \$44 million and \$45 million, respectively. The Company had net accounts payable balances with the Turkey JV of \$5 million and \$6 million as of December 31, 2014 and 2013, respectively.

13 ACCRUED LIABILITIES

Accrued liabilities consist of the following

	December 31	
	2014	2013
	(Millions of Dollars)	
Accrued compensation	\$ 177	\$ 169
Accrued rebates	149	125
Restructuring liabilities	53	24
Non-income tax payable	52	41
Alleged defective products	30	30
Accrued professional services	28	21
Accrued product returns	24	21
Accrued income taxes	24	17
Accrued warranty	9	6
	<u>\$ 546</u>	<u>\$ 454</u>

14 DEBT

On April 15, 2014, Federal-Mogul Holdings Corporation entered into a new tranche B term loan facility (the "New Tranche B Facility") and a new tranche C term loan facility (the "New Tranche C Facility," and together with the New Tranche B Facility, the "New Term Facilities"), which were arranged by Citigroup Global Markets Inc and Credit Suisse Securities (USA) LLC (the "Term Arrangers"), and assumed all of the obligations of Federal-Mogul Corporation with respect to the Replacement Revolving Facility under the Credit Agreement (both defined below). The New Term Facilities were entered into and the Replacement Revolving Facility was assumed, by Federal-Mogul Holdings Corporation pursuant to an amendment dated as of April 15, 2014 to the previously existing Term Loan and Revolving Credit Agreement dated December 27, 2007 among Federal-Mogul Corporation, the lenders party thereto, the Term Arrangers, Citibank, N.A., as Revolving Administrative Agent, Citibank, N.A., as Tranche B Term Administrative Agent, Credit Suisse AG, as Tranche C Term Administrative Agent, Citigroup Global Markets Inc, Credit Suisse Securities (USA) LLC and Wells Fargo Bank, N.A., as Joint Lead Arrangers and Joint Bookrunners with respect to the Revolving Facility and Wells Fargo Bank, N.A., as sole Documentation Agent with respect to the Revolving Facility (as amended, the "Credit Agreement").

Immediately following the closing of the New Term Facilities, Federal-Mogul Holdings Corporation contributed all of the net proceeds from the New Facilities to Federal-Mogul Corporation, and Federal-Mogul Corporation repaid its existing outstanding indebtedness as a borrower under the tranche B and tranche C term loan facilities.

In accordance with FASB ASC Topic No. 405, *Extinguishments of Liabilities*, the Company recognized a \$24 million non-cash loss on the extinguishment of debt attributable to the write-off of the unamortized fair value adjustment and unamortized debt issuance costs which is recorded in the line item "Loss on Debt Extinguishment" in the Company's Condensed Consolidated Statements of Operations.

The New Term Facilities, among other things, (i) provides for aggregate commitments under the New Tranche B Facility of \$700 million with a maturity date of April 15, 2018, (ii) provides for aggregate commitments under the New Tranche C Facility of \$1.9 billion with a maturity date of April 15, 2021, (iii) increases the interest rates applicable to the New Facilities as described below, (iv) provides that for all outstanding letters of credit there is a corresponding decrease in borrowings available under the Replacement Revolving Facility, (v) provides that in the event that as of a particular determination date more than \$700 million aggregate principal amount of existing term loans and certain related refinancing indebtedness will become due within 91 days of such determination date, the Replacement Revolving Facility will mature on such determination date, (vi) provides for additional incremental indebtedness, secured on a *pari passu* basis, of an unlimited amount of additional indebtedness if the Company meets a financial covenant incurrence test, and (vii) amends certain other restrictive covenants. Pursuant to the New Term Facilities, Federal-Mogul Holdings Corporation assumed all of the obligations of Federal-Mogul Corporation with respect to the Replacement Revolving Facility under the Credit Agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Advances under the New Tranche B Facility generally bear interest at a variable rate per annum equal to (i) the Alternate Base Rate plus a margin of 2.00% or (ii) the Adjusted LIBOR Rate plus a margin of 3.00%, subject, in each case, to a floor of 1.00%. Advances under the New Tranche C Facility generally bear interest at a variable rate per annum equal to (i) the Alternate Base Rate plus a margin of 2.75% or (ii) the Adjusted LIBOR Rate plus a margin of 3.75%, subject, in each case, to a minimum rate of 1.00% plus the applicable margin.

Due to the refinancing of the Company's term loans, the backstop commitment letter provided to the Company on December 6, 2013 from High River Limited Partnership, an affiliate of Mr. Carl C. Icahn and the Company's largest stockholder, was terminated.

On December 6, 2013, the Company entered into an amendment (the "Replacement Revolving Facility") of its Term Loan and Revolving Credit Agreement dated as of December 27, 2007 (as amended, the "Credit Agreement"), among the Company, the lenders party thereto, Citicorp USA, Inc., as Administrative Agent, JPMorgan Chase Bank, N.A., as Syndication Agent and Wachovia Capital Finance Corporation and Wells Fargo Foothill LLC, as Co-Documentation Agents, to amend its existing revolving credit facility to provide for a replacement revolving credit facility (the "Replacement Revolving Facility"). The Replacement Revolving Facility, among other things, (i) increased the aggregate commitments available under the Replacement Revolving Facility from \$540 million to \$550 million, (ii) extended the maturity date of the Replacement Revolving Facility to December 6, 2018, subject to certain limited exceptions described below, and (iii) amended the Company's borrowing base to provide the Company with additional liquidity.

Advances under the Replacement Revolving Facility generally bear interest at a variable rate per annum equal to (i) the Alternate Base Rate (as defined in the Credit Agreement) plus an adjustable margin of 0.50% to 1.00% based on the average monthly availability under the Replacement Revolving Facility or (ii) Adjusted LIBOR Rate (as defined in the Credit Agreement) plus a margin of 1.50% to 2.00% based on the average monthly availability under the Replacement Revolving Facility. An unused commitment fee of 0.375% also is payable under the terms of the Replacement Revolving Facility.

In connection with the New Term Facilities, the Company incurred original issue discount of \$9 million and debt issuance costs of \$6 million in connection with the New Tranche C Facility and original issue discount of \$2 million and debt issuance costs of \$6 million in connection with the New Tranche B Facility. The discount and debt issuance costs are being amortized to interest expense over the terms of the loans of 84 months and 48 months, respectively. As noted above, the unamortized fair value adjustment established when applying the provisions of fresh-start reporting to the Company's Credit Agreement was written off upon the closing of the New Term Facilities.

Interest expense associated with the amortization of the original issue discount, debt issuance costs and fair value adjustment recognized in the Company's consolidated statements of operations, consists of the following:

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Amortization of fair value adjustment	\$ 7	\$ 22	\$ 23
Amortization of debt issuance fees	3	—	—
Amortization of original issue discount	1	—	—
	<u>\$ 11</u>	<u>\$ 22</u>	<u>\$ 23</u>

Debt consists of the following:

	December 31	
	2014	2013
	(Millions of Dollars)	
Term loans under credit agreement		
Tranche B term loan	\$ 698	\$ 1,597
Tranche C term loan	1,895	940
Debt discount	(10)	(30)
Other debt, primarily foreign instruments *	107	92
	<u>2,690</u>	<u>2,599</u>
Less: short-term debt, including current maturities of long-term debt	<u>(127)</u>	<u>(1,694)</u>
Total long-term debt	<u>\$ 2,563</u>	<u>\$ 905</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

* The Company assumed \$10 million of pre-existing debt associated with its January 2014 acquisition of the DZV bearings business

The obligations of the Company under the Credit Agreement are guaranteed by substantially all of the domestic subsidiaries and certain foreign subsidiaries of the Company, and are secured by substantially all personal property and certain real property of the Company and such guarantors, subject to certain limitations. The liens granted to secure these obligations and certain cash management and hedging obligations have first priority.

The Credit Agreement contains certain affirmative and negative covenants and events of default, including, subject to certain exceptions, restrictions on incurring additional indebtedness, mandatory prepayment provisions associated with specified asset sales and dispositions, and limitations on i) investments, ii) certain acquisitions, mergers or consolidations, iii) sale and leaseback transactions, iv) certain transactions with affiliates, and v) dividends and other payments in respect of capital stock. The Company was in compliance with all debt covenants as of December 31, 2014 and 2013. Per the terms of the Credit Agreement, \$50 million of the Tranche C proceeds were deposited in a Term Letter of Credit Account as of December 31, 2013.

The Replacement Revolving Facility has an available borrowing base of \$516 million and \$550 million as of December 31, 2014 and 2013, respectively. The Company had \$34 million and \$39 million of letters of credit outstanding as of December 31, 2014 and 2013, respectively, pertaining to the term loan credit facility. To the extent letters of credit associated with the Replacement Revolving Facility are issued, there is a corresponding decrease in borrowings available under this facility.

Estimated fair values of the Company's term loans under the Credit Agreement were

	Estimated Fair Value (Level 1)	Fair Value in Excess (Deficit) of Carrying Value	Valuation Technique
(Millions of Dollars)			
December 31, 2014			
Term Loans	\$ 2,571	\$ (12)	A
December 31, 2013			
Term Loans	\$ 2,520	\$ 13	A

Fair market values are developed by the use of estimates obtained from brokers and other appropriate valuation techniques based on information available as of December 31, 2014 and 2013. The fair value estimates do not necessarily reflect the values the Company could realize in the current markets. Refer to Note 8, *Fair Value Measurements*, for definitions of input levels and valuation techniques.

The Company has the following contractual debt obligations outstanding at December 31, 2014

	Millions of Dollars
2015	\$ 127
2016	28
2017	29
2018	696
2019	19
Thereafter	1,801
Total	\$ 2,700

The weighted average cash interest rates for debt were approximately 4.7% and 2.3% as of December 31, 2014 and 2013, respectively. Interest paid on debt in 2014, 2013 and 2012 was \$111 million, \$77 million and \$106 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

15 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Company sponsors defined benefit pension plans ("Pension Benefits") and postretirement health care and life insurance benefits ("Other Postemployment Benefits" or "OPEB") for certain employees and retirees around the world. Using appropriate actuarial methods and assumptions, the Company's defined benefit pension plans and postemployment benefits other than pensions are accounted for in accordance with FASB ASC Topic 715, *Compensation - Retirement Benefits*.

The measurement date for all defined benefit plans is December 31. The following provides a reconciliation of the plans' benefit obligations, plan assets, funded status and recognition in the consolidated balance sheets.

	Pension Benefits				Other Postemployment Benefits	
	United States Plans		Non-U.S. Plans		Benefits	
	2014	2013	2014	2013	2014	2013
	(Millions of Dollars)					
Change in benefit obligation						
Benefit obligation, beginning of year	\$ 1,184	\$ 1,298	\$ 450	\$ 474	\$ 335	\$ 395
Service cost	3	4	12	12	—	—
Interest cost	52	47	16	14	15	11
Employee contributions	—	—	—	—	—	1
Benefits paid	(96)	(64)	(28)	(28)	(26)	(28)
Medicare subsidies received	—	—	—	—	1	3
Plan amendments	—	—	—	—	8	—
Curtailments	—	—	(1)	(1)	—	(1)
Settlements	(3)	—	—	—	—	—
Actuarial losses (gains) and changes in actuarial assumptions	151	(101)	112	(25)	36	(43)
Net transfers (out) in	—	—	73	(11)	—	(1)
Currency translation	—	—	(59)	15	(1)	(2)
Benefit obligation, end of year	\$ 1,291	\$ 1,184	\$ 575	\$ 450	\$ 368	\$ 335
Change in plan assets						
Fair value of plan assets, beginning of year	\$ 909	\$ 778	\$ 55	\$ 55	\$ —	\$ —
Actual return on plan assets	43	138	3	2	—	—
Employee contributions	—	—	—	—	—	1
Company contributions	56	60	30	24	25	24
Benefits paid	(96)	(64)	(28)	(28)	(26)	(28)
Expenses	—	(3)	—	—	—	—
Medicare subsidies received	—	—	—	—	1	3
Currency translation	—	—	(6)	2	—	—
Fair value of plan assets, end of year	\$ 912	\$ 909	\$ 54	\$ 55	\$ —	\$ —
Funded status of the plan	\$ (379)	\$ (275)	\$ (521)	\$ (395)	\$ (368)	\$ (335)
Amounts recognized in the consolidated balance sheets						
Current liabilities	\$ (3)	\$ (3)	\$ (17)	\$ (13)	\$ (26)	\$ (28)
Noncurrent liabilities	(376)	(272)	(504)	(382)	(342)	(307)
Net amount recognized	\$ (379)	\$ (275)	\$ (521)	\$ (395)	\$ (368)	\$ (335)
Amounts recognized in accumulated other comprehensive loss inclusive of tax impacts						
Net actuarial loss	\$ 409	\$ 242	\$ 151	\$ 81	\$ 95	\$ 63
Prior service cost (credit)	—	—	2	3	(14)	(28)
Total	\$ 409	\$ 242	\$ 153	\$ 84	\$ 81	\$ 35

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Weighted-average assumptions used to determine the benefit obligation as of December 31

	Pension Benefits				Other Postemployment Benefits	
	United States Plans		Non-U S Plans		Benefits	
	2014	2013	2014	2013	2014	2013
Discount rate	3.85%	4.55%	1.77%	3.49%	3.84%	4.45%
Rate of compensation increase	—	—	3.16%	3.17%	—	—

Weighted-average assumptions used to determine net periodic benefit cost (credit) for the years ended December 31

	Pension Benefits				Other Postemployment Benefits	
	United States Plans		Non-U S Plans		Benefits	
	2014	2013	2014	2013	2014	2013
Discount rate	4.55%	3.70%	3.49%	2.99%	4.45%	3.60%
Expected return on plan assets	6.95%	7.45%	4.18%	4.62%	—	—
Rate of compensation increase	—	—	3.17%	3.13%	—	—

The Company evaluates its discount rate assumption annually as of December 31 for each of its retirement-related benefit plans based upon the yield of high quality, fixed-income debt instruments, the maturities of which correspond to expected benefit payment dates.

The Company's expected return on assets is established annually through analysis of anticipated future long-term investment performance for the plan based upon the asset allocation strategy. While the study gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term prospective rate.

The U.S. investment strategy mitigates risk by incorporating diversification across appropriate asset classes to meet the plan's objectives. It is intended to reduce risk, provide long-term financial stability for the plan and maintain funded levels that meet long-term plan obligations while preserving sufficient liquidity for near-term benefit payments. Risk assumed is considered appropriate for the return anticipated and consistent with the diversification of plan assets. The Company's investment strategy includes a target asset allocation of 50% equity investments, 25% fixed income investments and 25% in other investment types including hedge funds. Approximately 76% of the U.S. plan assets were invested in actively managed investment funds.

The majority of the assets of the non-U.S. plans are invested through insurance contracts. The insurance contracts guarantee a minimum rate of return. The Company has no input into the investment strategy of the assets underlying the contracts, but they are typically heavily invested in active bond markets and are highly regulated by local law. The target asset allocation for the non-U.S. pension plans is 80% insurance contracts, 15% debt investments and 5% equity investments.

Refer to Note 8, "Fair Value Measurements" for more detail surrounding the fair value of each major category of plan assets, including the inputs and valuation techniques used to develop the fair value measurements of the plans' assets, at December 31, 2014 and 2013.

