



Federal-Mogul Corporation Q3 Financial Results Conference Call

October 29, 2009



Presenters



José Maria Alapont
President and
Chief Executive Officer



Jeff Kaminski
Senior Vice President and
Chief Financial Officer

Safe Harbor Statement

Statements contained in this presentation, which are not historical fact, constitute "Forward-Looking Statements." Actual results may differ materially due to numerous important factors that are described in Federal-Mogul's most recent report to the SEC on Form 10-K, which may be revised or supplemented in subsequent reports to the SEC on Forms 10-Q and 8-K. Such factors include, among others, the cost and timing of implementing restructuring actions, Federal-Mogul'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, conditions in the automotive industry, and certain global and regional economic conditions. Federal-Mogul does not intend or assume any obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation.

Agenda

- Q3 Performance Overview & Business Summary

José Maria Alapont – President and Chief Executive Officer

- Q3 Financial Review

Jeff Kaminski – Senior Vice President and Chief Financial Officer

- Closing Remarks

- Q & A



Quarterly 2009 Financial Results

(\$ millions)

	2009			Q3 2009
	Q3	Q2	Q1	B/(W) Q3 2008
Net sales	\$ 1,380	\$ 1,304	\$ 1,238	\$ (312)
Gross margin	212	198	158	(67)
<i>pct. of sales</i>	15.4%	15.2%	12.8%	(1.1) pts
SG&A	(173)	(170)	(184)	19
<i>pct. of sales</i>	(12.5%)	(13.0%)	(14.9%)	(1.2) pts
Interest expense, net	(32)	(34)	(34)	15
Other income, net	2	3	(37)	16
Income (loss) before income taxes	9	(3)	(97)	(17)
Income tax benefit (expense)	6	10	(4)	24
Less net income attributable to noncontrolling interests	(5)	(4)	-	(1)
Net income (loss) attributable to Federal-Mogul	\$ 10	\$ 3	\$ (101)	\$ 6
EBITDA	\$ 134	\$ 129	\$ 70	\$ (45)
Cash Flow	\$ 112	\$ 6	\$ (196)	\$ 84

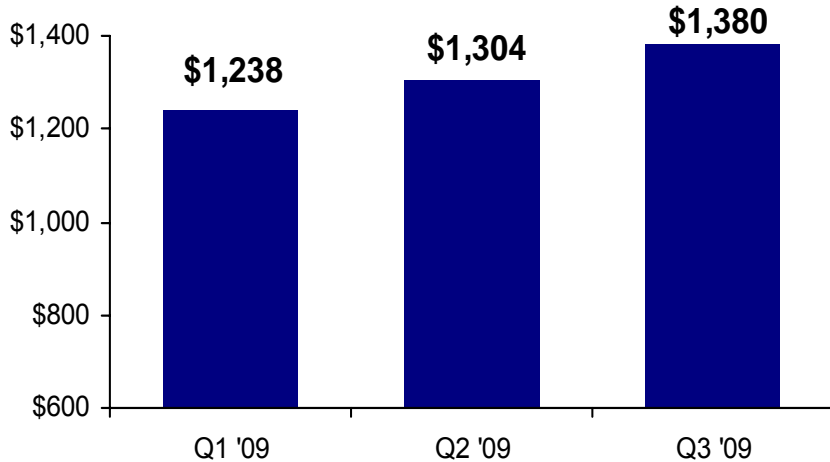
Strong Q3 Performance vs Q1 Baseline

- Profitable Q3 2009 with greatly improved cash flow
- Sales increased \$142 million to \$1.4 billion
- Gross margin increased \$54 million to \$212 million or 15.4% of sales
- SG&A expenses reduced by \$11 million – to \$173 million or 12.5% of sales
- Net income of \$10 million versus a net loss of \$(101) million in Q1 2009
- EBITDA result improved \$64 million to \$134 million or 9.7% of sales
- Cash inflow of \$112 million for Q3 2009 versus cash outflow of \$(196) million in Q1 2009
- Liquidity of \$1.3 billion, including about \$800 million cash and \$500 million undrawn revolver

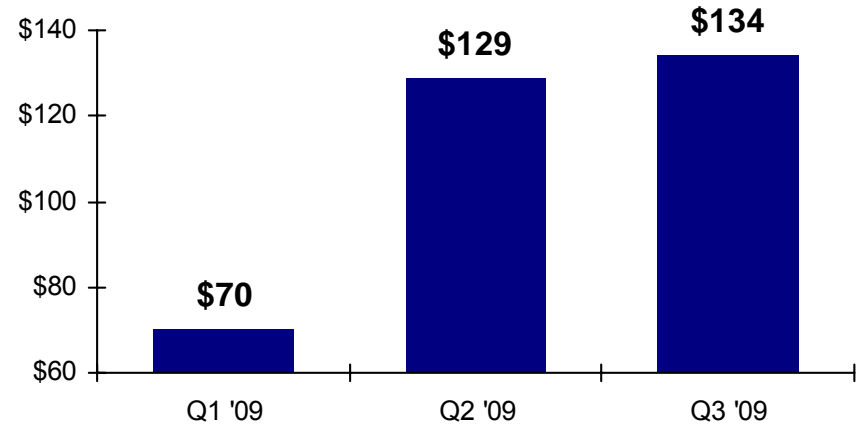
2009 Financial Performance Improvement

(\$ in millions)

