ICAHN ENTERPRISES L.P.
Form 10-K/A
August 04, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

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

For the Fiscal Year Ended December 31, 2008

Commission File Number 1-9516

ICAHN ENTERPRISES L.P.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	13-3398766
(State or Other Jurisdiction	(IRS Employer

of Incorporation or Organization) Identification No.)

767 Fifth Avenue, Suite 4700
New York, NY 10153

(Address of Principal Executive Offices) (Zip Code)

(212) 702-4300

(Registrant s Telephone Number, Including Area Code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Depositary Units Representing Limited Partner Interests	New York Stock Exchange
5% Cumulative Pay-in-Kind Redeemable Preferred Units Representing Limited Partner Interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes o No x

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. x

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 o Accelerated Filer x Non-accelerated Filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of depositary units held by non-affiliates of the registrant as of June 30, 2008, the last business day of the registrant s most recently completed second fiscal quarter, based upon the closing price of depositary units on the New York Stock Exchange Composite Tape on such date was $431,255,032.

The number of depositary and preferred units outstanding as of the close of business on July 31, 2009 was 74,775,597 and 13,127,179, respectively.

TABLE OF CONTENTS

EXPLANATORY NOTE

We are updating Part II, Items 6 (Selected Financial Data), 7 (Management s Discussion and Analysis of Financial Condition and Results of Operations) and 8 (Financial Statements and Supplementary Data) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, or our 2008 Annual Report on Form 10-K, filed with the SEC on March 4, 2009, to reflect the retrospective application of the presentation and disclosure requirements of SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*.

In addition, in response to a Securities and Exchange Commission comment letter dated April 28, 2009, regarding certain financial matters set forth in our 2008 Annual Report on Form 10-K, we are amending Part II, Item 8 (Financial Statements and Supplementary Data), to reformat our consolidated balance sheets, and statements of operations and cash flows for all periods presented. This amendment has no effect on our consolidated financial position, results of operations or cash flows.

Except as described above, no other changes have been made to our 2008 Annual Report on Form 10-K.

i

ICAHN ENTERPRISES L.P.

TABLE OF CONTENTS

ii

TABLE OF CONTENTS

PART II

Item 6. Selected Financial Data

The following table contains our selected historical consolidated financial data, which should be read in conjunction with our consolidated financial statements and the related notes thereto, and Management s Discussion and Analysis of Financial Condition and Results of Operations contained in this annual report on Form 10-K/A. The selected historical consolidated financial data as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 have been derived from our audited consolidated financial statements at those dates and for those periods, contained elsewhere in this annual report on Form 10-K/A. The selected historical consolidated financial data as of December 31, 2006, 2005 and 2004 and for the years ended December 31, 2005 and 2004 have been derived from our audited consolidated financial statements at those dates and for those periods, not contained in this annual report on Form 10-K/A, as adjusted retrospectively for certain reclassifications of our real estate segment as held and used, and the application of the presentation and disclosure requirements of SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(In Millions, Except Per Unit Amounts)				
Statement of Operations Data:					
Total revenues	$5,027	$2,491	$3,006	$1,528	$855
(Loss) income from continuing operations	$(3,173)	$480	$1,008	$286	$204
Income from discontinued operations	485	84	850	23	107
Net (loss) income	(2,688)	564	1,858	309	311
Less: Net loss (income) attributable to non-controlling interests	2,645	(256)	(750)	(227)	(47)
Net (loss) income attributable to Icahn Enterprises	$(43)	$308	$1,108	$82	$264
Net (loss) income attributable to Icahn Enterprises allocable to:					
Limited partners	$(57)	$103	$507	$(21)	$131
General partner	14	205	601	103	133
Net (loss) income attributable to Icahn Enterprises	$(43)	$308	$1,108	$82	$264
Net (loss) income attributable to Icahn Enterprises from:					
Continuing operations	$(528)	$219	$311	$54	$156
Discontinued operations	485	89	797	28	108
Net (loss) income attributable to Icahn Enterprises	$(43)	$308	$1,108	$82	$264
Basic and diluted (loss) income per LP Unit:					
(Loss) income from continuing operations	$(7.84)	$0.24	$0.03	$(0.87)	$0.53
Income from discontinued operations	7.04	1.34	8.19	0.50	2.31
Basic and diluted (loss) income per LP unit	$(0.80)	$1.58	$8.22	$(0.37)	$2.84
Weighted average limited partnership units outstanding	71	65	62	54	46
Other Financial Data:					
EBITDA[(1)]	$786	$545	$1,464	$376	$439