Information for defined benefit plans with projected benefit obligations in excess of plan assets

	Pension Benefits				Other Postemployment Benefits	
	United States Plans		Non-U S Plans		Benefits	
	2014	2013	2014	2013	2014	2013
	(Millions of Dollars)					
Projected benefit obligation	\$ 1,291	\$ 1,184	\$ 574	\$ 448	\$ 368	\$ 335
Fair value of plan assets	912	909	53	52	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Information for pension plans with accumulated benefit obligations in excess of plan assets

	Pension Benefits			
	United States Plans		Non-U.S. Plans	
	2014	2013	2014	2013
	(Millions of Dollars)			
Projected benefit obligation	\$ 1,291	\$ 1,184	\$ 555	\$ 444
Accumulated benefit obligation	1,291	1,184	514	409
Fair value of plan assets	912	909	42	49

The accumulated benefit obligation for all pension plans is \$1,809 million and \$1,598 million as of December 31, 2014 and 2013, respectively

Components of net periodic benefit cost (credit) for the years ended December 31

	Pension Benefits						Other Postemployment Benefits		
	United States Plans			Non-U.S. Plans			Benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	(Millions of Dollars)								
Service cost	\$ 3	\$ 4	\$ 21	\$ 12	\$ 12	\$ 9	\$ —	\$ —	\$ 1
Interest cost	52	47	53	16	14	16	15	11	14
Expected return on plan assets	(62)	(58)	(52)	(2)	(3)	(2)	—	—	—
Amortization of actuarial losses	4	14	35	5	8	—	3	6	2
Amortization of prior service credit	—	—	—	—	—	1	(5)	(9)	(14)
Settlement loss (gain)	(3)	—	(1)	1	1	—	—	—	—
Curtailment gain	—	—	(1)	—	—	—	—	(19)	(51)
Net periodic cost (credit)	\$ (6)	\$ 7	\$ 55	\$ 32	\$ 32	\$ 24	\$ 13	\$ (11)	\$ (48)

Other Postemployment Benefits - U.S. Welfare Benefit Plan

In May 2013, the Company ceased operations at one of its U.S. manufacturing locations. As this location participated in the Company's U.S. Welfare Benefit Plan, the Company had this plan re-measured due to its curtailment implications. The resulting reduction in the average remaining future service period to the full eligibility date of the remaining active plan participants in the Company's U.S. Welfare Benefit Plan triggered the recognition of a \$19 million OPEB curtailment gain, which was recognized in the consolidated statements of operations for the year ended December 31, 2013.

In July 2012, as a result of contract negotiations with a union at one of the Company's U.S. manufacturing locations, the benefits under the U.S. Welfare Benefit Plan were eliminated for the location's active participants. Since this plan change reduced benefits attributable to employee service already rendered, it was treated as a negative plan amendment, which created a \$13 million prior service credit in accumulated other comprehensive income ("AOCI"). The corresponding reduction in the average remaining future service period to the full eligibility date also triggered the recognition of a \$51 million OPEB curtailment gain which was recognized in the consolidated statements of operations during the third quarter of 2012.

Amounts in "Accumulated other comprehensive loss" expected to be recognized as components of net periodic benefit cost over the next fiscal year

	Pension Benefits		Other Postemployment Benefits
	United States	Non-U S Plans	
	(Millions of Dollars)		
Amortization of actuarial losses	\$ 10	\$ 12	\$ 5
Amortization of prior service credit	—	—	(4)
Total	\$ 10	\$ 12	\$ 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The assumed health care and drug cost trend rates used to measure next year's postemployment healthcare benefits are as follows

	Other Postemployment Benefits	
	2014	2013
Health care cost trend rate	7.25%	6.88%
Ultimate health care cost trend rate	5.00%	5.00%
Year ultimate health care cost trend rate reached	2022	2018
Drug cost trend rate	7.25%	7.81%
Ultimate drug cost trend rate	5.00%	5.00%
Year ultimate drug cost trend rate reached	2022	2018

The assumed health care cost trend rate has a significant impact on the amounts reported for Other Postemployment Benefits plans. The following table illustrates the sensitivity to a change in the assumed health care cost trend rate.

	Total Service and Interest Cost		APBO
	(Millions of Dollars)		
100 basis point ("bp") increase in health care cost trend rate	\$	1	\$ 32
100 bp decrease in health care cost trend rate		(1)	(28)

The following table illustrates the sensitivity to a change in certain assumptions for projected benefit obligations ("PBO"), associated expense and other comprehensive loss ("OCL"). The changes in these assumptions have no impact on the Company's funding requirements.

	Pension Benefits						Other Postemployment Benefits	
	United States Plans			Non-U.S. Plans			Change in 2015 expense	Change in PBO
	Change in 2015 pension expense	Change in PBO	Change in accumulated OCL	Change in 2015 pension expense	Change in PBO	Change in accumulated OCL		
	(Millions of dollars)							
25 bp decrease in discount rate	\$ (1)	\$ 36	\$ (36)	\$ 1	\$ 20	\$ (20)	\$ —	\$ 9
25 bp increase in discount rate	—	(34)	34	(1)	(20)	20	—	(9)
25 bp decrease in return on assets rate	2	—	—	—	—	—	—	—
25 bp increase in return on assets rate	(2)	—	—	—	—	—	—	—

Projected benefit payments from the plans are estimated as follows:

	Pension Benefits		Other Postemployment Benefits
	United States	Non-U.S. Plans	
	(Millions of Dollars)		
2015	\$ 94	\$ 26	\$ 27
2016	84	25	26
2017	83	25	27
2018	81	26	26
2019	82	27	26
Years 2020 - 2022	392	139	121

The Company expects to contribute approximately \$108 million to its pension plans in 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Defined Contribution Pension Plans

The Company also maintains certain defined contribution pension plans for eligible employees. Effective January 1, 2013, the Company amended its U.S. defined contribution plan to allow for an enhanced company match and company provided age-based contributions for eligible U.S. salaried and non-union hourly employees. The total expenses attributable to the Company's defined contribution savings plan were \$45 million, \$42 million and \$23 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The amounts contributed to defined contribution pension plans include contributions to multi-employer plans in France, Italy and the United States of \$1 million during each of the years ended December 31, 2014, 2013 and 2012. None of the multiemployer plans in which the Company participates are individually significant.

Other Benefits

The Company accounts for benefits to former or inactive employees paid after employment but before retirement pursuant to FASB ASC Topic 712, *Compensation – Nonretirement Postemployment Benefits*. The liabilities for such U.S. and European postemployment benefits were \$25 million and \$29 million at December 31, 2014 and 2013, respectively.

16 INCOME TAXES

Under the liability method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The components of (loss) income from continuing operations before income taxes consist of the following:

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Domestic	\$ (64)	\$ 28	\$ (103)
International	(41)	129	(17)
Total	<u>\$ (105)</u>	<u>\$ 157</u>	<u>\$ (120)</u>

Significant components of the (expense) benefit for income taxes are as follows:

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Current			
Federal, state and local	\$ (4)	\$ (3)	\$ (2)
International	(32)	(55)	(47)
Total current	<u>(36)</u>	<u>(58)</u>	<u>(49)</u>
Deferred			
Federal, state and local	—	(3)	32
International	(20)	5	46
Total deferred	<u>(20)</u>	<u>2</u>	<u>78</u>
	<u>\$ (56)</u>	<u>\$ (56)</u>	<u>\$ 29</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The reconciliation of income taxes computed at the United States federal statutory tax rate to income tax (expense) benefit is

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Income tax (expense) benefit at United States statutory rate	\$ 37	\$ (55)	\$ 42
Tax effect from			
Goodwill impairment	(42)	—	(34)
U.S. income inclusions from foreign subsidiaries	(7)	(5)	(27)
Non-consolidated foreign affiliates	15	11	11
Tax holidays, incentives and minimum tax	2	14	9
Foreign rate variance and enacted rate change	24	11	13
State income taxes	(4)	(3)	(1)
Uncertain tax positions and assessments	31	(14)	335
Valuation allowances	(105)	(15)	(327)
Other	(7)	—	8
Income tax (expense) benefit	\$ (56)	\$ (56)	\$ 29

The following table summarizes the Company's total (provision) benefit for income taxes by component

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Income tax (expense) benefit	\$ (56)	\$ (56)	\$ 29
Allocated to equity			
Postemployment benefits	108	(83)	(71)
Derivatives	—	(2)	18
Foreign currency translation	(12)	(1)	(2)
Valuation allowances	(84)	77	29

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Significant components of the Company's deferred tax assets and liabilities are as follows

	December 31	
	2014	2013
	(Millions of Dollars)	
Deferred tax assets		
Net operating loss carryforwards	\$ 895	\$ 783
Postemployment benefits, including pensions	368	291
Reorganization costs	11	27
Inventory	63	48
Other temporary differences	78	98
Tax credits	129	140
Total deferred tax assets	1,544	1,387
Valuation allowances for deferred tax assets	(1,314)	(1,151)
Net deferred tax assets	230	236
Deferred tax liabilities		
Investment in U.S. subsidiaries	(307)	(307)
Intangible assets	(156)	(166)
Fixed assets	(31)	(19)
Total deferred tax liabilities	(494)	(492)
	\$ (264)	\$ (256)

Deferred tax assets and liabilities are recorded in the consolidated balance sheets as follows

	December 31	
	2014	2013
	(Millions of Dollars)	
Assets		
Prepaid expenses and other current assets	\$ 44	\$ 40
Other noncurrent assets	81	87
Liabilities		
Long-term portion of deferred income taxes	(389)	(383)
	\$ (264)	\$ (256)

The Company continues to maintain a valuation allowance related to its net deferred tax assets in multiple jurisdictions. As of December 31, 2014, the Company had valuation allowances of \$999 million related to tax loss and credit carryforwards. The current and future provision for income taxes may be significantly impacted by changes to valuation allowances in certain countries. These allowances will be maintained until it is more likely than not that the deferred tax assets will be realized. The future provision for income taxes will include no tax benefit with respect to losses incurred and no tax expense with respect to income generated in these countries until the respective valuation allowance is eliminated. During the current year the Company recorded \$9 million of valuation allowances on deferred tax assets that the Company believes are not more likely than not to be realized in the foreseeable future.

At December 31, 2014, the Company had a deferred tax asset before valuation allowance of \$1,024 million for tax loss carryforwards and tax credits, including \$629 million in the United States with expiration dates from 2015 through 2034, \$181 million in the United Kingdom with no expiration date, and \$214 million in other jurisdictions with various expiration dates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company has also concluded that there is a more than remote possibility that existing valuation allowances of up to \$148 million as of December 31, 2014 could be released within the next 12 months. If releases of such valuation allowances occur, they may have a significant impact on results of operations in the quarter in which it is deemed appropriate to release the reserve. Income taxes paid, net of income tax refunds received, were \$42 million, \$38 million and \$56 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The Company did not record taxes on its undistributed earnings of \$902 million at December 31, 2014 since these earnings are considered by the Company to be permanently reinvested. If at some future date these earnings cease to be permanently reinvested, the Company may be subject to United States income taxes and foreign withholding taxes on such amounts. Determining the unrecognized deferred tax liability on the potential distribution of these earnings is not practicable as such liability, if any, is dependent on circumstances existing when remittance occurs.

As of December 31, 2014, the Company had \$332 million of cash and cash equivalents of which \$138 million was held by foreign subsidiaries. In accordance with FASB ASC 740-30-25-17 through 19, the Company asserts that these funds are indefinitely reinvested due to operational and investing needs of the foreign locations. Furthermore, the Company will accrue any applicable taxes in the period when the Company no longer intends to indefinitely reinvest these funds. The Company would expect that the impact on cash taxes would be immaterial due to the availability of net operation loss carryforwards and related valuation allowances, earnings considered previously taxed, and applicable tax treaties.

At December 31, 2014, 2013 and 2012, the Company had total unrecognized tax benefits of \$50 million, \$78 million and \$69 million, respectively. Of these totals, \$44 million, \$47 million and \$39 million, respectively, represent the amounts of unrecognized tax benefits that, if recognized, would affect the effective income tax rates. The total unrecognized tax benefits differ from the amounts which would affect the effective tax rates primarily due to the impact of valuation allowances.

A summary of the changes in the gross amount of unrecognized tax benefits for the years ended December 31, 2014, 2013 and 2012 are shown below.

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Change in unrecognized tax benefits			
Balance at January 1	\$ 78	\$ 69	\$ 375
Additions based on tax positions related to the current year	7	7	7
Additions for tax positions of prior years	10	6	10
Decreases for tax positions of prior years	(14)	(4)	(9)
Decreases for statute of limitations expiration	(1)	(1)	(13)
Settlements	(25)	2	(300)
Impact of currency translation	(5)	(1)	(1)
Balance at December 31	\$ 50	\$ 78	\$ 69

The Company classifies tax-related penalties and net interest as income tax expense. As of December 31, 2014, 2013 and 2012, the Company recorded \$12 million, \$23 million and \$15 million, respectively, in liabilities for tax-related net interest and penalties on its consolidated balance sheet. During the years ended December 31, 2014, 2013 and 2012, the Company recorded tax income (expense) related to a net increase (decrease) in its liability for interest and penalties of \$11 million, \$(8) million and \$(2) million, respectively.

The Company operates in multiple jurisdictions throughout the world. The Company is no longer subject to U.S. federal tax examinations for years before 2011 or state and local for years before 2008, with limited exceptions. Furthermore, the Company is no longer subject to income tax examinations in major foreign tax jurisdictions for years prior to 2005. The income tax returns of foreign subsidiaries in various tax jurisdictions are currently under examination.

The Company believes that it is reasonably possible that its unrecognized tax benefits in multiple jurisdictions which primarily relate to transfer pricing, corporate reorganization and various other matters, may decrease by approximately \$3 million in the next 12 months due to audit settlements or statute expirations, of which approximately \$2 million, if recognized, could impact the effective tax rate.

On July 11, 2013, Federal-Mogul Corporation became part of the Icahn Enterprises affiliated group of corporations as defined in Section 1504 of the Internal Revenue Code of 1986 ("the Code"), as amended, of which American Entertainment Properties Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

("AEP") is the common parent. The Company subsequently entered into a Tax Allocation Agreement (the "Tax Allocation Agreement") with AEP. Pursuant to the Tax Allocation Agreement, AEP and the Company have agreed to the allocation of certain income tax items. The Company will join AEP in the filing of AEP's federal consolidated return and certain state consolidated returns. In those jurisdictions where the Company is filing consolidated returns with AEP, the Company will pay to AEP any tax it would have owed had it continued to file separately. To the extent that the AEP consolidated group is able to reduce its tax liability as a result of including the Company in its consolidated group, AEP will pay the Company an amount equal to 20% of such reduction and the Company will carryforward for its own use under the Tax Allocation Agreement 80% of the items that caused the tax reduction (the "Excess Tax Benefits"). While a member of the AEP affiliated group the Company will reduce the amounts it would otherwise owe AEP by the Excess Tax Benefits. Moreover, if the Company should ever become deconsolidated from AEP, AEP will reimburse the Company for any tax liability in post-consolidation years the Company would not have paid had it actually had the Excess Tax Benefits for its own use. The cumulative payments to the Company by AEP post-consolidation cannot exceed the cumulative reductions in tax to the AEP group resulting from its use of the Excess Tax Benefits. Separate return methodology will be used in determining income taxes.

17 COMMITMENTS AND CONTINGENCIES

Environmental Matters

The Company is a defendant in lawsuits filed, or the recipient of administrative orders issued or demand letters received, in various jurisdictions pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA") or other similar national, provincial or state environmental remedial laws. These laws provide that responsible parties may be liable to pay for remediating contamination resulting from hazardous substances that were discharged into the environment by them, by prior owners or occupants of property they currently own or operate, or by others to whom they sent such substances for treatment or other disposition at third party locations. The Company has been notified by the United States Environmental Protection Agency, other national environmental agencies, and various provincial and state agencies that it may be a potentially responsible party ("PRP") under such laws for the cost of remediating hazardous substances pursuant to CERCLA and other national and state or provincial environmental laws. PRP designation typically requires the funding of site investigations and subsequent remedial activities.

Many of the sites that are likely to be the costliest to remediate are often current or former commercial waste disposal facilities to which numerous companies sent wastes. Despite the potential joint and several liability which might be imposed on the Company under CERCLA and some of the other laws pertaining to these sites, the Company's share of the total waste sent to these sites has generally been small. The Company believes its exposure for liability at these sites is limited.