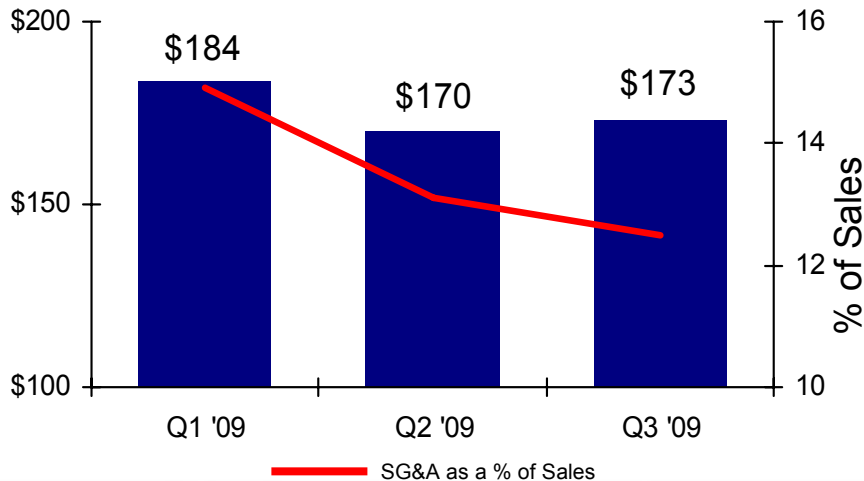
SALES



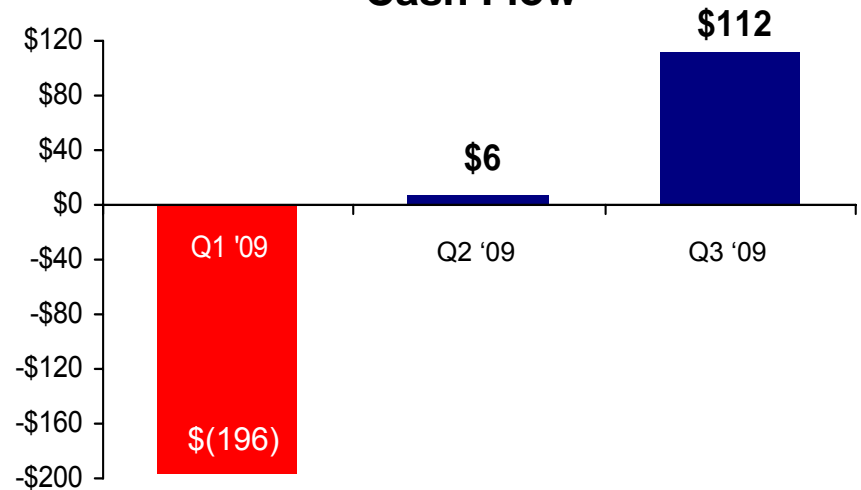
EBITDA



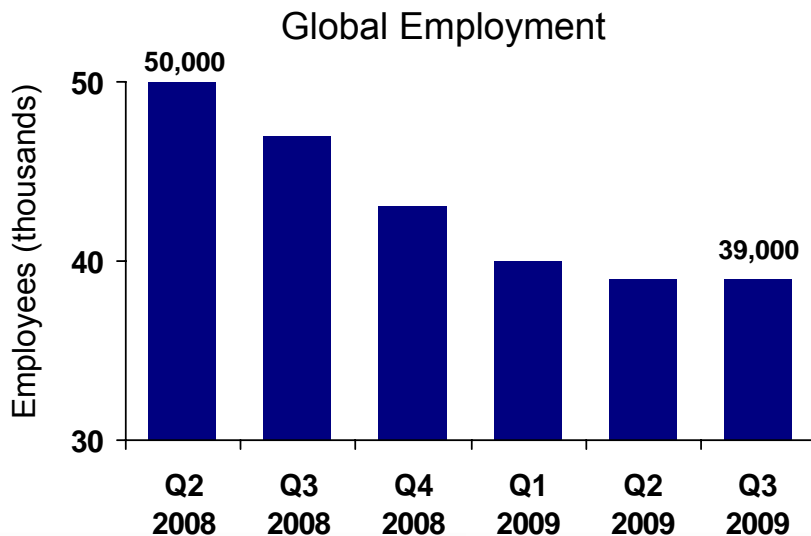
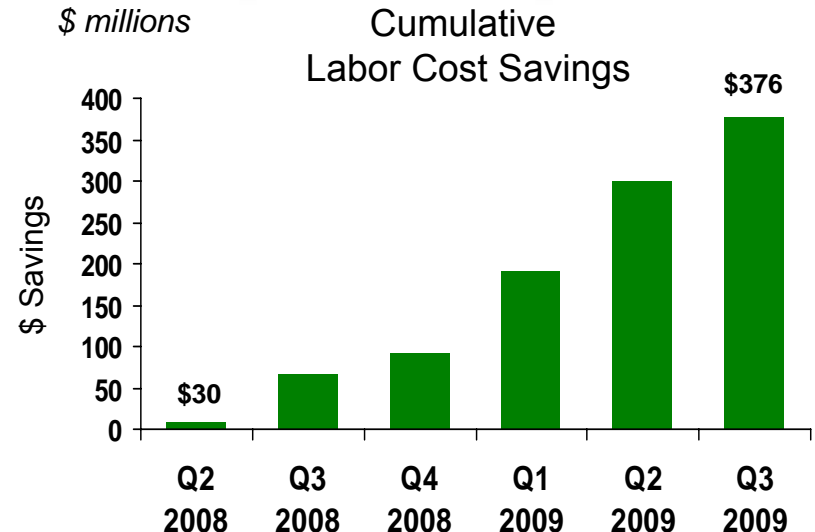
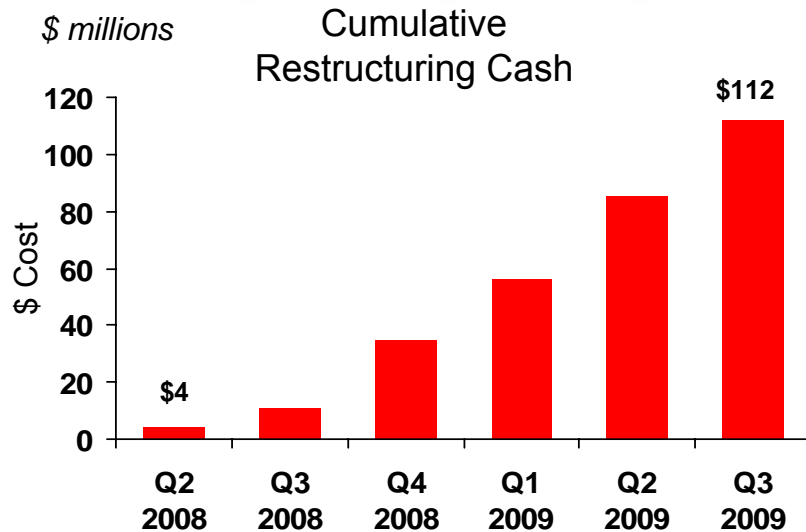
SG&A



Cash Flow



Global Cost Reduction & Restructuring



- \$112 million total cash restructuring payments Q2 2008 to Q3 2009