Adjusted EBITDA[(1)]	837	483	1,452	437	448
Cash distributions declared, per LP Unit	1.00	0.55	0.40	0.20	

1

TABLE OF CONTENTS

	December 31,				
	2008	2007	2006	2005	2004
	(In Millions)				
Balance Sheet Data:					
Cash and cash equivalents	$ 2,612	$ 2,113	$ 1,884	$ 367	$ 787
Investments	4,515	6,432	3,458	3,399	721
Property, plant and equipment, net	2,878	533	555	517	620
Total assets	18,815	12,434	9,280	7,257	3,056
Debt	4,571	2,041	953	918	752
Preferred limited partner units	130	124	118	112	107
Equity attributable to Icahn Enterprises	2,398	2,313	2,832	1,738	1,787

(1) EBITDA represents earnings before interest expense, income tax (benefit) expense and depreciation, depletion and amortization. We define Adjusted EBITDA as EBITDA excluding the effect of unrealized losses or gains on derivative contracts. We present EBITDA and Adjusted EBITDA because we consider them important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies that have issued debt, many of which present EBITDA and Adjusted EBITDA when reporting their results. We present EBITDA and Adjusted EBITDA on a consolidated basis, net of the effect of non-controlling interests, however we conduct substantially all of our operations through subsidiaries. The operating results of our subsidiaries may not be sufficient to make distributions to us. In addition, our subsidiaries are not obligated to make funds available to us for payment of our indebtedness, payment of distributions on our depositary units or otherwise, and distributions and intercompany transfers from our subsidiaries to us may be restricted by applicable law or covenants contained in debt agreements and other agreements to which these subsidiaries currently may be subject or into which they may enter into in the future. The terms of any borrowings of our subsidiaries or other entities in which we own equity may restrict dividends, distributions or loans to us.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under generally accepted accounting principles in the United States, or U.S. GAAP. For example, EBITDA and Adjusted EBITDA:

do not reflect our cash expenditures, or future requirements for capital expenditures, or contractual commitments;

do not reflect changes in, or cash requirements for, our working capital needs; and

do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt.

Although depreciation, depletion and amortization are non-cash charges, the assets being depreciated, depleted or amortized often will have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements. Other companies in the industries in which we operate may calculate EBITDA and Adjusted EBITDA differently than we do, limiting their usefulness as comparative measures. In addition, EBITDA and Adjusted EBITDA do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations.

EBITDA and Adjusted EBITDA are not measurements of our financial performance under U.S. GAAP and should not be considered as an alternative to net income or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity. Given these limitations, we rely primarily on our U.S. GAAP results and use EBITDA only supplementally in measuring our financial performance.

2

TABLE OF CONTENTS

The following table reconciles net income to EBITDA and EBITDA to Adjusted EBITDA for the periods indicated (in millions of dollars):

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Net (loss) income	$ (43)	$ 308	$ 1,108	$ 82	$ 264
Interest expense	273	171	143	105	68
Income tax expense (benefit)	308	27	39	31	(1)
Depreciation, depletion and amortization	248	39	174	158	108
EBITDA	786	545	1,464	376	439
Unrealized (gains) losses on derivative contracts	51	(62)	(12)	61	9
Adjusted EBITDA	$ 837	$ 483	$ 1,452	$ 437	$ 448

3

TABLE OF CONTENTS

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Management s discussion and analysis of financial condition and results of operations is comprised of the following sections:

TABLE OF CONTENTS

The following discussion is intended to assist you in understanding our present business and results of operations together with our present financial condition. This section should be read in conjunction with our Consolidated Financial Statements and the accompanying notes.

Overview

Introduction

Icahn Enterprises L.P., or Icahn Enterprises, is a master limited partnership formed in Delaware on February 17, 1987. We own a 99% limited partner interest in Icahn Enterprises Holdings L.P., or Icahn Enterprises Holdings. Icahn Enterprises Holdings and its subsidiaries own substantially all of our assets and liabilities and conduct substantially all of our operations. Icahn Enterprises G.P. Inc., or Icahn Enterprises GP, our sole general partner, which is owned and controlled by Mr. Carl C. Icahn, owns a 1% general partner interest in both us and Icahn Enterprises Holdings, representing an aggregate 1.99% general partner interest in us and Icahn Enterprises Holdings. As of December 31, 2008, affiliates of Mr. Icahn owned 68,644,590 of our depositary units and 10,819,213 of our preferred units, which represented approximately 91.8% and 86.5% of our outstanding depositary units and preferred units, respectively.