On a global basis, the Company has also identified certain other present and former properties at which it may be responsible for cleaning up or addressing environmental contamination, in some cases as a result of contractual commitments and/or federal or state environmental laws. The Company is actively seeking to resolve these actual and potential statutory, regulatory and contractual obligations. Although difficult to quantify based on the complexity of the issues, the Company has accrued amounts corresponding to its best estimate of the costs associated with such regulatory and contractual obligations on the basis of available information from site investigations and best professional judgment of consultants.

Total environmental liabilities, determined on an undiscounted basis are included in the consolidated balance sheets as follows:

	December 31, 2014	December 31, 2013
	(Millions of Dollars)	
Other current liabilities	\$ 6	\$ 5
Other accrued liabilities (noncurrent)	9	9
	<u>\$ 15</u>	<u>\$ 14</u>

Management believes that recorded environmental liabilities will be adequate to cover the Company's estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by the Company, the Company's results of operations and financial condition could be materially affected. At December 31, 2014, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximate \$40 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Asset Retirement Obligations

The Company records asset retirement obligations ("ARO") in accordance with FASB ASC Topic 410, *Asset Retirement and Environmental Obligations*. The Company's primary ARO activities relate to the removal of hazardous building materials at its facilities. The Company records an ARO at fair value upon initial recognition when the amount can be reasonably estimated typically upon the expectation that an operating site may be closed or sold. ARO fair values are determined based on the Company's determination of what a third party would charge to perform the remediation activities, generally using a present value technique.

For those sites that the Company identifies in the future for closure or sale, or for which it otherwise believes it has a reasonable basis to assign probabilities to a range of potential settlement dates, the Company will review these sites for both ARO and impairment issues.

The Company has identified sites with contractual obligations and several sites that are closed or expected to be closed and sold. In connection with these sites, the Company maintains ARO liabilities in the consolidated balance sheets as follows:

	December 31, 2014	December 31, 2013
	(Millions of Dollars)	
Other current liabilities	\$ 3	\$ 4
Other accrued liabilities (noncurrent)	21	22
	<u>\$ 24</u>	<u>\$ 26</u>

The following is a rollforward of the Company's ARO liability for the two years ended December 31, 2014 (in millions of dollars):

Balance at January 1, 2013	\$ 29
Liabilities incurred	1
Liabilities settled/adjustments	(4)
Balance at December 31, 2013	26
Liabilities incurred	—
Liabilities settled/adjustments	(1)
Foreign Currency	(1)
Balance at December 31, 2014	<u>\$ 24</u>

The Company has conditional asset retirement obligations ("CARO"), primarily related to removal costs of hazardous materials in buildings, for which it believes reasonable cost estimates cannot be made at this time because the Company does not believe it has a reasonable basis to assign probabilities to a range of potential settlement dates for these retirement obligations. Accordingly, the Company is currently unable to determine amounts to accrue for CARO at such sites.

Affiliate Pension Obligations

In July 2013 the Company completed a common stock rights offering. The purchases of shares of common stock in the rights offering increased the indirect control of Mr. Carl C. Icahn to approximately 80.73% of the voting power. As a result of the more than 80% ownership interest in the Company by Mr. Icahn's affiliates, the Company is subject to the pension liabilities of all entities in which Mr. Icahn has a direct or indirect ownership interest of at least 80%. One such entity, ACF Industries LLC ("ACF"), is the sponsor of several pension plans. All the minimum funding requirements of the Code and the Employee Retirement Income Security Act of 1974 for these plans have been met as of December 31, 2014. If the ACF plans were voluntarily terminated, they would be underfunded by approximately \$82 million as of December 31, 2014. These results are based on the most recent information provided by the plans' actuaries. These liabilities could increase or decrease, depending on a number of factors including future changes in benefits, investment returns, and the assumptions used to calculate the liability. As members of the controlled group, the Company would be liable for any failure of ACF to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of the pension plans of ACF. In addition, other entities now or in the future within the controlled group in which the Company is included may have pension plan obligations that are, or may become, underfunded and the Company would be liable for any failure of such entities to make ongoing pension contributions or to pay the unfunded liabilities upon termination of such plans. Further, the failure to pay these pension obligations when due may result in the creation of liens.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

in favor of the pension plan or the Pension Benefit Guaranty Corporation ("PBGC") against the assets of each member of the controlled group

The current underfunded status of the pension plans of ACF requires it to notify the PBGC of certain "reportable events," such as if the Company ceases to be a member of the ACF controlled group, or the Company makes certain extraordinary dividends or stock redemptions. The obligation to report could cause the Company to seek to delay or reconsider the occurrence of such reportable events

Icahn Enterprises Holdings L P and IEH FM Holdings LLC have undertaken to indemnify Federal-Mogul for any and all liability imposed upon the Company pursuant to the Employee Retirement Income Security Act of 1974, as amended, or any regulation thereunder ("ERISA") resulting from the Company being considered a member of a controlled group within the meaning of ERISA § 4001(a)(14) of which American Entertainment Properties Corporation is a member, except with respect to liability in respect to any employee benefit plan, as defined by ERISA § 3(3), maintained by the Company. Icahn Enterprises Holdings L P and IEH FM Holdings LLC are not required to maintain any specific net worth and there can be no guarantee Icahn Enterprises Holdings L P and IEH FM Holdings LLC will be able to fund its indemnification obligations to the Company

Other Matters

On April 25, 2014, a group of plaintiffs brought an action against Federal-Mogul Products, Inc. ("F-M Products"), a wholly-owned subsidiary of the Company, alleging injuries and damages associated with the discharge of chlorinated hydrocarbons by the former owner of a facility located in Kentucky. Since 1998, when F-M Products acquired the facility, it has been cooperating with the applicable regulatory agencies on remediating the prior discharges pursuant to an order entered into by the facility's former owner. The Company is unable to estimate any reasonably possible range of loss for reasons including that the plaintiffs did not claim any amount of damages in their complaint. F-M Products intends to vigorously defend this litigation.

The Company is involved in other legal actions and claims, directly and through its subsidiaries. Management does not believe that the outcomes of these other actions or claims are likely to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

18 CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS BY COMPONENT (NET OF TAX)

The following represents the Company's changes in accumulated other comprehensive loss ("AOCL") by component for the year ended December 31, 2014

	Foreign Currency Translation Adjustments	Gains and Losses on Cash Flow Hedges	Post- employment Benefits	Total
	(Millions of Dollars)			
Balance at January 1, 2014	\$ (249)	\$ (16)	\$ (361)	\$ (626)
Other comprehensive loss before reclassifications	(233)	—	(314)	(547)
Amounts reclassified from AOCL	—	—	10	10
Income taxes	—	(1)	22	21
Other comprehensive loss	(233)	(1)	(282)	(516)
Balance at December 31, 2014	\$ (482)	\$ (17)	\$ (643)	\$ (1,142)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

21 STOCK-BASED COMPENSATION

Stock Appreciation Rights

A summary of the Company's stock appreciation rights ("SARs") activity on an annual basis for the years ended December 31, 2014, 2013 and 2012 is as follows

	SARs (Thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (Millions)
Outstanding at January 1, 2012	\$ 1,388	\$ 19.96		
Granted	809	17.64		
Forfeited	(311)	18.50		
Outstanding at December 31, 2012	1,886	\$ 19.21	3.4	\$
Granted	(182)	17.48		
Forfeited	(445)	19.30		
Outstanding at December 31, 2013	1,259	\$ 19.43	2.4	\$ 1
Exercised	(57)	17.25		
Forfeited	(406)	19.56		
Outstanding at December 31, 2014	796	\$ 19.51	1.4	\$
Exercisable at December 31, 2014	703	\$ 19.76	1.4	\$

In February 2012, 2011 and 2010, the Company granted approximately 809,000, 1,043,000 and 437,000 SARs, respectively, to certain employees. The SARs granted in February 2012 ("2012 SARs") and in February 2011 ("2011 SARs") vested 25.0% on grant date and 25.0% on each of the next three anniversaries of the grant date. The SARs granted in February 2010 ("2010 SARs") vest 33.3% on each of the three anniversaries of the grant date. All SARs have a term of five years from date of grant. The SARs are payable in cash or, at the election of the Company, in stock. As the Company anticipates paying out SARs exercises in the form of cash, the SARs are being treated as liability awards for accounting purposes. The Company recognized SARs income of \$4 million for the year ended December 31, 2014, SARs expense of \$5 million for the year ended December 31, 2013, and SARs income of \$4 million for the year ended December 31, 2012. The SARs fair values were estimated using the Black-Scholes valuation model with the following assumptions:

	December 31, 2014			December 31, 2013		
	2012 SARs	2011 SARs	2010 SARs	2012 SARs	2011 SARs	2010 SARs
Exercise price	\$ 17.64	\$ 21.03	\$ 17.16	\$ 17.64	\$ 21.03	\$ 17.16
Expected volatility	39%	39%	39%	48%	48%	48%
Expected dividend yield	—%	—%	—%	—%	—%	—%
Expected forfeitures	—%	—%	—%	—%	—%	—%
Risk-free rate over the expected life	0.28%	0.14%	0.03%	0.29%	0.14%	0.10%
Expected life (in years)	1.1	0.6	0.1	1.7	1.1	0.6
Fair value (in millions)	\$ 0.6	\$ 0.2	\$ —	\$ 2.6	\$ 2.3	\$ 0.5
Fair value of vested portion (in millions)	\$ 0.4	\$ 0.2	\$ —	\$ 1.1	\$ 1.7	\$ 0.5

Expected volatility is based on the average of five-year historical volatility and implied volatility for a group of comparable auto industry companies as of the measurement date. Risk-free rate is determined based upon US Treasury rates over the estimated expected lives. Expected dividend yield is zero as the Company has not paid dividends to holders of its common stock in the recent past nor does it expect to do so in the future. Expected forfeitures are zero as the Company has no historical experience with SARs, the impact of forfeitures is recognized by the Company upon occurrence. Expected life is the average of the time until the award is fully vested and the end of the term.

19 RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE LOSS ("AOCL")

Items not reclassified in their entirety out of AOCL to net income for the year ended December 31, 2014 are as follows

	Year Ended December 31		Affected Line Item in the Statement Where Net Income is Presented
	2014	2013	
Losses on cash flow hedges			
Commodity contracts	\$ 1	\$ (5)	Cost of products sold
Foreign currency contracts	(1)	—	Cost of products sold
Interest rate swap contracts	—	(9)	Interest expense, net
Total	—	(14)	
Income taxes	1	(1)	Income tax (expense) benefit
Net of tax	1	(15)	
Postemployment benefits			
Amortization of actuarial losses	(12)	(29)	Cost of products sold and selling, general and administrative expenses ("SG&A")
Amortization of prior service credits	5	9	Cost of products sold and SG&A
Recognition of unamortized losses	—	(4)	Loss from discontinued operations, net of tax
Curtailment gain	—	19	Loss from discontinued operations, net of tax
Curtailment gain	—	19	OPEB curtailment gain
Total	(7)	14	
Income taxes	(22)	9	Income tax (expense) benefit
Net of tax	(29)	23	
Total reclassifications	\$ (28)	\$ 8	

20 WARRANTS

On December 27, 2007, the Company issued 6,951,871 warrants to purchase 6,951,871 common shares of the Company at an exercise price equal to \$45.815, exercisable through December 27, 2014. All the warrants expired as of December 31, 2014.

22 INCOME (LOSS) PER COMMON SHARE

The following is a reconciliation of the numerators and the denominators of the basic and diluted income (loss) per common share

	Year Ended December 31		
	2014	2013	2012
	(In Millions of Dollars, Except Per Share Amounts)		
<u>Amounts attributable to Federal-Mogul</u>			
Net (loss) income from continuing operations	\$ (168)	\$ 93	\$ (98)
Loss from discontinued operations, net of tax	—	(52)	(19)
Net (loss) income	\$ (168)	\$ 41	\$ (117)
Weighted average shares outstanding, basic (in millions)	150.0	123.4	98.9
Incremental shares on assumed conversion of deferred compensation stock (in millions)	—	—	0.5
Weighted average shares outstanding, diluted (in millions)	150.0	123.4	99.4
Net (loss) income per share attributable to Federal-Mogul - basic and diluted			
Net (loss) income from continuing operations	\$ (1.12)	\$ 0.75	\$ (0.99)
Loss from discontinued operations, net of tax	—	(0.42)	(0.19)
Net (loss) income	(1.12)	0.33	(1.18)

The Company had losses for the year ended December 31, 2014 and 2012. As a result, diluted loss per share is the same as basic in those periods, as any potentially dilutive securities would reduce the loss per share.

Warrants to purchase 6,951,871 common shares, which expired December 27, 2014, were not included in the computation of diluted earnings per share because the exercise price was greater than the average market price of the Company's common shares during the years ended December 31, 2014, 2013 and 2012. Options to purchase \$4,000,000 common shares, which expired on June 29, 2012, were not included in the computation of diluted earnings per share because the exercise price was greater than the average market price of the Company's common shares during the year ended December 31, 2012.

As required by FASB ASC Topic 710, *Compensation*, there are 500,000 common shares issued in connection with a deferred compensation agreement that are excluded from the basic earnings per share calculation for the year ended December 31, 2014.

23 SUBSEQUENT EVENT

On February 6, 2015, the Company completed the purchase of certain business assets of the TRW engine components business. The business was acquired through a combination of asset and stock purchases for a base purchase price of approximately \$313 million, funded primarily from the available Replacement Revolver Facility and subject to certain customary closing and post-closing adjustments. The purchase of TRW's engine valve business adds a completely new product line to the Company's portfolio, strengthens the Company's position as a leading developer and supplier of core components for engines, and enhances the Company's ability to support its customers to improve fuel economy and reduce emissions.

The assets acquired and liabilities assumed will be recorded at fair value as of the acquisition date in accordance with FASB ASC Topic 805, *Business Combinations*. The preliminary allocation of the purchase price will occur in the first quarter of 2015. There were no revenues or earnings related to TRW included in the Company's consolidated statements of operations.

On February 24, 2015, the Company announced that it intends to launch a registered rights offering on or about March 6, 2015. In the rights offering, each holder of the Company's common stock as of the close of business on the record date of March 6, 2015 will be issued, at no charge, one transferable subscription right for each whole share of common stock owned by that stockholder on the record date (the "basic subscription privilege"). The rights offering will also include an over-subscription privilege, which will entitle stockholders who exercise all of their subscription rights in the basic subscription privilege the right to purchase additional shares of common stock in the rights offering, subject to availability and pro rata allocation of shares among rights holders exercising such over-subscription privilege.

The Company will offer a number of shares of its common stock in the rights offering, inclusive of the over-subscription privilege, representing approximately \$250 million of gross proceeds. The Company plans to use the proceeds from the rights offering to strengthen its balance sheet.

24 OPERATIONS BY REPORTING SEGMENT AND GEOGRAPHIC AREA

The Company operates with two end-customer focused business segments. The Powertrain segment focuses on original equipment products for automotive, heavy duty and industrial applications. The Motorparts segment sells and distributes a broad portfolio of products in the global aftermarket, while also serving original equipment manufacturers with products including braking, chassis, wipers and other vehicle components. This organizational model allows for a strong product line focus benefitting both original equipment and aftermarket customers and enables the global Federal-Mogul teams to be responsive to customers' needs for superior products and to promote greater identification with Federal-Mogul premium brands. Additionally, this organizational model enhances management focus to capitalize on opportunities for organic or acquisition growth, profit improvement, resource utilization and business model optimization in line with the unique requirements of the two different customer bases.