- \$376 million cumulative labor savings through Q3 2009
- Annualized estimated labor savings of \$460 million
- Global headcount reduced 11,000 positions Q2 2008 to Q3 2009

Q3 vs. Q1 2009 Sales By Region

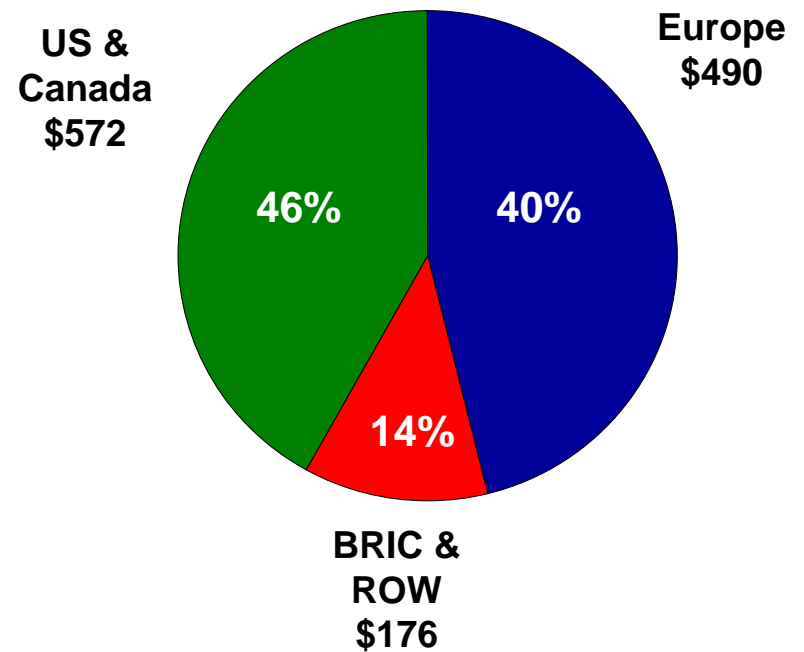
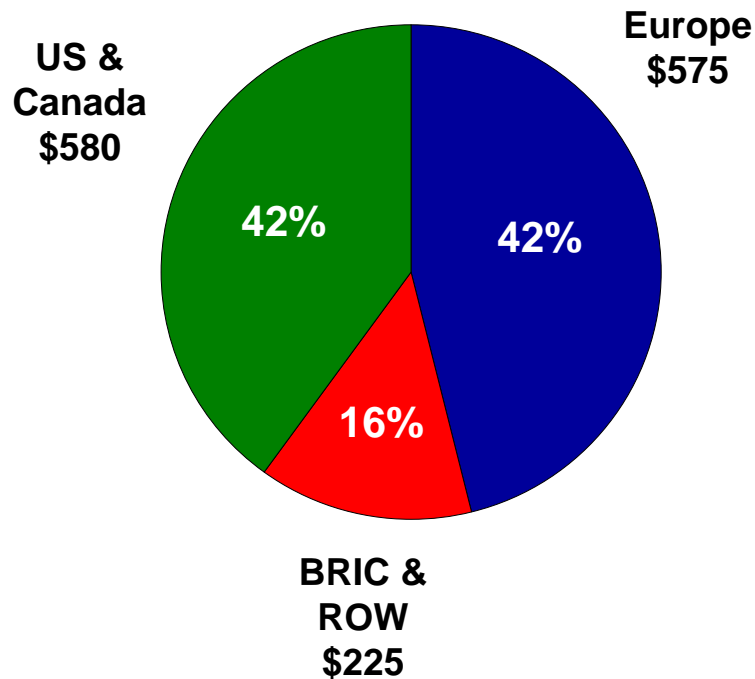
(\$ millions)

2009 Q3

2009 Q1

Net Sales: \$1,380

Net Sales: \$1,238



Balanced OE & Aftermarket Sales

(\$ millions)

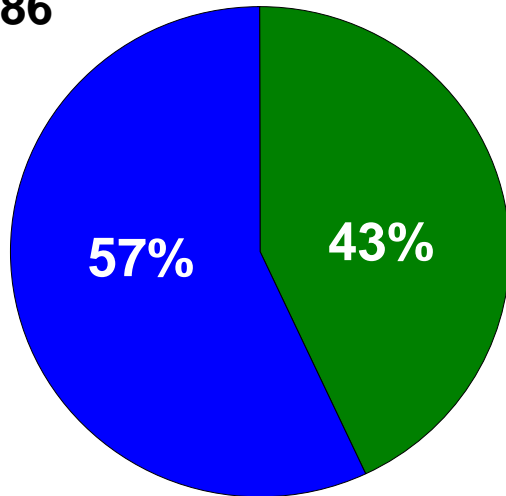
2009 Q3

2009 Q1

Net Sales: \$1,380

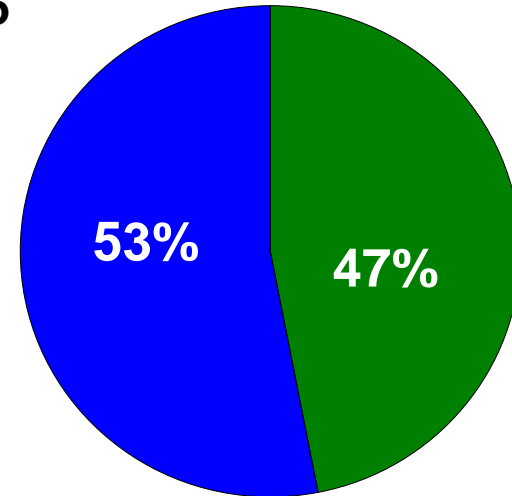
Net Sales: \$1,238

**OE Sales
\$786**



**Aftermarket
Sales
\$594**

**OE Sales
\$655**



**Aftermarket
Sales
\$583**

Long-Term Value Drivers

- Leading technology and innovation in fuel efficiency, emissions reduction and vehicle safety in automotive, commercial vehicle and industrial, energy and transport segments
- Federal-Mogul products are featured on more than 250 global vehicle platforms and 700 powertrains
- Customer, market and product diversity with balanced revenue from OE, OES and Aftermarket with no single customer greater than 5% of revenue
- World Class Safety, Quality, Delivery and Customer Satisfaction for operational excellence
- Restructuring expertise, productivity improvement and cost reduction drive variable cost company strategy to protect and develop margins
- Strong liquidity provides opportunity for organic growth or acquisitions





Q3 Financial Review

Jeff Kaminski

Senior Vice President and Chief Financial Officer



Q3 Financial Results

(\$ millions)