The Company evaluates reporting segment performance principally on a non-GAAP Operational EBITDA basis. Management believes that Operational EBITDA provides supplemental information for management and investors to evaluate the operating performance of its business. Management uses and believes that investors benefit from referring to Operational EBITDA in assessing the Company's operating results, as well as in planning, forecasting and analyzing future periods as this financial measure approximates the cash flow associated with the operational earnings of the Company. Additionally, Operational EBITDA presents measures of corporate performance exclusive of capital structure and the method by which assets were acquired and financed.

Accordingly, Operational EBITDA is defined as earnings from continuing operations before interest, income taxes, depreciation and amortization and certain items such as restructuring and impairment charges, Chapter 11 and U.K. Administration related reorganization expenses, gains or losses on the sales of businesses, the non-service cost components of the US based funded pension plan, OPEB curtailment gains or losses, the income statement impacts associated with stock appreciation rights, loss on extinguishment of debt and costs associated with acquisitions, legal separation and headquarters relocation

Net sales

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ 4,430	\$ 4,173	\$ 3,926
Motorparts	3,192	2,935	2,853
Inter-segment eliminations	(305)	(322)	(335)
Total	\$ 7,317	\$ 6,786	\$ 6,444

Cost of products sold

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ (3,897)	\$ (3,656)	\$ (3,470)
Motorparts	(2,668)	(2,432)	(2,390)
Inter-segment eliminations	305	322	335
Total Reporting Segment	(6,260)	(5,766)	(5,525)
Corporate	—	—	(6)
Total Company	\$ (6,260)	\$ (5,766)	\$ (5,531)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Gross profit

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ 533	\$ 517	\$ 456
Motorparts	524	503	463
Total Reporting Segment	1,057	1,020	919
Corporate	—	—	(6)
Total Company	\$ 1,057	\$ 1,020	\$ 913

Operational EBITDA and the reconciliation to net income (loss) were as follows

	Year Ended December 31		
	2014	2013	2012
	(Millions of Dollars)		
Powertrain	\$ 429	\$ 378	\$ 289
Motorparts	195	213	200
Total Operational EBITDA	624	591	489
Items required to reconcile Operational EBITDA to net income (loss)			
Depreciation and amortization	(334)	(294)	(285)
Adjustment of assets to fair value	(144)	(8)	(187)
Interest expense, net	(120)	(99)	(128)
Restructuring expense, net	(86)	(40)	(26)
Loss on debt extinguishment	(24)	—	—
Acquisition related costs	(16)	(5)	—
Legal separation costs	(10)	—	—
Headquarters relocation costs	(6)	—	—
Non-service cost components associated with U S based funded pension plans	6	(2)	(35)
Stock appreciation rights	4	(5)	4
Discontinued operations	—	(52)	(19)
OPEB curtailment gain	—	19	51
Income tax (expense) benefit	(56)	(56)	29
Other	1	—	(3)
Net (loss) income	\$ (161)	\$ 49	\$ (110)

Total assets, capital expenditures, and depreciation and amortization information by reporting segment is as set forth in the tables below. Goodwill was assigned to reporting segments and reporting units based on individual reporting unit fair values over values attributed to specific intangible and tangible assets. Reporting units are components of the Company's reporting segments (which are also its operating segments) and generally align with specific product groups for which segment managers regularly review operating results.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

	Total Assets		Capital Expenditures			Depreciation and Amortization		
	December 31		Year Ended December 31			Year Ended December 31		
	2014	2013	2014	2013	2012	2014	2013	2012
	(Millions of Dollars)							
Powertrain	\$ 3,485	\$ 3,373	\$ 268	\$ 276	\$ 278	\$ 196	\$ 178	\$ 165
Motorparts	3,355	3,055	130	86	86	114	100	99
Total Reporting Segment	6,840	6,428	398	362	364	310	278	264
Corporate	227	754	20	13	16	24	16	21
Discontinued operations	—	—	—	5	7	—	2	4
Total Company	\$ 7,067	\$ 7,182	\$ 418	\$ 380	\$ 387	\$ 334	\$ 296	\$ 289

The following table shows geographic information

	Net Sales			Net PPE	
	Year Ended December 31			December 31	
	2014	2013	2012	2014	2013
	(Millions of Dollars)				
United States	\$ 2,667	\$ 2,516	\$ 2,479	\$ 607	\$ 559
Germany	1,494	1,326	1,160	423	425
China	446	361	288	234	158
France	398	390	365	55	82
Mexico	375	341	312	143	135
Italy	290	286	263	69	73
Belgium	272	312	286	16	26
United Kingdom	242	233	235	77	80
India	203	198	229	134	135
Other	930	823	827	402	365
	\$ 7,317	\$ 6,786	\$ 6,444	\$ 2,160	\$ 2,038

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

25 QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents selected unaudited quarterly operating results of the Company for 2014 and 2013, and the audited results of the Company for the years ended December 31, 2014 and 2013

	First	Second	Third	Fourth	Year
	(Amounts in millions, except per share amounts and stock prices)				
Year ended December 31, 2014					
Net sales	\$ 1,779	\$ 1,872	\$ 1,871	\$ 1,794	\$ 7,317
Gross profit	273	297	262	224	1,057
Net (loss) income attributable to Federal-Mogul	40	(5)	(18)	(185)	(168)
Net (loss) income per common share attributable to Federal-Mogul - basic and diluted	0.27	(0.03)	(0.12)	(1.23)	(1.12)
Weighted avg. shares outstanding - basic (in millions)	150.0	150.0	150.0	150.0	150.0
Weighted avg. shares outstanding - diluted (in millions)	150.0	150.0	150.0	150.0	150.0
Stock price					
High	\$ 22.97	\$ 20.51	\$ 20.82	\$ 16.39	
Low	\$ 15.82	\$ 16.19	\$ 14.87	\$ 14.14	
Dividend per share					

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

	First	Second	Third	Fourth	Year
	(Amounts in millions, except per share amounts and stock prices)				
Year ended December 31, 2013					
Net sales	\$ 1,659	\$ 1,744	\$ 1,690	\$ 1,694	\$ 6,786
Gross profit	249	278	255	238	1,020
Amounts attributable to Federal-Mogul					
Net (loss) income from continuing operations	\$ 17	\$ 61	\$ 31	\$ (16)	\$ 93
Loss from discontinued operations, net of tax	(51)	(5)	7	(3)	(52)
Net (loss) income attributable to Federal-Mogul*	\$ (34)	\$ 56	\$ 38	\$ (19)	\$ 41
Net (loss) income per common share attributable to Federal-Mogul - basic and diluted					
Net (loss) income from continuing operations	\$ 0.17	\$ 0.62	\$ 0.21	\$ (0.11)	\$ 0.75
Loss from discontinued operations, net of tax	(0.51)	(0.05)	0.05	(0.02)	(0.42)
Net (loss) income attributable to Federal-Mogul*	\$ (0.34)	\$ 0.57	\$ 0.26	\$ (0.13)	\$ 0.33
Weighted avg. shares outstanding – basic (in millions)	98.9	98.9	145.0	150.0	123.4
Weighted avg. shares outstanding – diluted (in millions)	98.9	98.9	145.0	150.0	123.4
Stock price					
High	\$ 9.88	\$ 10.39	\$ 17.33	\$ 21.15	
Low	\$ 5.98	\$ 4.84	\$ 9.92	\$ 14.97	
Dividend per share	—	—	—	—	

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the Company's periodic Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Co-Chief Executive Officers and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). As of December 31, 2014, an assessment was performed under the supervision and with the participation of the Company's management, including the Co-Chief Executive Officers and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures over financial reporting based upon the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations (the "COSO 2013 Framework") of the Treadway Commission. Based upon that evaluation, the Co-Chief Executive Officers and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2014, at the reasonable assurance level previously described.

Internal Control over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, the Company included within this Form 10-K Management's Report on Internal Control over Financial Reporting as of December 31, 2014. The Company's independent registered public accounting firm also attested to, and reported on, the Company's Internal Control over Financial Reporting. Management's report and the independent registered public accounting firm's report are included in Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2014 that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

ITEM 9B OTHER INFORMATION

None

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 regarding our directors and other corporate governance matters is incorporated by reference to the Company's proxy statement for the 2014 annual meeting of stockholders under the captions "Election of Directors", "Corporate Governance" and "Security Ownership of Certain Beneficial Owners and Management". The information required by Item 10 regarding the Company's executive officers is set forth below. The information required by Item 10 regarding compliance with section 16(a) of the Securities and Exchange Act of 1934, as amended, is incorporated by reference to the Company's proxy statement for the 2013 annual meeting of stockholders under the caption "Section 16(a) Beneficial Ownership Reporting Compliance".

Daniel A. Ninivaggi
Age 50

Mr. Ninivaggi has served as a director of the Company since March 2010 and as co-chief Executive Officer and Chief Executive Officer of Motorparts segment since February 2014. Mr. Ninivaggi was President of Icahn Enterprises L.P., a diversified holding company engaged in a variety of businesses, including investment, automotive, energy, gaming, railcar, food packaging, metals, real estate and home fashion, from April 2010 to February 2014 and its Chief Executive Officer from August 2010 to February 2014. From January 2011 to May 2012, Mr. Ninivaggi served as the Interim President and Interim Chief Executive Officer of Tropicana Entertainment Inc., a company that is primarily engaged in the business of owning and operating casinos and resorts. From 2003 until July 2009, Mr. Ninivaggi served in a variety of executive positions at Lear Corporation, a global supplier of automotive seating and electrical power management systems and components, most recently as Executive Vice President and Chief Administrative Officer from 2006 to 2009. Lear Corporation filed for bankruptcy in July 2009 and emerged in November 2009. Mr. Ninivaggi served as Of Counsel to the law firm of Winston & Strawn LLP from July 2009 to March 2010. Mr. Ninivaggi has been a director of Hertz Global Holdings, Inc., a rental car company, since September 2014, Icahn Enterprises since March 2012, and Tropicana Entertainment Inc. since January 2011. Mr. Ninivaggi was previously a director of CVR Refining, LP, an independent downstream energy limited partnership, from January 2013 to September 2014, American Railcar Industries, Inc., a railcar manufacturing company, from June 2013 to February 2014, CVR Energy, Inc., a diversified holding company primarily engaged in the petroleum refining and nitrogen fertilizer manufacturing industries, from May 2012 to February 2014, CVR Partners LP, a nitrogen fertilizer company, from May 2012 to February 2014, PSC Metals Inc., a metal recycling company, from April 2012 to February 2014, WestPoint Home LLC, a home textiles manufacturer, from February 2012 to February 2014, Viskase Companies, Inc., a meat casing company, from June 2011 to February 2014, XO Holdings, a competitive provider of telecom services, from August 2010 to February 2014, Motorola Mobility Holdings, Inc., a provider of mobile communication devices, video and data delivery solutions, from December 2010 to May 2012, and CIT Group Inc., a bank holding company from December 2009 to May 2011. Icahn Enterprises, American Railcar Industries, CVR Refining, CVR Energy, CVR Partners, PSC Metals, WestPoint Home, Viskase Companies, XO Holdings and Tropicana Entertainment are each indirectly controlled by Carl C. Icahn. Mr. Icahn previously had interests in Lear, Motorola Mobility and CIT Group through the ownership of securities. Mr. Ninivaggi received a B.A. in History from Columbia University in 1986, a Masters of Business Administration from the University of Chicago in 1988 and a J.D. from Stanford Law School in 1991.

Rainer Jueckstock
Age 55

Mr. Jueckstock has served as co-chief executive officer and a director of the Company and chief executive officer for the Powertrain Segment since April 2012. Mr. Jueckstock joined the Company in 1990, and has served as senior vice president, Powertrain Energy, senior vice president, powertrain operations, senior vice president, pistons, rings and liners, vice president, rings and liners, operations director, piston rings, Europe, and managing director of the Friedberg, Germany, operation. He also was sales director for rings and liners, Europe, finance controller in Burscheid, Germany, and finance manager in Dresden, Germany. Since February 2013, Mr. Jueckstock also serves on the board of directors of PLEXUS Corp.

Scott Pepin
Age 47

Mr. Pepin has served as senior vice president, Global Human Resources since April 2012. Previously, Mr. Pepin was vice president, labor relations and director of human resources, North America and Global Powertrain Energy. Mr. Pepin joined the company in 1994 and had held several positions of increasing responsibility. He was also formerly senior director, Kellogg North America, human resources and organizational development. Pepin earned a bachelor of arts degree in English and psychology from the University of Western Ontario, London, Ontario, Canada, and a bachelor of commerce degree in business administration and a master's degree in business administration, both from The University of Windsor, Ontario, Canada.

Brett D. Pynnonen
Age 46

Mr. Pynnonen has served as senior vice president, general counsel, secretary and chief compliance officer since November 2010. Mr. Pynnonen joined the Company as associate general counsel and assistant secretary in 2007. Prior to joining the Company, Mr. Pynnonen was vice president, general counsel and secretary for Covansys Corporation. Prior to that, Mr. Pynnonen was an attorney for the law firm of Butzel Long in Detroit, MI.

Jerôme Rouquet
Age 47

Mr Rouquet has served as senior vice president, finance, Motorparts, and controller and chief accounting officer of the Company since December 2013. Previously, he was interim Chief Financial Officer of the Company from August to December 2013, vice president, controller and chief accounting officer of the company since August 2010, and chief financial officer, Motorparts segment since July 2012. Mr Rouquet joined the Company in 1996 and held various finance positions of increasing responsibility at regional and group levels across multiple product lines and business units, ultimately serving as Finance Director, Vehicle Safety and Protection. Mr Rouquet graduated in 1990 from the Institut Supérieur de Gestion in Paris, France.

Rajesh Shah
Age 63

Mr Shah has served as senior vice president and chief financial officer of the company since December 2013. Previously, Mr Shah served as executive vice president and chief financial officer at X-Rite, an industrial technology business. Prior to that, he held various executive-level positions in finance at companies such as Cadence Innovation, LLC, Remy International, Inc., Collins & Aikman, UT Automotive, Vantiv Corporation, and Kelsey Hayes Group. Mr Shah is a chartered accountant in both India and Canada. He earned a bachelor's degree from Bombay University, Bombay (Mumbai) India, and a master's degree from Bowling Green University, Bowling Green, Ohio.

ITEM 11 EXECUTIVE COMPENSATION

Information with respect to compensation of executive officers and directors of the Company under the captions "Director Compensation", "Compensation Committee Interlocks and Insider Participation," and "Compensation Discussion and Analysis" in the Company's proxy statement for the 2015 annual meeting of stockholders is incorporated herein by reference and made a part of this Annual Report.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information under the captions "Security Ownership of Certain Beneficial Owners and Management" in the Company's proxy statement for the 2015 annual meeting of stockholders is incorporated herein by reference and made a part of this Annual Report.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTORS INDEPENDENCE

Tax Allocation Agreement

On July 11, 2013, Federal-Mogul Corporation became part of the Icahn Enterprises affiliated group of corporations as defined in Section 1504 of the Internal Revenue Code of 1986 ("the Code"), as amended, of which American Entertainment Properties Corp. ("AEP") is the common parent. The Company subsequently entered into a Tax Allocation Agreement (the "Tax Allocation Agreement") with AEP. Pursuant to the Tax Allocation Agreement, AEP and the Company have agreed to the allocation of certain income tax items. The Company will join AEP in the filing of AEP's federal consolidated return and certain state consolidated returns. In those jurisdictions where the Company is filing consolidated returns with AEP, the Company will pay to AEP any tax it would have owed had it continued to file separately. To the extent that the AEP consolidated group is able to reduce its tax liability as a result of including the Company in its consolidated group, AEP will pay the Company an amount equal to 20% of such reduction and the Company will carryforward for its own use under the Tax Allocation Agreement 80% of the items that caused the tax reduction (the "Excess Tax Benefits"). While a member of the AEP affiliated group, the Company will reduce the amounts it would otherwise owe AEP by the Excess Tax Benefits. Moreover, if the Company should ever become deconsolidated from AEP, AEP will reimburse the Company for any tax liability in post-consolidation years the Company would not have paid had it actually had the Excess Tax Benefits for its own use. The cumulative payments to the Company by AEP post-consolidation cannot exceed the cumulative reductions in tax to the AEP group resulting from its use of the Excess Tax Benefits. Separate return methodology will be used in determining income taxes.

Insight Portfolio Group LLC (formally known as Icahn Sourcing, LLC)

Icahn Sourcing, LLC ("Icahn Sourcing") is an entity formed by Mr. Icahn in order to maximize the potential buying power of a group of entities with which Mr. Icahn has a relationship in negotiating with a wide range of suppliers of goods, services and tangible and intangible property at negotiated rates. The Company was a member of the buying group in 2012. Prior to December 31, 2012, the Company did not pay Icahn Sourcing any fees or other amounts with respect to the buying group arrangement.

In December, 2012, Icahn Sourcing advised the Company that effective January 1, 2013 it would restructure its ownership and change its name to Insight Portfolio Group LLC ("Insight Portfolio Group"). In connection with the restructuring, the Company acquired a minority equity interest in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group's operating expenses in 2013. In addition to the minority equity interest held by the Company, certain subsidiaries of Icahn Enterprises Holdings, including CVR, Tropicana, ARI, Viskase PSC Metals and WPH also acquired minority equity interests in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group's operating expenses. A number of other entities with which Mr. Icahn has a relationship also acquired equity interests in Insight Portfolio Group and also agreed to pay certain operating expenses.

The Company's payments to Insight Portfolio Group were less than \$0.5 million for both of the years ended December 31, 2014 and 2013. The Company anticipates its 2015 payments to Insight Portfolio Group to be similar to the amounts paid in 2014.

Affiliate Pension Obligations

In July 2013 the Company completed a common stock rights offering. The purchases of shares of common stock in the rights offering increased the indirect control of Mr. Carl C. Icahn to approximately 80.73% of the voting power. As a result of the more than 80% ownership interest in the Company by Mr. Icahn's affiliates, the Company is subject to the pension liabilities of all entities in which Mr. Icahn has a direct or indirect ownership interest of at least 80%. One such entity ACF Industries LLC ("ACF"), is the sponsor of several pension plans. All the minimum funding requirements of the Code and the Employee Retirement Income Security Act of 1974 for these plans have been met as of December 31, 2014. If the ACF plans were voluntarily terminated, they would be underfunded by approximately \$82 million as of December 31, 2014. These results are based on the most recent information provided by the plans' actuaries. These liabilities could increase or decrease, depending on a number of factors, including future changes in benefits, investment returns, and the assumptions used to calculate the liability. As members of the controlled group, the Company would be liable for any failure of ACF to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of the pension plans of ACF. In addition, other entities now or in the future within the controlled group in which the Company is included may have pension plan obligations that are, or may become, underfunded and the Company would be liable for any failure of such entities to make ongoing pension contributions or to pay the unfunded liabilities upon termination of such plans. Further, the failure to pay these pension obligations when due may result in the creation of liens in favor of the pension plan or the Pension Benefit Guaranty Corporation ("PBGC") against the assets of each member of the controlled group.

The current underfunded status of the pension plans of ACF requires it to notify the PBGC of certain "reportable events," such as if the Company ceases to be a member of the ACF controlled group, or the Company makes certain extraordinary dividends or stock redemptions. The obligation to report could cause the Company to seek to delay or reconsider the occurrence of such reportable events.

Icahn Enterprises Holdings L.P. and IEH FM Holdings LLC have undertaken to indemnify Federal-Mogul for any and all liability imposed upon the Company pursuant to the Employee Retirement Income Security Act of 1974, as amended, or any regulation thereunder ("ERISA") resulting from the Company being considered a member of a controlled group within the meaning of ERISA § 4001(a)(14) of which American Entertainment Properties Corporation is a member, except with respect to liability in respect to any employee benefit plan, as defined by ERISA § 3(3), maintained by the Company. Icahn Enterprises Holdings L.P. and IEH FM Holdings LLC are not required to maintain any specific net worth and there can be no guarantee Icahn Enterprises Holdings L.P. and IEH FM Holdings LLC will be able to fund its indemnification obligations to the Company.

Additional Information

Additional information required by Item 13 is incorporated herein by reference to the Company's proxy statement for the 2015 annual meeting of stockholders under the captions "Director Independence and Controlled Company Status" and "Certain Relationships and Related-Party Transactions."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to the fees and services of the Company's principal accountant under the caption "Fees of Independent Registered Public Accounting Firm" in the Company's proxy statement for the 2015 annual meeting of stockholders is incorporated herein by reference and made a part of this Annual Report.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report

1 Financial Statements

Financial statements filed as part of this Annual Report on Form 10-K are listed under Part II, Item 8 hereof

2. Financial Statement Schedules

Schedule II — Valuation and Qualifying Accounts

Financial Statements and Schedules Omitted

Schedules other than the schedule listed above are omitted because they are not required or applicable under instructions contained in Regulation S-X or because the information called for is shown in the financial statements and notes thereto

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FEDERAL-MOGUL CORPORATION AND SUBSIDIARIES

<u>Column A</u>	<u>Column B</u>		<u>Column C</u>		<u>Column D</u>	<u>Column E</u>
<u>Description</u>	Balance at Beginning of Period	Charged to Costs and Expenses	Additions		Deductions	Balance at End of Period
			Charged to Other Accounts			
			(Millions of Dollars)			
Year ended December 31, 2014						
Valuation allowance for trade receivables	\$ 11	\$ 5	\$ —		\$ (5) ⁽¹⁾	\$ 11
Year ended December 31, 2013						
Valuation allowance for trade receivables	\$ 13	\$ 3	\$ —		\$ (5) ⁽¹⁾	\$ 11
Year ended December 31, 2012						
Valuation allowance for trade receivables	\$ 13	\$ 2	\$ —		\$ (2) ⁽¹⁾	\$ 13

(1) Uncollectible accounts charged off net of recoveries

15(b) Exhibits

The Company will furnish upon request any of the following exhibits upon payment of the Company's reasonable expenses for furnishing such exhibit

- 2 1 Agreement and Plan of Merger, dated April 14, 2014, by and among Federal-Mogul Corporation, Federal-Mogul Holdings Corporation, Federal-Mogul MergerCo Inc and Federal-Mogul Holding Sweden AB (Incorporated by Reference to Exhibit 2 1 to the Company's Current Report on Form 8-K dated April 14, 2014 and filed with the Securities and Exchange Commission on April 16, 2014)
- 2 2 Asset Purchase Agreement dated as of January 21, 2014 between Affinia Group Inc and VCS Quest Acquisition LLC (Incorporated by reference to Exhibit 2 1 to the Company's Current Report on Form 8-K dated January 21, 2014 and filed with the Securities and Exchange Commission on January 22, 2014)
- 2 3 Letter Agreement, dated April 29, 2014, by and between Federal-Mogul Chassis LLC and Affinia Group Inc (Incorporated by reference to Exhibit 2 1 to the Company's Current Report on Form 8-K dated April 29, 2014 and filed with the Securities and Exchange Commission on May 2, 2014)
- 2 4 Amended and Restated Stock and Asset Purchase Agreement dated as of January 7 2014 by and among Honeywell International Inc , Platin 966 GmbH and Saxid SAS (Incorporated by reference to Exhibit 2 1 to the Company's Current Report on Form 8-K dated July 9, 2014 and filed with the Securities and Exchange Commission on July 15, 2014)
- 3 1 Certificate of Incorporation of Federal-Mogul Holdings Corporation (Incorporated by reference to Exhibit 3 1 to the Company's Current Report on Form 8-K dated April 14, 2014 and filed with the Securities and Exchange Commission on April 16, 2014)
- 3 2 Bylaws of Federal-Mogul Holdings Corporation (Incorporated by reference to Exhibit 3 2 to the Company's Current Report on Form 8-K dated April 14, 2014 and filed with the Securities and Exchange Commission on April 16, 2014)
- 4 1 Federal-Mogul US Asbestos Personal Injury Trust Agreement by and among the Company, the Future Claimants Representative, the Official Committee of Asbestos Claimants, the Trustees, Wilmington Trust Company, and the members of the Trust Advisory Committee, dated as of December 27, 2007 (Incorporated by reference to Exhibit 4 1 to the Company's Current Report on Form 8-K dated December 27, 2007 and filed with the Securities and Exchange Commission on January 3, 2008)
- 4 2 Registration Rights Agreement dated as of December 27, 2007 by and among the company, Thornwood Associates Limited Partnership and the Federal-Mogul Asbestos Personal Injury Trust (Incorporated by reference to Exhibit 4 5 to the Company's Current Report on Form 8-K dated December 27, 2007 and filed with the Securities and Exchange Commission on January 3, 2008)
- 4 3 Amendment and Joinder to Federal-Mogul Corporation Registration Rights Agreement among Federal-Mogul Corporation and IEH FM Holdings LLC (Incorporated by reference to Exhibit 4 1 to the Company's Current Report on Form 8-K dated July 9, 2013 and filed with the Securities and Exchange Commission on July 11, 2013)
- 10 1 Term Loan and Revolving Credit Agreement by and among the Company, as Borrower, the Lenders party thereto, Citicorp USA, Inc , as Administrative Agent, and JPMorgan Chase Bank N A as Syndication Agent dated as of December 27, 2007 (Incorporated by reference to Exhibit 4 11 to the Company's Current Report on Form 8-K dated December 27, 2007 and filed with the Securities and Exchange Commission on January 3, 2008)
- 10 2 Federal-Mogul Corporation 2010 Stock Incentive Plan (Incorporated by Reference to Exhibit 10 1 to the Company's Current Report on Form 8-K dated May 26, 2010 and filed with the Securities and Exchange Commission on June 2, 2010) †
- 10 3 Form of Stock Appreciation Rights Agreement (Incorporated by Reference to Exhibit 10 2 to the Company's Current Report on Form 8-K dated May 26, 2010 and filed with the Securities and Exchange Commission on June 2 2010) †
- 10 4 Employment Agreement by and between the Company and Rainer Jueckstock dated as of April 1 2012 (Incorporated by Reference to Exhibit 10 2 to the Company's Current Report on Form 8-K dated March 20, 2012 and filed with the Securities and Exchange Commission on March 14, 2012) †
- * 10 5 Federal-Mogul 2014 Motorparts Management Incentive Plan (MIP) †
- * 10 6 Federal-Mogul 2014 Powertrain Management Incentive Plan (MIP) †
- * 10 7 Federal-Mogul 2014 Corporate Management Incentive Plan (MIP) †

10 8	Replacement Revolving Facility dated December 6, 2013, which is an amendment of the Term Loan and Revolving Credit Agreement, dated as of December 27, 2007, among the Company, the lenders party thereto, Citicorp USA, Inc , as Administrative Agent, JPMorgan Chase Bank, N A as Syndication Agent, and Wachovia Capital Finance Corporation and Wells Fargo Foothill, LLC, as Co-Documentation Agents, to amend its existing revolving credit facility to provide for a replacement revolving credit facility (Incorporated by Reference to Exhibit 10 1 to the Company's Current Report on Form 8-K dated December 6, 2013 and filed with the Securities and Exchange Commission on December 9, 2013)
10 9	Employment Agreement by and between the Company and Rajesh K. Shah dated as of December 9, 2013 (Incorporated by reference to Exhibit 10 15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013) †
10 10	Amendment Agreement dated as of April 15, 2014 to the Term Loan and Revolving Credit Agreement dated as of December 27, 2007 among Federal-Mogul Corporation, Citicorp USA, Inc and each of the lenders party thereto (Incorporated by reference to Exhibit 10 1 to the Company's Current Report on Form 8-K dated April 14, 2014 and filed with the Securities and Exchange Commission on April 16, 2014)
10 11	Separation Agreement between the Company and Kevin P Freeland, dated February 4, 2014 (Incorporated by reference to Exhibit 10 1 to the Company's Current Report on Form 8-K dated February 4, 2014 and filed with the Securities and Exchange Commission on February 10, 2014) †
10 12	Employment Agreement by and between the Company and Daniel A. Ninivaggi dated as of February 5, 2014 (Incorporated by Reference to Exhibit 10 2 to the Company's Current Report on Form 8-K dated February 4, 2014 and filed with the Securities and Exchange Commission on February 10, 2014) †
10 13	Federal-Mogul Corporation 2010 Stock Incentive Plan 2014-15 EVA Award Agreement - Powertrain Segment (Incorporated by reference to Exhibit 10 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013) †
10 14	Amended and Restated Share and Asset Purchase Agreement dated as of January 23, 2015 by and between TRW Automotive Inc and Federal-Mogul Valvetrain GmbH (Incorporated by reference to Exhibit 2 1 to the Company's Current Report on Form 8-K filed dated January 23, 2015 and filed with the Securities and Exchange Commission on January 29, 2015)
10 15	Tax Allocation Agreement by and among American Entertainment Properties Corp and Federal Mogul Corporation dated as of July 11, 2013 (Incorporated by reference to Exhibit 10 1 to the Company's Current Report on Form 8-K dated July 9, 2013 and filed with the Securities and Exchange Commission on July 11, 2013)
* 21	Subsidiaries of the Registrant
* 23 1	Consent of Independent Registered Public Accounting Firm - Grant Thornton LLP
* 31 1	Certification by the Company's Co-Chief Executive Officer pursuant to Rule 13a-14
* 31 2	Certification by the Company's Co-Chief Executive Officer pursuant to Rule 13a-14
* 31 3	Certification by the Company's Chief Financial Officer pursuant to Rule 13a-14
* 32	Certification by the Company's Co-Chief Executive Officers and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b)
* 101 INS	XBRL Instance Document
* 101 SCH	XBRL Taxonomy Extension Schema Document
* 101 CAL	XBRL Taxonomy Extension Calculation Linkbase Document
* 101 LAB	XBRL Taxonomy Extension Label Linkbase Document

* 101 PRE XBRL Taxonomy Extension Presentation Linkbase Document

* 101 DEF XBRL Taxonomy Extension Definition Linkbase Document

* Filed Herewith

† Management contracts and compensatory plans or arrangements

15(c). Separate financial statements of affiliates whose securities are pledged as collateral

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

FEDERAL-MOGUL HOLDINGS CORPORATION

By /s/ Rajesh Shah
 Rajesh Shah
 Senior Vice President and
 Chief Financial Officer

Dated February 26, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated

<u> /s/ Daniel A. Ninivaggi </u> Daniel A. Ninivaggi	Co-Chief Executive Officer, Federal-Mogul Holdings Corporation Chief Executive Officer, Motorparts Division, Director	February 26, 2015
<u> /s/ Rainer Jueckstock </u> Rainer Jueckstock	Co-Chief Executive Officer, Federal-Mogul Holdings Corporation Chief Executive Officer, Powertrain Division, Director	February 26, 2015
<u> /s/ Rajesh Shah </u> Rajesh Shah	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2015
<u> /s/ Jérôme Rouquet </u> Jérôme Rouquet	Senior Vice President and Controller (Principal Accounting Officer)	February 26, 2015
<u> /s/ Thomas W. Elward </u> Thomas W. Elward	Director	February 26, 2015
<u> /s/ George Feldenkreis </u> George Feldenkreis	Director	February 26, 2015
<u> /s/ SungHwan Cho </u> SungHwan Cho	Director	February 26, 2015
<u> /s/ Hunter C. Gary </u> Hunter C. Gary	Director	February 26, 2015
<u> /s/ J. Michael Laisure </u> J. Michael Laisure	Director	February 26, 2015
<u> /s/ Neil S. Subin </u> Neil S. Subin	Director	February 26, 2015

Federal-Mogul 2014 VCS Management Incentive Plan (MIP)Goal

This Vehicle Component Solutions (VCS) Management Incentive Plan (this "MIP") is intended to align the actions of participants with the goals of the Federal-Mogul Corporation (the "Company") VCS segment and reward participants for achieving or exceeding those goals

Participants

Individual employees of the Company providing services to VCS are eligible for participation in this MIP as follows: (i) employees below the level of Vice President are selected and confirmed by the Company's Senior Vice President of Human Resources, and (ii) employees at or above the level of Vice President are selected and confirmed by VCS's Chief Executive Officer, subject to approval and confirmation by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee")

Target Bonus

"Target Bonuses" for purposes of this MIP shall be expressed as a percentage of the applicable employee's annual base salary rate in effect as of December 31, 2014 ("Annual Base Salary"), which Annual Base Salary is calculated as follows: if the employee is paid by the Company on a monthly basis, the Annual Base Salary shall be equal to an amount that is the product of such monthly payment rate multiplied by 12, and if the employee is paid on an every-other-week basis, the Annual Base Salary shall be equal to an amount that is the product of such every-other-week payment rate multiplied by 26. For the avoidance of doubt, except for the employee's annual base salary rate described above, in no event shall any other amounts or compensation payments paid or payable to the employee be used for purposes of calculating the Annual Base Salary under this MIP.