	Q3	Q3 2009 B/(W)		
		Q2 2009	Q1 2009	Q3 2008
Net sales	\$ 1,380	\$ 76	\$ 142	\$ (312)
Gross margin	212	14	54	(67)
<i>pct. of sales</i>	15.4%	0.2 pts	2.6 pts	(1.1) pts
SG&A	(173)	(3)	11	19
<i>pct. of sales</i>	(12.5%)	0.5 pts	2.3 pts	(1.2) pts
Interest expense, net	(32)	2	2	15
Amortization expense	(12)	-	-	9
Restructuring expense, net	1	2	39	12
Other income, net	13	(3)	-	(5)
Income before income taxes	9	12	106	(17)
Income tax benefit	6	(4)	10	24
Less net income attributable to noncontrolling interests	(5)	(1)	(5)	(1)
Net income attributable to Federal-Mogul	\$ 10	\$ 7	\$ 111	\$ 6
EBITDA	\$ 134	\$ 5	\$ 64	\$ (45)
Cash Flow	\$ 112	\$ 106	\$ 308	\$ 84

Q3 Operational EBITDA Reconciliation

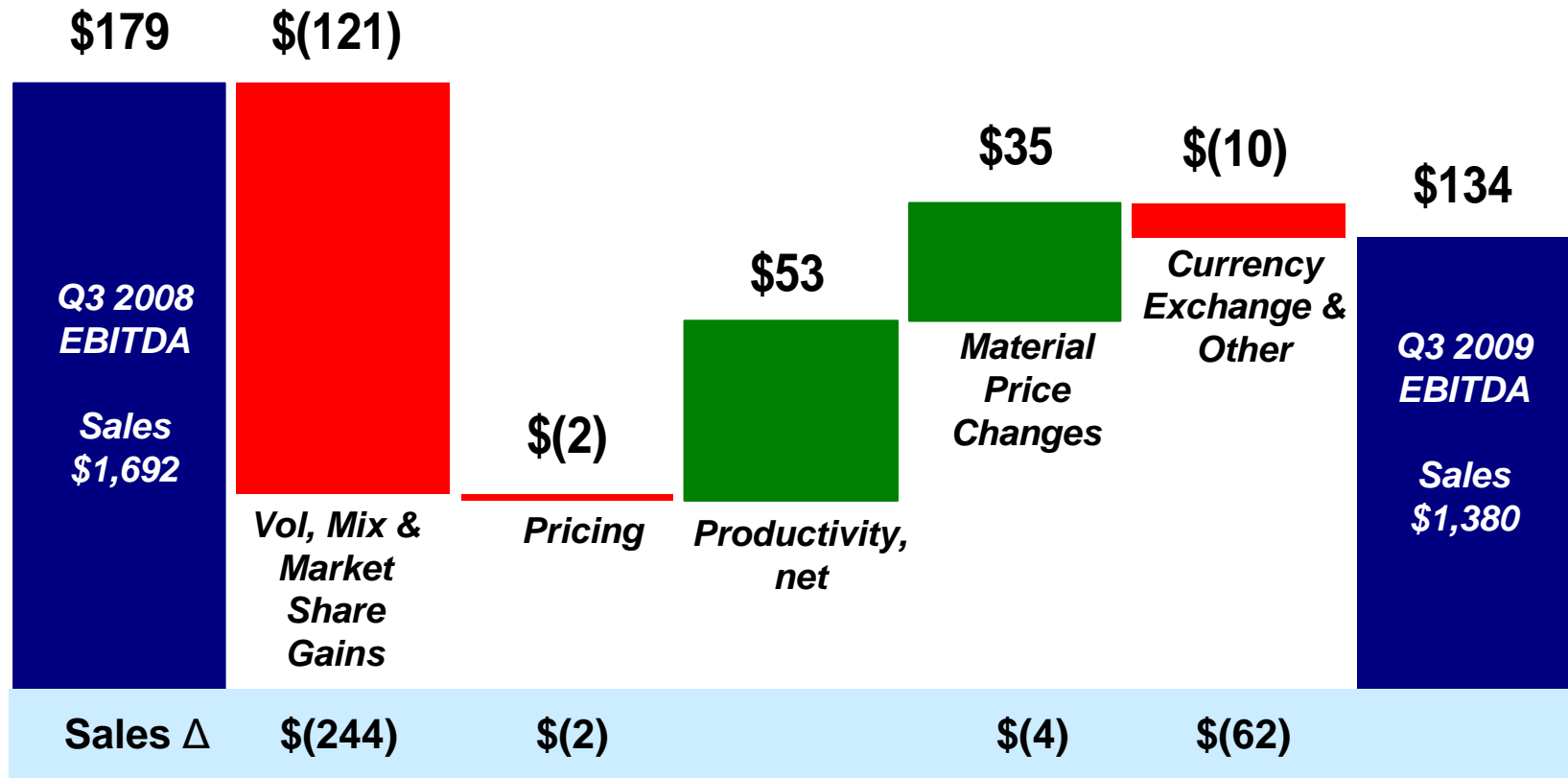


(\$ millions)