No changes may be made to the assigned Target Bonus percentage without the written approval of the Company's Director of Compensation and Benefits and/or the Company's Senior Vice President of Human Resources, except that, in the case of any employee at, or above, the level of Vice President, any changes made to the assigned Target Bonus percentage shall be subject to approval and confirmation by the Compensation Committee.

Proration

Any participant who is not employed with the Company in a MIP-eligible position on or prior to October 1, 2014 shall not be eligible to receive a MIP payment for 2014, except as may otherwise be approved by the Company's Senior Vice President of Human Resources and, in the case of any employee at or above the level of Vice President, the Compensation Committee. Any participant who is eligible for a MIP payment but who did not serve in a MIP-eligible position during the entire year 2014 will be entitled to a pro-rated MIP-payment based on the amount of time such eligible participant was actively and continuously employed in an eligible position during 2014. If, during 2014, a participant is promoted or demoted from a job with one Target Bonus level to another job with a different Target Bonus level, a participant transfers from one operation to another operation with different performance metrics, or a participant is rehired or takes an approved leave of absence from active employment, a separate computation shall be made to take into account the participant's time at each level, operation or absence from employment (as applicable), and the sum of the separate computations shall be the participant's MIP payout.

Communications

The Business Unit Human Resource Directors and Human Resource Director for Corporate Staffs are responsible for consistency of MIP targets and communication of the MIP plan to participants.

Metrics

2014 MIP metrics are outlined in Appendix I attached hereto

Adjustments

The metrics and their achievement levels are the basis for payout calculations. However, each participant's individual performance and contributions may also be considered and may alter the final payout. In addition, VCS' Chief Executive Officer may reduce the 2014 MIP payment to any Business Unit Operations Vice President/Director, Finance Director or Plant Manager based on his assessment of the results of an audit or series of audits of plants or locations within VCS.

It is intended that increases and decreases in participant MIP bonus payouts which result from individual or group performance and contributions shall not result in an increase in the proposed payout of the maximum bonus pool described below. In the event that the MIP bonus payout, otherwise calculated in accordance with this MIP, would exceed the maximum bonus pool, each of the proposed MIP bonus payouts shall be reduced on a pro-rata basis so that the aggregate MIP bonus payouts do not exceed the maximum bonus pool.

MIP Payout Ranges:

The payout range for the 2014 MIP is from 0 to 175% of a participant's Target Bonus. For example, if an employee's Target Bonus is 10% of Annual Base Salary, he or she may receive an amount ranging from zero up to 17.5% of Annual Base Salary. Payout percentages are rounded to the nearest whole percent (0.5 and above rounds up and any amount under 0.5 rounds down.)

The VCS MIP bonus payment is limited to a maximum of 175% of an individual's Target Bonus.

Target Achievement Level:

If, for any metric, the achievement level equals 100% of the goal, the payout for that metric will be 100%.

Minimum Metric Achievement Level:

If, for any metric, the achievement level does not equal or exceed 85% of the target, the payout for that metric will be zero. At 85% achievement, the payout for such metric will be 50%.

Maximum Metric Achievement Level:

The maximum level of achievement eligible for a payout is 125% of the target for a metric. At 125% achievement, the MIP payout level is 175% for that metric.

The payout curve between the minimum achievement level and 100% is based on linear interpolation, as is the payout curve between 100% and the maximum achievement level.

Threshold Achievement Requirement:

In the event VCS does not achieve at least 90% of its EBITDA target for 2014, the EBITDA metric will have zero payout.

Maximum Bonus Pool and Adjustments:

The maximum bonus pool under this MIP will equal the sum of the Target Bonuses for the participants, assuming the payout level for all metrics is equal to 175%.

In no event shall the sum of total payouts under this MIP exceed the maximum bonus pool.

Computation and Payout Timing:

Payments under this MIP will be made only with respect to the Company's 2014 fiscal year and only after completion of the annual audit of Federal-Mogul's 2014 consolidated financial statements and filing of Federal-Mogul's Form 10-K for the year ending December 31, 2014, but in no event later than March 15, 2015. Management shall provide to the Compensation Committee, by February 1, 2015, the Company's 2014 unaudited consolidated financial results, other information required to calculate performance against the applicable metrics, management's calculation of the metric achievement levels against goals and management's recommendations for MIP payouts consistent with such financial performance and other information. No payout shall be made unless and until the Committee, in its sole and absolute discretion, has approved the final achievement levels and

payouts, the completion of the audit of the 2014 consolidated financial statements and filing of the Company's Form 10-K. MIP participants must be actively employed on the day of payout to be eligible for a payment. In all countries, local tax laws apply, and payments will be reduced by amounts required to be withheld for taxes at the time payments are made. MIP payments will not be considered compensation for purposes of calculating the rights of any participant under any of the Company's employee benefit plans or programs, unless required by applicable law. MIP payments will be counted as compensation eligible for 401(k) plan contributions to the extent applicable.

Compensation Committee of the Board of Directors

All incentive plan designs, awards and payouts, if any, are subject to approval of the Compensation Committee. The Compensation Committee has the sole and absolute discretion, after consultation with management of VCS, to make adjustments to any of the 2014 MIP metrics set forth in Appendix I.

Discretion

VCS' Chief Executive Officer may alter, postpone or disallow individual payments as he deems appropriate for any employee (other than himself), within the plan's payout range of zero to 175% of Target, except that, in the case of any employee at, or above, the level of Vice President, prior approval by the Compensation Committee is required. VCS' Chief Executive Officer may make other changes to this MIP with the prior approval of the Compensation Committee.

General Provisions

a) **Withholding of Taxes**. The Company shall withhold the amount of taxes which, in the determination of the Company, is required to be withheld under applicable law with respect to any amount due or paid under this MIP. All amounts payable under this MIP are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and this MIP and all bonus awards made hereunder shall be construed in a manner consistent with such intent.

b) **Expenses**. The Company is responsible for all expenses and costs incurred in connection with the adoption and administration of this MIP.

c) **Active Employment**. Active employment means actively engaged in the employ of the Company (or its subsidiaries) with respect to VCS. Employees who are subject to severance notice period or on "garden leave" status pending termination are not considered to be in active employment.

d) **Voluntary Termination**. Unless VCS' Chief Executive Officer exercises discretion in accordance with the "Discretion" provision above, in the event a participant elects to terminate employment for any reason or elects to retire from the Company, in each case, before payment under this MIP is made, all rights with respect to such participant under this MIP shall cease and be immediately forfeited, and no benefits shall vest or be accrued or due under this MIP for such participant.

e) **Involuntary Termination**. If a participant is involuntarily terminated for reasons other than "for cause", dies or becomes permanently disabled prior to the payout date, VCS' Chief Executive Officer may determine, in his sole discretion, whether such participant (or if termination is due to death, such participant's legal representatives) may be paid a prorated portion of his/her calculated bonus under this MIP, provided, that, in the case of any employee at or above the level of Vice President, any such pro-rated payment shall require the prior approval of the Compensation Committee. The pro-ratio will be calculated based on the formula (x times an amount that is the product of the participant's Target Bonus times the final calculated payout percentage for such participant) where x equals a fraction where the numerator is the number of calendar days the employee is employed in 2014 and the denominator is 365. Any such payment will be made at the same time and in the same manner active participants are paid. In the event any such termination is made by the Company for reasons other than "for cause," payment of any such prorated MIP bonus payment shall be subject to the employee signing and not revoking the Federal-Mogul Corporation severance plan agreement and release within 30 days of such termination.

f) **No Continued Employment**. Neither the establishment of this MIP, participation in this MIP, nor any payment hereunder shall be deemed to constitute an express or implied contract of employment of any participant for any period of time or in any way abridge the rights of the Company to determine the terms and conditions of employment or to terminate the employment of any employee with or without cause at any time.

g) **Other Plans**. Nothing contained herein shall limit the Company's power to make regular or discretionary payments to its employees, whether or not they are participants in this MIP. Notwithstanding anything herein to the contrary, no payment shall be made under this MIP to any participant if and to the extent that such payment, whether alone or when taken together with other

payments from the Company to such participant, would result in such participant receiving compensation from the Company in excess of any compensation limit contained in any written employment agreement between the Company and such participant

h) Non-Assignability No rights of the participants under this MIP shall be transferable or assignable, either voluntarily or involuntarily by way of encumbrance, pledge, attachment, levy or charge of any nature (except as may be required by local, state, or federal law)

Nothing in this MIP shall require the Company to segregate or set aside any funds or other property for the purpose of paying any portion of an award hereunder. No participant, beneficiary or other person shall have any right, title or interest in any amount awarded under this MIP prior to the payment of such award to him or her. Any rights of a participant (or any person claiming through the participant) under this MIP shall be solely those of an unsecured general creditor of the Company. The validity, interpretation, construction and performance of this MIP shall be governed by the laws of the State of Michigan without giving effect to the conflicts of laws principles thereof.

Federal-Mogul 2014 Powertrain Management Incentive Plan (MIP)

Goal:

This Powertrain Management Incentive Plan (this "MIP") is intended to align the actions of participants with the goals of the Federal-Mogul Corporation (the "Company") Powertrain segment ("Powertrain") and reward participants for achieving or exceeding those goals

Participants

Individual employees of the Company providing services to Powertrain are eligible for participation in this MIP as follows: (i) employees below the level of Vice President are selected and confirmed by the Company's Senior Vice President of Human Resources, and (ii) employees at, or above, the level of Vice President are selected and confirmed by Powertrain's Chief Executive Officer, subject to approval and confirmation by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee")

Target Bonus

"Target Bonuses" for purposes of this MIP shall be expressed as a percentage of the applicable employee's annual base salary rate in effect as of December 31, 2014 ("Annual Base Salary"), which Annual Base Salary is calculated as follows: if the employee is paid by the Company on a monthly basis, the Annual Base Salary shall be equal to an amount that is the product of such monthly payment rate multiplied by 12, and if the employee is paid on an every-other-week basis, the Annual Base Salary shall be equal to an amount that is the product of such every-other-week payment rate multiplied by 26. For the avoidance of doubt, except for the employee's annual base salary rate described above, in no event shall any other amounts or compensation payments paid or payable to the employee be used for purposes of calculating the Annual Base Salary under this MIP.

No changes may be made to the assigned Target Bonus percentage without the written approval of the Company's Director of Compensation and Benefits and/or the Company's Senior Vice President of Human Resources, except that, in the case of any employee at, or above, the level of Vice President, any changes made to the assigned Target Bonus percentage shall be subject to approval and confirmation by the Compensation Committee.

Proration

Any participant who is not employed with the Company in a MIP-eligible position on or prior to October 1, 2014 shall not be eligible to receive a MIP payment for 2014, except as may otherwise be approved by the Company's Senior Vice President of Human Resources and, in the case of any employee at or above the level of Vice President, the Compensation Committee. Any participant who is eligible for a MIP payment but who did not serve in a MIP-eligible position during the entire year 2014 will be entitled to a pro-rated MIP-payment based on the amount of time such eligible participant was actively and continuously employed in an eligible position during 2014. If, during 2014, a participant is promoted or demoted from a job with one Target Bonus level to another job with a different Target Bonus level, a participant transfers from one operation to another operation with different performance metrics, or a participant is rehired or takes an approved leave of absence from active employment, a separate computation shall be made to take into account the participant's time at each level, operation or absence from employment (as applicable), and the sum of the separate computations shall be the participant's MIP payout.

Communications

The Business Unit Human Resource Directors and Human Resource Director for Corporate Staffs are responsible for consistency of MIP targets and communication of the MIP plan to participants.

Metrics

2014 MIP metrics are outlined in Appendix I attached hereto.

Adjustments

The metrics and their achievement levels are the basis for payout calculations. However, each participant's individual performance and contributions may also be considered and may alter the final payout. In addition, Powertrain's Chief Executive Officer may

reduce the 2014 MIP payment to any Business Unit Operations Vice President/Director, Finance Director or Plant Manager based on his assessment of the results of an audit or series of audits of plants or locations within Powertrain

It is intended that increases and decreases in participant MIP bonus payouts which result from individual or group performance and contributions shall not result in an increase in the proposed payout of the maximum bonus pool described below. In the event that the MIP bonus payout, otherwise calculated in accordance with this MIP, would exceed the maximum bonus pool, each of the proposed MIP bonus payouts shall be reduced on a pro-rata basis so that the aggregate MIP bonus payouts do not exceed the maximum bonus pool.

MIP Payout Ranges:

The payout range for the 2014 MIP is from 0 to 175% of a participant's Target Bonus. For example, if an employee's Target Bonus is 10% of Annual Base Salary, he or she may receive an amount ranging from zero up to 17.5% of Annual Base Salary. Payout percentages are rounded to the nearest whole percent (0.5 and above rounds up and any amount under 0.5 rounds down.)

The Powertrain MIP bonus payment is limited to a maximum of 175% of an individual's Target Bonus.

Target Achievement Level:

If, for any metric, the achievement level equals 100% of the goal, the payout for that metric will be 100%.

Minimum Metric Achievement Level:

If, for any metric, the achievement level does not equal or exceed 85% of the target, the payout for that metric will be zero. At 85% achievement, the payout for such metric will be 50%.

Maximum Metric Achievement Level:

The maximum level of achievement eligible for a payout is 125% of the target for a metric. At 125% achievement, the MIP payout level is 175% for that metric.

The payout curve between the minimum achievement level and 100% is based on linear interpolation, as is the payout curve between 100% and the maximum achievement level.

Threshold Achievement Requirement:

In the event Powertrain does not achieve at least 85% of its EBITDA target for 2014, the EBITDA metrics for all Powertrain product lines and the Restructuring metric will have zero payout.

Maximum Bonus Pool and Adjustments:

The maximum bonus pool under this MIP will equal the sum of the Target Bonuses for the participants, assuming the payout level for all metrics is equal to 175%.

In no event shall the sum of total payouts under this MIP exceed the maximum bonus pool.

Computation and Payout Timing:

Payments under this MIP will be made only with respect to the Company's 2014 fiscal year and only after completion of the annual audit of Federal-Mogul's 2014 consolidated financial statements and filing of Federal-Mogul's Form 10-K for the year ending December 31, 2014, but in no event later than March 15, 2015. Management shall provide to the Compensation Committee, by February 1, 2015, the Company's 2014 unaudited consolidated financial results, other information required to calculate performance against the applicable metrics, management's calculation of the metric achievement levels against goals and management's recommendations for MIP payouts consistent with such financial performance and other information. No payout shall be made unless and until the Committee, in its sole and absolute discretion, has approved the final achievement levels and payouts, the completion of the audit of the 2014 consolidated financial statements and filing of the Company's Form 10-K. MIP participants must be actively employed on the day of payout to be eligible for a payment. In all countries, local tax laws apply, and payments will be reduced by amounts required to be withheld for taxes at the time payments are made. MIP payments will not be considered compensation for purposes of calculating the rights of any participant under any of the Company's employee

benefit plans or programs, unless required by applicable law MIP payments will be counted as compensation eligible for 401(k) plan contributions to the extent applicable

Compensation Committee of the Board of Directors

All incentive plan designs, awards and payouts, if any, are subject to approval of the Compensation Committee. The Compensation Committee has the sole and absolute discretion, after consultation with management of Powertrain, to make adjustments to any of the 2014 MIP metrics set forth in Appendix I.