	<u>2009</u>	<u>2008</u>
Net income	\$ 10	\$ 4
attributable to Federal-Mogul		
Interest expense, net	32	47
Income tax (benefit) expense	(6)	18
Depreciation and amortization	82	95
Non-cash Pension charge	17	1
Other	(2)	14
Operational EBITDA	<u>\$ 134</u>	<u>\$ 179</u>

Q3 EBITDA Bridge 2008 – 2009

(\$ millions)



Q3 Cash Flow Detail

(\$ millions)

	2009	2008
Net income	\$ 10	\$ 4
attributable to Federal-Mogul		
Depreciation and amortization	82	95
<u>Changes in operating assets and liabilities:</u>		
Accounts receivable	(12)	142
Inventories	48	(33)
Accounts payable	9	(27)
Other assets and liabilities	8	(63)
Cash Provided From Operating Activities	\$ 145	\$ 118
Expenditures for property, plant and equipment	(35)	(92)
Other investing	1	-
Cash (Used By) Investing Activities	\$ (34)	\$ (92)
Cash Provided From (Used By) Operating and Investing Activities	\$ 111	\$ 26
Cash (Used by) Provided From Financing Activities & Currency	\$ (14)	\$ (88)
Cash and equivalents at beginning of period	687	844
Cash and equivalents at end of period	\$ 784	\$ 782
Cash Flow Excluding Emergence Related Payments		
Cash (Used By) Provided From Operating and Investing Activities	\$ 111	\$ 26
Net payments for implementation of the Plan of emergence	1	2
Cash Flow	\$ 112	\$ 28

Portfolio and Reporting Segments

Powertrain Energy (PTE)

Automotive and industrial pistons, rings, pins, liners, valvetrain and ignition



Powertrain Sealing and Bearings (PTSB)

Dynamic and bonded seals, hot and static gaskets, bearings & bushings, industrial bearings, heat shields and transmission components



Vehicle Safety and Protection (VSP)

Brake disc pads, linings and components, halfblocks, wipers, lighting, chassis components, fuel systems, system protection and flexible shields



Global Aftermarket (GA)

Full range portfolio of leading aftermarket products for global automotive, commercial vehicle and industrial replacement markets



Q3 – Powertrain Energy (PTE)

(\$ millions)

Q3	2009	2008	B/(W)
Sales	\$ 370	\$ 518	\$ (148)
<i>pct change constant \$</i>			(25%)
EBITDA	\$ 47	\$ 87	\$ (40)
<i>pct of sales</i>	12.7%	16.8%	(4.1) pts

2009	Q3	Q2	Q1
Sales	\$ 370	\$ 320	\$ 308
<i>pct change</i>	15%	4%	
EBITDA	\$ 47	\$ 36	\$ 21
<i>pct of sales</i>	12.7%	11.3%	6.8%

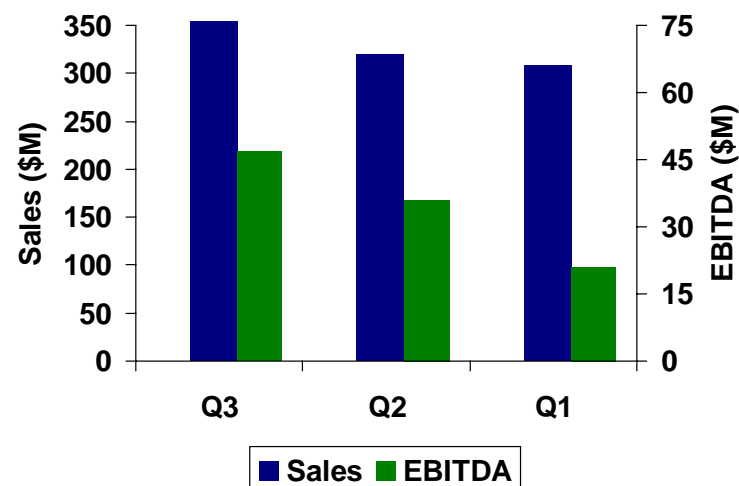
Sales

- Market share gains in all regions more than offset by market volume declines
 - US and Europe down, increases in BRIC
- Currency exchange impact \$(26) million

EBITDA

- Volume/mix \$(46) million
- Productivity \$12 million
- Material prices \$6 million and customer pricing \$(12) million

- Consistent quarter over quarter sales and EBITDA increases



Q3 – Powertrain Sealing and Bearings (PTSB)



(\$ millions)

Q3	2009	2008	B/(W)
Sales	\$ 209	\$ 289	\$ (80)
<i>pct change constant \$</i>			(24%)
EBITDA	\$ 8	\$ 7	\$ 1
<i>pct of sales</i>	3.8%	2.4%	1.4 pts

2009	Q3	Q2	Q1
Sales	\$ 209	\$ 183	\$ 184
<i>pct change</i>	14%	(1%)	
EBITDA	\$ 8	\$ (1)	\$ (4)
<i>pct of sales</i>	3.8%	-0.5%	-2.2%