Discretion

Powertrain's Chief Executive Officer may alter, postpone or disallow individual payments as he deems appropriate for any employee (other than himself), within the plan's payout range of zero to 175% of Target, except that, in the case of any employee at, or above, the level of Vice President, prior approval by the Compensation Committee is required. Powertrain's Chief Executive Officer may make other changes to this MIP with the prior approval of the Compensation Committee.

General Provisions

a) **Withholding of Taxes**. The Company shall withhold the amount of taxes which, in the determination of the Company, is required to be withheld under applicable law with respect to any amount due or paid under this MIP. All amounts payable under this MIP are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and this MIP and all bonus awards made hereunder shall be construed in a manner consistent with such intent.

b) **Expenses**. The Company is responsible for all expenses and costs incurred in connection with the adoption and administration of this MIP.

c) **Active Employment**. Active employment means actively engaged in the employ of the Company (or its subsidiaries) with respect to Powertrain. Employees who are subject to severance notice period or on "garden leave" status pending termination are not considered to be in active employment.

d) **Voluntary Termination**. Unless Powertrain's Chief Executive Officer exercises discretion in accordance with the "Discretion" provision above, in the event a participant elects to terminate employment for any reason or elects to retire from the Company, in each case, before payment under this MIP is made, all rights with respect to such participant under this MIP shall cease and be immediately forfeited, and no benefits shall vest or be accrued or due under this MIP for such participant.

e) **Involuntary Termination**. If a participant is involuntarily terminated for reasons other than "for cause", dies or becomes permanently disabled prior to the payout date, Powertrain's Chief Executive Officer may determine, in his sole discretion, whether such participant (or if termination is due to death, such participant's legal representatives) may be paid a prorated portion of his/her calculated bonus under this MIP, provided, that, in the case of any employee at or above the level of Vice President, any such pro-rated payment shall require the prior approval of the Compensation Committee. The pro-ration will be calculated based on the formula (x times an amount that is the product of the participant's Target Bonus times the final calculated payout percentage for such participant) where x equals a fraction where the numerator is the number of calendar days the employee is employed in 2014 and the denominator is 365. Any such payment will be made at the same time and in the same manner active participants are paid. In the event any such termination is made by the Company for reasons other than "for cause," payment of any such prorated MIP bonus payment shall be subject to the employee signing and not revoking the Federal-Mogul Corporation severance plan agreement and release within 30 days of such termination.

f) **No Continued Employment**. Neither the establishment of this MIP, participation in this MIP, nor any payment hereunder shall be deemed to constitute an express or implied contract of employment of any participant for any period of time or in any way abridge the rights of the Company to determine the terms and conditions of employment or to terminate the employment of any employee with or without cause at any time.

g) **Other Plans**. Nothing contained herein shall limit the Company's power to make regular or discretionary payments to its employees, whether or not they are participants in this MIP. Notwithstanding anything herein to the contrary, no payment shall be made under this MIP to any participant if and to the extent that such payment, whether alone or when taken together with other payments from the Company to such participant, would result in such participant receiving compensation from the Company in excess of any compensation limit contained in any written employment agreement between the Company and such participant.

h) Non-Assignability No rights of the participants under this MIP shall be transferable or assignable, either voluntarily or involuntarily by way of encumbrance pledge, attachment levy or charge of any nature (except as may be required by local, state, or federal law)

Nothing in this MIP shall require the Company to segregate or set aside any funds or other property for the purpose of paying any portion of an award hereunder No participant, beneficiary or other person shall have any right, title or interest in any amount awarded under this MIP prior to the payment of such award to him or her Any rights of a participant (or any person claiming through the participant) under this MIP shall be solely those of an unsecured general creditor of the Company The validity, interpretation, construction and performance of this MIP shall be governed by the laws of the State of Michigan without giving effect to the conflicts of laws principles thereof

Federal-Mogul Corporate 2014 Management Incentive Plan (MIP)Goal

This Federal-Mogul Corporate (F-M Corporate) Management Incentive Plan (this "MIP") is intended to align the actions of participants with the goals of the Federal-Mogul Corporation (the "Company") and reward participants for achieving or exceeding those goals.

Participants

Individual employees of the Company providing services to F-M Corporate are eligible for participation in this MIP as follows: (i) employees below the level of Vice President are selected and confirmed by the Company's Senior Vice President of Human Resources; and (ii) employees at, or above, the level of Vice President are selected and confirmed by F-M Corporate's Co-Chief Executive Officers, subject to approval and confirmation by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee").

Target Bonus

"Target Bonuses" for purposes of this MIP shall be expressed as a percentage of the applicable employee's annual base salary rate in effect as of December 31, 2014 ("Annual Base Salary"), which Annual Base Salary is calculated as follows: if the employee is paid by the Company on a monthly basis, the Annual Base Salary shall be equal to an amount that is the product of such monthly payment rate multiplied by 12, and if the employee is paid on an every-other-week basis, the Annual Base Salary shall be equal to an amount that is the product of such every-other-week payment rate multiplied by 26. For the avoidance of doubt, except for the employee's annual base salary rate described above, in no event shall any other amounts or compensation payments paid or payable to the employee be used for purposes of calculating the Annual Base Salary under this MIP.

No changes may be made to the assigned Target Bonus percentage without the written approval of the Company's Director of Compensation and Benefits and/or the Company's Senior Vice President of Human Resources, except that in the case of any employee at, or above, the level of Vice President, any changes made to the assigned Target Bonus percentage shall be subject to approval and confirmation by the Compensation Committee.

Proration

Any participant who is not employed with the Company in a MIP-eligible position on or prior to October 1, 2014 shall not be eligible to receive a MIP payment for 2014, except as may otherwise be approved by the Company's Senior Vice President of Human Resources and, in the case of any employee at or above the level of Vice President, the Compensation Committee. Any participant who is eligible for a MIP payment but who did not serve in a MIP-eligible position during the entire year 2014 will be entitled to a pro-rated MIP-payment based on the amount of time such eligible participant was actively and continuously employed in an eligible position during 2014. If, during 2014, a participant is promoted or demoted from a job with one Target Bonus level to another job with a different Target Bonus level, a participant transfers from one operation to another operation with different performance metrics, or a participant is rehired or takes an approved leave of absence from active employment, a separate computation shall be made to take into account the participant's time at each level, operation or absence from employment (as applicable), and the sum of the separate computations shall be the participant's MIP payout.

Communications

The Human Resource Director for Corporate Staffs is responsible for consistency of MIP targets and communication of the MIP plan to participants.

Metrics

2014 MIP metrics are outlined in Appendix I attached hereto.

Adjustments

The metrics and their achievement levels are the basis for payout calculations. However, each participant's individual performance and contributions may also be considered and may alter the final payout. In addition, F-M Corporate's Co-Chief Executive Officer

may reduce the 2014 MIP payment to any Business Unit Operations Vice President/Director or Finance Director, based on their assessment of the results of an audit or series of audits of locations within F-M Corporate

It is intended that increases and decreases in participant MIP bonus payouts which result from individual or group performance and contributions shall not result in an increase in the proposed payout of the maximum bonus pool described below. In the event that the MIP bonus payout, otherwise calculated in accordance with this MIP, would exceed the maximum bonus pool, each of the proposed MIP bonus payouts shall be reduced on a pro-rata basis so that the aggregate MIP bonus payouts do not exceed the maximum bonus pool.

MIP Payout Ranges.

The payout range for the 2014 MIP is from 0 to 175% of a participant's Target Bonus. For example, if an employee's Target Bonus is 10% of Annual Base Salary, he or she may receive an amount ranging from zero up to 17.5% of Annual Base Salary. Payout percentages are rounded to the nearest whole percent (0.5 and above rounds up and any amount under 0.5 rounds down).

The F-M Corporate MIP bonus payment is limited to a maximum of 175% of an individual's Target Bonus.

Target Achievement Level.

If, for any metric, the achievement level equals 100% of the goal, the payout for that metric will be 100%.

Minimum Metric Achievement Level.

If, for any metric, the achievement level does not equal or exceed 85% of the target, the payout for that metric will be zero. At 85% achievement, the payout for such metric will be 50%.

Maximum Metric Achievement Level.

The maximum level of achievement eligible for a payout is 125% of the target for a metric. At 125% achievement, the MIP payout level is 175% for that metric.

The payout curve between the minimum achievement level and 100% is based on linear interpolation, as is the payout curve between 100% and the maximum achievement level.

Threshold Achievement Requirement.

In the event Powertrain does not achieve at least 85% of its EBITDA target for 2014, the EBITDA metrics for all Powertrain product lines and the Restructuring metric will have zero payout.

In the event VCS does not achieve at least 90% of its EBITDA target for 2014, the EBITDA metrics for all VCS product lines and the Restructuring metric will have zero payout.

Maximum Bonus Pool and Adjustments.

The maximum bonus pool under this MIP will equal the sum of the Target Bonuses for the participants, assuming the payout level for all metrics is equal to 175%.

In no event shall the sum of total payouts under this MIP exceed the maximum bonus pool.

Computation and Payout Timing.

Payments under this MIP will be made only with respect to the Company's 2014 fiscal year, and only after completion of the annual audit of Federal-Mogul's 2014 consolidated financial statements and filing of Federal-Mogul's Form 10-K for the year ending December 31, 2014, but in no event later than March 15, 2015. Management shall provide to the Compensation Committee, by February 1, 2015, the Company's 2014 unaudited consolidated financial results, other information required to calculate performance against the applicable metrics, management's calculation of the metric achievement levels against goals and management's recommendations for MIP payouts consistent with such financial performance and other information. No payout shall be made unless and until the Committee, in its sole and absolute discretion, has approved the final achievement levels and

payouts, the completion of the audit of the 2014 consolidated financial statements and filing of the Company's Form 10-K. MIP participants must be actively employed on the day of payout to be eligible for a payment. In all countries, local tax laws apply, and payments will be reduced by amounts required to be withheld for taxes at the time payments are made. MIP payments will not be considered compensation for purposes of calculating the rights of any participant under any of the Company's employee benefit plans or programs, unless required by applicable law. MIP payments will be counted as compensation eligible for 401(k) plan contributions to the extent applicable.

Compensation Committee of the Board of Directors.

All incentive plan designs, awards and payouts, if any, are subject to approval of the Compensation Committee. The Compensation Committee has the sole and absolute discretion, after consultation with management of F-M Corporate, to make adjustments to any of the 2014 MIP metrics set forth in Appendix I.

Discretion

F-M Corporate's Co-Chief Executive Officers may alter, postpone or disallow individual payments as he deems appropriate for any employee (other than himself), within the plan's payout range of zero to 175% of Target, except that, in the case of any employee at or above the level of Vice President, prior approval by the Compensation Committee is required. F-M Corporate's Co-Chief Executive Officers may make other changes to this MIP with the prior approval of the Compensation Committee.

General Provisions

a) **Withholding of Taxes.** The Company shall withhold the amount of taxes which, in the determination of the Company, is required to be withheld under applicable law with respect to any amount due or paid under this MIP. All amounts payable under this MIP are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and this MIP and all bonus awards made hereunder shall be construed in a manner consistent with such intent.

b) **Expenses.** The Company is responsible for all expenses and costs incurred in connection with the adoption and administration of this MIP.

c) **Active Employment.** Active employment means actively engaged in the employ of the Company (or its subsidiaries) with respect to Federal-Mogul Employees who are subject to severance notice period or on "garden leave" status pending termination are not considered to be in active employment.

d) **Voluntary Termination.** Unless F-M Corporate's Co-Chief Executive Officers exercise discretion in accordance with the "Discretion" provision above, in the event a participant elects to terminate employment for any reason or elects to retire from the Company, in each case, before payment under this MIP is made, all rights with respect to such participant under this MIP shall cease and be immediately forfeited, and no benefits shall vest or be accrued or due under this MIP for such participant.

e) **Involuntary Termination.** If a participant is involuntarily terminated for reasons other than "for cause", dies or becomes permanently disabled prior to the payout date, F-M Corporate's Co-Chief Executive Officers may determine, in their sole discretion, whether such participant (or if termination is due to death, such participant's legal representatives) may be paid a prorated portion of his/her calculated bonus under this MIP, provided, that, in the case of any employee at or above the level of Vice President, any such pro-rated payment shall require the prior approval of the Compensation Committee. The pro-ration will be calculated based on the formula (x times an amount that is the product of the participant's Target Bonus times the final calculated payout percentage for such participant) where x equals a fraction where the numerator is the number of calendar days the employee is employed in 2014 and the denominator is 365. Any such payment will be made at the same time and in the same manner active participants are paid. In the event any such termination is made by the Company for reasons other than "for cause," payment of any such prorated MIP bonus payment shall be subject to the employee signing and not revoking the Federal-Mogul Corporation severance plan agreement and release within 30 days of such termination.

f) **No Continued Employment.** Neither the establishment of this MIP, participation in this MIP, nor any payment hereunder shall be deemed to constitute an express or implied contract of employment of any participant for any period of time or in any way abridge the rights of the Company to determine the terms and conditions of employment or to terminate the employment of any employee with or without cause at any time.

g) **Other Plans.** Nothing contained herein shall limit the Company's power to make regular or discretionary payments to its employees, whether or not they are participants in this MIP. Notwithstanding anything herein to the contrary, no payment shall be made under this MIP to any participant if and to the extent that such payment, whether alone or when taken together with other

payments from the Company to such participant, would result in such participant receiving compensation from the Company in excess of any compensation limit contained in any written employment agreement between the Company and such participant

h) Non-Assignability No rights of the participants under this MIP shall be transferable or assignable, either voluntarily or involuntarily by way of encumbrance, pledge, attachment, levy or charge of any nature (except as may be required by local, state, or federal law)

Nothing in this MIP shall require the Company to segregate or set aside any funds or other property for the purpose of paying any portion of an award hereunder. No participant, beneficiary or other person shall have any right, title or interest in any amount awarded under this MIP prior to the payment of such award to him or her. Any rights of a participant (or any person claiming through the participant) under this MIP shall be solely those of an unsecured general creditor of the Company. The validity, interpretation, construction and performance of this MIP shall be governed by the laws of the State of Michigan without giving effect to the conflicts of laws principles thereof.