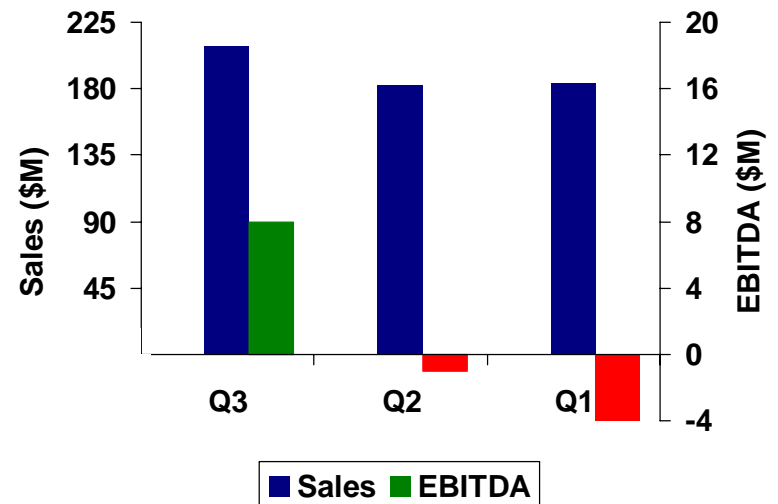
Sales

- Market share gains in all regions more than offset by market volume declines
 - US and Europe down; increases in BRIC
- Currency exchange impact \$(11) million

EBITDA

- Volume/mix \$(30) million
- Material prices \$8 million
- Productivity \$19 million
- Currency exchange and other \$4 million

- Sales increased Q2 to Q3; flat Q1 to Q2
- EBITDA increase quarter over quarter



Q3 – Vehicle Safety and Protection (VSP)



(\$ millions)

Q3	2009	2008	B/(W)
Sales	\$ 208	\$ 240	\$ (32)
<i>pct change constant \$</i>			(10%)
EBITDA	\$ 49	\$ 50	\$ (1)
<i>pct of sales</i>	23.6%	20.7%	2.9 pts

2009	Q3	Q2	Q1
Sales	\$ 208	\$ 175	\$ 162
<i>pct change</i>	19%	8%	
EBITDA	\$ 49	\$ 43	\$ 33
<i>pct of sales</i>	23.6%	24.6%	20.4%

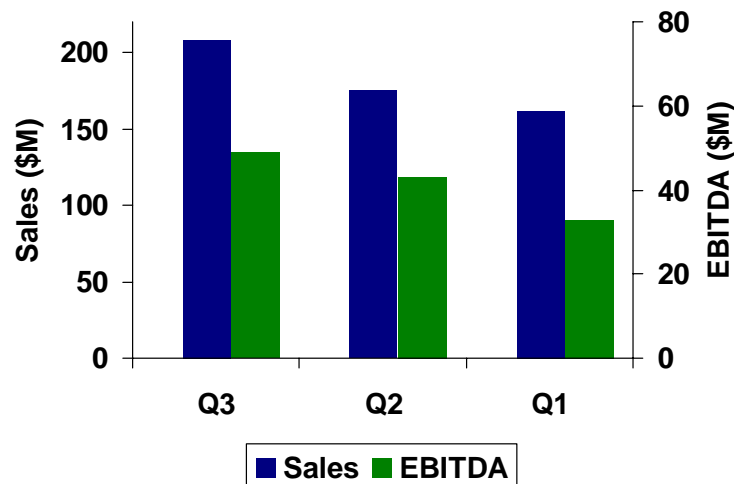
Sales

- Market share gains in all regions more than offset by market volume declines
 - US and Europe down, increases in BRIC
- Currency exchange impact \$(9) million

EBITDA

- Volume/mix \$(18) million
- Productivity \$9 million
- Material prices and customer pricing \$10 million
- Currency exchange and other \$(2) million

- Consistent quarter over quarter sales and EBITDA increases



Q3 – Global Aftermarket (GA)

(\$ millions)

Q3	2009	2008	B/(W)
Sales	\$ 593	\$ 645	\$ (52)
<i>pct change constant \$</i>			(6%)
EBITDA	\$ 82	\$ 89	\$ (7)
<i>pct of sales</i>	13.8%	13.8%	0.0 pts

Sales

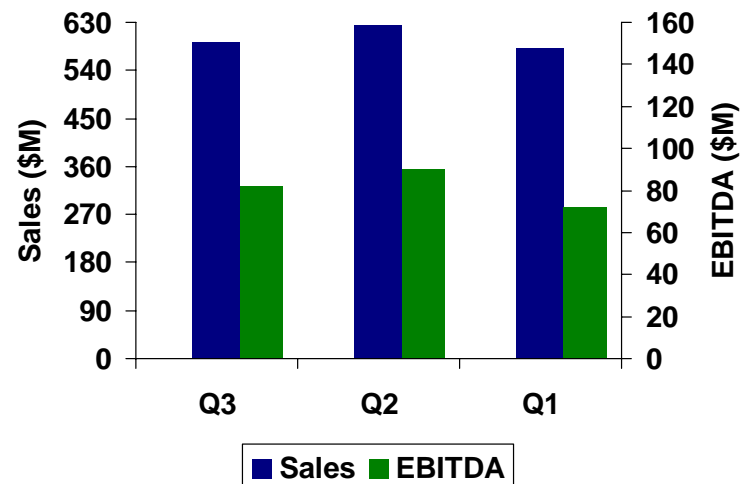
- Market share gains more than offset by market volume declines
- Currency exchange impact \$(16) million