FEDERAL-MOGUL HOLDINGS CORPORATION SUBSIDIARIES

The direct and indirect operating subsidiaries of the Company and their respective States or other jurisdictions of incorporation as of December 31, 2014 are as follows

<u>Name of Subsidiaries</u>	<u>Country</u>	<u>Percentage of Voting Stock Owned Directly and Indirectly by Federal-Mogul</u>
Federal Mogul Argentina SA	Argentina	96.3%
Federal-Mogul Plasticos Puntanos, S A	Argentina	96.3%
Federal-Mogul Pty Ltd	Australia	100.0%
Federal-Mogul Automotive Pty Ltd	Australia	100.0%
FM Motorparts Pty Ltd	Australia	100.0%
Federal-Mogul S A	Belgium	100.0%
Federal-Mogul EMEA Distribution Services, BVBA	Belgium	100.0%
Federal-Mogul Global Aftermarket EMEA BVBA	Belgium	100.0%
Coventry Assurance, Ltd	Bermuda	100.0%
Federal Mogul Componentes de Motores Ltda	Brazil	100.0%
Federal-Mogul Friction Products Sorocaba - Sistemas Automotivos Ltda	Brazil	100.0%
Federal-Mogul Industria de Autopecas Ltda	Brazil	100.0%
Federal-Mogul Sistemas Automotivos Ltda	Brazil	100.0%
Federal-Mogul Participacoes e Investimentos LTDA	Brazil	100.0%
Federal-Mogul Canada Limited	Canada	100.0%
Federal-Mogul (Changshu) Automotive Parts Co., Ltd	China	100.0%
Federal-Mogul (Chongqing) Friction Materials Co., Ltd	China	100.0%
Federal-Mogul (Dalian) Co., Ltd	China	100.0%
Federal-Mogul (Shanghai) Automotive Parts Co., Ltd	China	100.0%
Federal-Mogul ARN (Anqing) Powder Metallurgy Co., Ltd	China	100.0%
Federal-Mogul Dongshu (Qingdao) Pistons Co., Ltd	China	75.5%
Federal-Mogul Friction Products Co., Ltd	China	100.0%
Federal-Mogul (China) Co., Ltd	China	100.0%
Federal-Mogul Deva (Qingdao) Automotive Parts Co., Ltd	China	100.0%
Federal-Mogul Qingdao Pistons Co., Ltd	China	61.5%
Federal-Mogul Sealing System (Nanchang) Co., Ltd	China	100.0%
Federal-Mogul Shanghai Bearings Co., Ltd	China	60.0%
Federal-Mogul Shanghai Compound Material Co., Ltd	China	60.0%
Federal-Mogul Zhengsheng (Changsha) Piston Ring Co., LTD	China	95.0%
Federal Mogul de Costa Rica, Sociedad Anonima	Costa Rica	100.0%
Sapav Marketing Ltd	Cyprus	100.0%
Sibirica Energy Limited	Cyprus	100.0%
Federal-Mogul Friction Products A S	Czech Rep	100.0%
Federal-Mogul Aftermarket Egypt LTD	Egypt	100.0%
Ateliers Juliette Adam SAS	France	100.0%
Federal Mogul Aftermarket France SAS	France	100.0%
Federal-Mogul Financial Services SAS	France	100.0%
Federal-Mogul Friction Products SAS	France	100.0%
Federal-Mogul Ignition Products SAS	France	100.0%
Federal Mogul Operations France SAS	France	100.0%
Federal Mogul Piston Rings SAS	France	100.0%
Federal-Mogul Sealing System SAS	France	100.0%
Federal-Mogul Services Sarl	France	100.0%
Federal-Mogul Systems Protection SAS	France	100.0%
Federal-Mogul SAS	France	100.0%
Fonciere de Liberation SAS	France	100.0%

Saxid SAS	France	100 0%
Federal-Mogul Aftermarket GmbH	Germany	100 0%
Federal-Mogul Automotive GmbH & Co KG	Germany	100 0%
Federal-Mogul Automotive Verwaltungs GmbH	Germany	100 0%
Federal-Mogul Betriebsgrundstücke Burscheid GmbH	Germany	100 0%
Federal-Mogul Bremsbelag GmbH	Germany	100 0%
Federal-Mogul Burscheid Beteiligungs GmbH	Germany	100 0%
Federal-Mogul Burscheid GmbH	Germany	100 0%
Federal-Mogul Deva GmbH	Germany	100 0%
Federal-Mogul Friction GmbH	Germany	100 0%
Federal-Mogul Friction Materials Germany GmbH	Germany	100 0%
Federal-Mogul Friction Products GmbH	Germany	100 0%
Federal-Mogul Friction Products International GmbH	Germany	100 0%
Federal-Mogul Friedberg GmbH	Germany	100 0%
Federal-Mogul Heinsberg GmbH	Germany	100 0%
Federal-Mogul Holding Deutschland GmbH	Germany	100 0%
Federal-Mogul Ignition GmbH	Germany	100 0%
Federal-Mogul Immobilien GmbH	Germany	100 0%
Federal-Mogul Nuremberg GmbH	Germany	100 0%
Federal-Mogul Powertrain Russia GmbH	Germany	100 0%
Federal-Mogul Sealing Systems Bretten GmbH	Germany	100 0%
Federal-Mogul Sealing Systems GmbH	Germany	100 0%
Federal-Mogul TP Europe GmbH & Co KG	Germany	66 7%
Federal-Mogul TP Piston Rings GmbH	Germany	66 6%
Federal-Mogul Valvetrain GmbH	Germany	100 0%
Federal-Mogul Vermögensverwaltungs GmbH	Germany	100 0%
Federal-Mogul Verwaltungs und Beteiligungs GmbH	Germany	100 0%
Federal-Mogul Wiesbaden GmbH	Germany	100 0%
Goetze Wohnungsbau GmbH	Germany	100 0%
Plaun 966 GmbH	Germany	100 0%
Weyburn-Bartel GmbH	Germany	100 0%
Federal-Mogul de Guatemala S A	Guatemala	100 0%
Curzon Insurance Limited	Guernsey	100 0%
Federal-Mogul (T&N) Hong Kong Limited	Hong Kong	100 0%
Federal-Mogul World Trade (Asia) Limited	Hong Kong	100 0%
Federal-Mogul Hungary Kft	Hungary	100 0%
Federal Mogul Wipers Hungary Kft	Hungary	100 0%
Federal-Mogul Ignition Products India Limited	India	100 0%
Federal-Mogul Bearing India Limited	India	63 9%
Federal-Mogul Goetze (India) Limited	India	75 0%
Federal-Mogul PTSB India Private Limited	India	100 0%
Federal-Mogul TPR (India) Limited	India	62 7%
Federal-Mogul VSP (India) Limited	India	100 0%
Federal-Mogul Italy S r l	Italy	100 0%
Saxid s r l	Italy	100 0%
Federal Mogul Japan K K	Japan	100 0%
Federal-Mogul Asia Investments Holding Korea, Ltd	Korea	100 0%
KFM Bearing Co , Ltd	Korea	100 0%
KFM Innovative Technology Company Limited	Korea	100 0%
Federal-Mogul Luxembourg S a r l	Luxembourg	100 0%
Federal-Mogul Holdings Ltd	Mauritius Is	100 0%
Federal-Mogul Holding Mexico S A de C V	Mexico	100 0%
Federal-Mogul de Matamoros, S A de C V	Mexico	100 0%
Federal-Mogul de Mexico, S A de C V	Mexico	99 4%
Federal-Mogul Distribucion de Mexico, S de RL de CV	Mexico	100 0%
Federal-Mogul Lighting S A de C V	Mexico	100 0%
Federal-Mogul S A de C V	Mexico	98 3%
Federal-Mogul SP Mexico, S de R.L de C.V	Mexico	100 0%

Federal-Mogul Valve Train S de R.L. de C V	Mexico	100 0%
McCord Payen de Mexico S de R L	Mexico	100 0%
Productos de Frenos Automotrices de Calidad S A de C V	Mexico	100 0%
Ramsa S A de C V	Mexico	100 0%
Servicios Administrativos Industriales, S A	Mexico	100 0%
Servicio de Componentes Automotrices, S A de C A	Mexico	100 0%
Subensambles Internacionales, S A de S V	Mexico	100 0%
T&N de Mexico S de R L	Mexico	100 0%
Federal-Mogul Systems Protection Morocco SARL AU	Morocco	100 0%
Cooperatief Federal-Mogul Dutch Investments B A	Netherlands	100 0%
Federal-Mogul Investments B V	Netherlands	100 0%
Federal-Mogul Motorparts Holding B V	Netherlands	100 0%
Federal-Mogul Motorparts Minority Holding B V	Netherlands	100 0%
Federal-Mogul VCS Holding B V	Netherlands	100 0%
Federal-Mogul Motorparts Philippines Inc	Philippines	100 0%
Federal-Mogul Bimet Spolka Akcyjna	Poland	95 0%
Federal-Mogul Gorzyce S A	Poland	100 0%
Federal-Mogul Friction Products Ploiesti s r l	Romania	100 0%
Federal-Mogul Friction Services s r l	Romania	100 0%
Federal-Mogul Dimitrovgrad LLC	Russia	100 0%
Federal-Mogul Naberezhnye Chelny LLC	Russia	50 0%
Federal-Mogul Powertrain Vostok OOO	Russia	100 0%
Federal-Mogul VCS OOO	Russia	100 0%
Torgovy Dom DZV CJSC	Russia	100 0%
Trend LLC	Russia	100 0%
Federal-Mogul Motorparts (Singapore) Pte Ltd	Singapore	100 0%
Federal-Mogul Singapore Investments Pte Ltd	Singapore	100 0%
Federal Mogul (Proprietary) Limited	South Africa	100 0%
Federal Mogul Aftermarket Southern Africa (Pty) Limited	South Africa	100 0%
Federal Mogul of South Africa (Pty) Ltd	South Africa	100 0%
Federal Mogul Powertrain Systems S A (Proprietary Limited)	South Africa	100 0%
Federal-Mogul Aftermarket Espana SA	Spain	51 0%
Federal-Mogul Friction Products Barcelona S L	Spain	100 0%
Federal-Mogul Friction Products SA	Spain	100 0%
Federal-Mogul Friction Spain S L	Spain	100 0%
Federal-Mogul Iberica S L	Spain	100 0%
F-M Holding Daros AB	Sweden	100 0%
Federal-Mogul Goteborg AB	Sweden	100 0%
Federal-Mogul Holding Sweden AB	Sweden	100 0%
Federal-Mogul GmbH	Switzerland	100 0%
	Taiwan	
Federal-Mogul Motorparts Taiwan Co Limited		100 0%
Federal-Mogul (Thailand) Ltd	Thailand	100 0%
Federal-Mogul Motorparts (Thailand) Limited	Thailand	100 0%
A E Group Machines Limited	UK	100 0%
AE International Limited	UK	100 0%
AE Limited	UK	100 0%
Federal-Mogul Aftermarket UK Limited	UK	100 0%
Federal-Mogul Asia Investments Limited	UK	100 0%
Federal-Mogul Bradford Limited	UK	100 0%
Lydmet Limited	UK	100 0%
Federal-Mogul Employee Trust Administration Limited	UK	100 0%
Federal-Mogul Engineering Limited	UK	100 0%
Federal-Mogul Friction Products Limited	UK	100 0%
Federal-Mogul Global Growth Limited	UK	100 0%
Payen International Limited	UK	100 0%
Federal-Mogul Sintered Products Limited	UK	100 0%
Federal-Mogul Technology Limited	UK	100 0%
Federal-Mogul Valvetrain Limited	UK	100 0%

Ferodo Limited	UK	100 0%
F-M Motorparts Limited	UK	100 0%
F-M Trademarks Limited	UK	100 0%
Leeds Piston Ring & Engineering Co Ltd	UK	100 0%
Sinratron Limited	UK	100 0%
FDML Holdings Limited	UK	100 0%
Federal-Mogul UK Investments Limited	UK	100 0%
Federal-Mogul Limited	UK	100 0%
Piston Rings (UK) Ltd	UK	100 0%
Saxid Limited	UK	100 0%
T&N Shelf Twenty-Six Limited	UK	100 0%
Wellworthy Limited	UK	100 0%
Federal-Mogul Finance 1 LLC	US-Delaware	100 0%
Carter Automotive Company, Inc	US-Delaware	100 0%
Federal-Mogul Corporation	US-Delaware	100 0%
Federal-Mogul Finance 2, LLC	US-Delaware	100 0%
Federal-Mogul Global LLC	US-Delaware	100 0%
Federal-Mogul Ignition Company	US-Delaware	100 0%
Federal-Mogul Piston Rings Inc	US-Delaware	100 0%
Federal-Mogul Powertrain IP, LLC	US-Delaware	100 0%
Federal-Mogul Risk Advisory Services LLC	US-Delaware	100 0%
Federal-Mogul Transaction LLC	US-Delaware	100 0%
Federal-Mogul Motorparts Corporation	US-Delaware	100 0%
Federal-Mogul Valve Train International LLC	US-Delaware	100 0%
Ferodo America, Inc	US-Delaware	100 0%
F-M Motorparts TSC, Inc	US-Delaware	100 0%
Felt Products Mfg Co	US-Delaware	100 0%
FM International, LLC	US-Delaware	100 0%
Gasket Holdings Inc	US-Delaware	100 0%
Muzzy-Lyon Auto Parts Inc	US-Delaware	100 0%
T&N Industries Inc	US-Delaware	100 0%
Federal-Mogul Chassis LLC	US-Delaware	100 0%
Federal-Mogul Powertrain, Inc	US-Michigan	100 0%
Federal-Mogul World Wide Inc	US-Michigan	100 0%
Speyside Real Estate, Inc	US-Michigan	100 0%
Federal-Mogul Products, Inc	US-Missouri	100 0%
Federal-Mogul de Venezuela C A	Venezuela	100 0%
Federal-Mogul (Vietnam) Ltd	Vietnam	100 0%

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 26, 2015, with respect to the consolidated financial statements, schedule, and internal control over financial reporting included in the Annual Report of Federal-Mogul Holdings Corporation on Form 10-K for the year ended December 31, 2014. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Federal-Mogul Holdings Corporation on Form S-8 (File No. 333-168508) and Form S-3 (File No. 333-187424).

/s/ GRANT THORNTON LLP

Southfield, Michigan

February 26, 2015

CERTIFICATION

Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Daniel A. Ninivaggi, the Co-Chief Executive Officer of Federal-Mogul Holdings Corporation (the "Company"), certify that

- 6 I have reviewed this annual report on Form 10-K of Federal-Mogul Holdings Corporation
- 7 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report,
- 8 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report,
- 9 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have
- a Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,
 - b Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,
 - c Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation, and
 - d Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
- 10 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)
- a All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and
 - b Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date February 26, 2015

By

/s/ Daniel A. Ninivaggi

Daniel A. Ninivaggi

Co-Chief Executive Officer, Federal-Mogul Holdings Corporation

Chief Executive Officer, Motorparts Division

CERTIFICATION

Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Rainer Jueckstock, the Co-Chief Executive Officer of Federal-Mogul Holdings Corporation (the "Company"), certify that

- 1 I have reviewed this annual report on Form 10-K of Federal-Mogul Holdings Corporation,
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report,
- 3 Based on my knowledge the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report,
- 4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have
 - a Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,
 - b Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,
 - c Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation, and
 - d Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
- 5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)
 - a All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and
 - b Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date February 26, 2015

By

/s/ Rainer Jueckstock

Rainer Jueckstock

Co-Chief Executive Officer, Federal-Mogul Holdings Corporation Chief
Executive Officer, Powertrain Division

CERTIFICATION

Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Rajesh Shah, the Chief Financial Officer of Federal-Mogul Holdings Corporation (the "Company"), certify that

- 1 I have reviewed this annual report on Form 10-K of Federal-Mogul Holdings Corporation.
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report,
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report,
- 4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have
 - a Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,
 - b Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,
 - c Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation, and
 - d Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
- 5 The registrant's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)
 - a All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and
 - b Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date February 26, 2015

By

/s/Rajesh Shah

Rajesh Shah

Senior Vice President and
Chief Financial Officer

CERTIFICATION

Pursuant to 18 United States Code § 1350 and
Rule 13a-14(b) of the Securities Exchange Act of 1934

The Undersigned hereby certifies that to his knowledge the annual report on Form 10-K of Federal-Mogul Holdings Corporation (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such annual report fairly presents, in all material respects, the financial condition and results of operations of the Company

A signed original of this written statement, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request

Date February 26, 2015

By /s/ Daniel A. Ninivaggi
Daniel A. Ninivaggi
Co-Chief Executive Officer, Federal-Mogul Holdings Corporation
Chief Executive Officer, Motorparts Division

By /s/ Rainer Jueckstock
Rainer Jueckstock
Co-Chief Executive Officer, Federal-Mogul Holdings Corporation
Chief Executive Officer, Powertrain Division

By /s/ Rajesh Shah
Rajesh Shah
Senior Vice President and
Chief Financial Officer