EBITDA

- Volume/mix \$(27) million
- Material pricing and customer pricing \$13 million
- Productivity \$12 million
- Currency exchange and other \$(5) million

2009	Q3	Q2	Q1
Sales	\$ 593	\$ 626	\$ 583
<i>pct change</i>	(5%)	7%	
EBITDA	\$ 82	\$ 90	\$ 72
<i>pct of sales</i>	13.8%	14.4%	12.3%

- Seasonal sales pattern - increased from Q1; decreased from Q2
- EBITDA increased from Q1; decreased from Q2



September YTD Financial Results

(\$ millions)

	2009	2008	B/(W)
Net sales	\$ 3,922	\$ 5,546	\$ (1,624)
Gross margin	567	941	(374)
<i>pct. of sales</i>	14.5%	17.0%	(2.5) pts
SG&A	(527)	(613)	86
<i>pct. of sales</i>	(13.4%)	(11.1%)	(2.4) pts
Interest expense, net	(100)	(137)	37
Amortization expense	(37)	(57)	20
Restructuring expense, net	(38)	(14)	(24)
Other income, net	45	19	26
(Loss) income before income taxes	(90)	139	(229)
Income tax benefit (expense)	11	(72)	83
Less net income attributable to noncontrolling interests	(9)	(5)	(4)
Net (loss) income attributable to Federal-Mogul	\$ (88)	\$ 62	\$ (150)
EBITDA	\$ 333	\$ 644	\$ (311)
Cash Flow	\$ (78)	\$ (65)	\$ (13)

September YTD Operational EBITDA Reconciliation



(\$ millions)

	<u>2009</u>	<u>2008</u>
Net (loss) income attributable to Federal-Mogul	\$ (88)	\$ 62
Gross Margin impact of December 31, 2007 fresh-start inventory adjustment	-	68
Restructuring expense, net	38	14
Interest expense, net	100	137
Income tax (benefit) expense	(11)	72
Depreciation and amortization	240	266
Non-cash Pension charge	50	4
Other	4	21
Operational EBITDA	<u>\$ 333</u>	<u>\$ 644</u>

September YTD Cash Flow Detail

(\$ millions)

	2009	2008
Net (loss) income	\$ (88)	\$ 62
attributable to Federal-Mogul		
Cash received from 524(g) Trust	-	225
Depreciation and amortization	241	266
<u>Changes in operating assets and liabilities:</u>		
Accounts receivable	(118)	(108)
Inventories	77	22
Accounts payable	(107)	(76)
Other assets and liabilities	43	(16)
Cash Provided From Operating Activities	\$ 48	\$ 375
Expenditures for property, plant and equipment	(146)	(240)
Other investing	9	6
Cash (Used By) Investing Activities	\$ (137)	\$ (234)
Cash (Used By) Provided From Operating and Investing Activities	\$ (89)	\$ 141
Cash (Used by) Provided From Financing Activities & Currency	\$ (15)	\$ 216
Cash and equivalents at beginning of period	888	425
Cash and equivalents at end of period	\$ 784	\$ 782
Cash Flow Excluding Emergence Related Payments		
Cash (Used By) Provided From Operating and Investing Activities	\$ (89)	\$ 141
Cash received from 524(g) Trust	-	(225)
Net payments for implementation of the Plan of emergence	11	19
Cash Flow	\$ (78)	\$ (65)

Q3 2009 Summary

- Strong Q3 2009 financial performance with continuous improvement over each prior quarter and significantly improved cash flow
- Favorable Q3 2009 performance compared to Q1 baseline:
 - Sales up \$142 million
 - Gross margin improvement of \$54 million
 - SG&A reduction of \$11 million
 - EBITDA increase of \$64 million
 - Net income \$111 million higher
 - Cash flow significantly increased by \$308 million
- Restructuring over last 12 months has resulted in global headcount reduction of 11,000 or 22% with cumulative labor savings of approximately \$400 million
- Cash position of about \$800 million, plus available \$500 million undrawn revolver provides total liquidity of \$1.3 billion, offering flexibility for organic growth or strategic acquisitions
- Global customer, market and product diversity, leading technology and innovation, world-class brands and variable cost company strategy drives our sustainable global profitable growth

Q3 2009 Conference Call

Thank You

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