We are a diversified holding company owning subsidiaries engaged in the following operating businesses: Investment Management (effective August 8, 2007), Automotive (effective July 3, 2008), Metals (effective November 5, 2007), Real Estate and Home Fashion. As of December 31, 2007, we also operated discontinued operations, including our former Gaming segment. In addition to our operating businesses, we discuss the Holding Company, which includes the unconsolidated results of Icahn Enterprises and Icahn Enterprises Holdings, and investment activity and expenses associated with the activities of the Holding Company.

In accordance with United States generally accepted accounting principles, or U.S. GAAP, assets transferred between entities under common control are accounted for at historical cost similar to a pooling of interests, and the financial statements of previously separate companies for all periods under common control prior to the acquisition are restated on a consolidated basis.

Variations in the amount and timing of gains and losses on our investments can be significant. The results of our Real Estate and Home Fashion segments are seasonal while our Automotive segment is moderately seasonal.

Acquisition of Controlling Interest in Federal-Mogul Corporation

As described below, on July 3, 2008, Icahn Enterprises consummated the acquisition of a majority interest in Federal-Mogul Corporation, or Federal-Mogul. Federal-Mogul is a leading global supplier of parts, components, modules and systems to customers in the automotive, small engine, heavy-duty, marine, railroad, aerospace and industrial markets. Federal-Mogul has established a global presence and conducts its operations through various manufacturing, distribution and technical centers that are wholly owned subsidiaries or partially owned joint ventures, organized into five product groups: Powertrain Energy, Powertrain Sealing and Bearings, Vehicle Safety and Protection, Automotive Products and Global Aftermarket. Federal-Mogul offers its customers a diverse array of market-leading products for original equipment manufacturers, or OEM, and replacement parts (referred to as aftermarket) applications, including engine bearings, pistons, piston rings, piston pins, ignition products, fuel products, cylinder liners, valve seats and guides, sealing products, element resistant systems protection sleeving products, electrical connectors and sockets, disc pads and brake shoes, lighting, wiper and steering products. Federal-Mogul s principal customers include most of the world s OEMs of vehicles and industrial products and aftermarket retailers and wholesalers.

The predecessor to Federal-Mogul, or the Predecessor Company, and all of its then-existing wholly owned U.S. subsidiaries filed voluntary petitions on October 1, 2001 for reorganization under Chapter 11 of Title 11 of the United States Code, or the Bankruptcy Code, with the United States Bankruptcy Court for the District of Delaware, or the Bankruptcy Court. On October 1, 2001 (referred to as the Petition Date), certain of the Predecessor Company s United Kingdom subsidiaries (together with the U.S. Subsidiaries, referred to as the Debtors) also filed voluntary petitions for reorganization under the Bankruptcy Code with the Bankruptcy Court. On November 8, 2007, the Bankruptcy Court entered an Order, or the Confirmation Order, confirming the Fourth Amended Joint Plan of Reorganization for Debtors and Debtors-in-Possession (as Modified)

5

TABLE OF CONTENTS

(referred to as the Plan) and entered Findings of Fact and Conclusions of Law regarding the Plan (referred to as the Findings of Fact and Conclusions of Law). On November 14, 2007, the United States District Court for the District of Delaware, entered an order affirming the Confirmation Order and adopting the Findings of Fact and Conclusions of Law. On December 27, 2007 (referred to as the Effective Date), the Plan became effective in accordance with its terms. On the Effective Date, the Predecessor Company merged with and into New Federal-Mogul Corporation whereupon (i) the separate corporate existence of the Predecessor Company ceased, (ii) New Federal-Mogul Corporation became the surviving corporation and continued to be governed by the laws of the State of Delaware and (iii) New Federal-Mogul Corporation was renamed Federal-Mogul Corporation (also referred herein as Federal-Mogul or the Successor Company).

On July 3, 2008, pursuant to a stock purchase agreement with Thornwood Associates Limited Partnership, or Thornwood, and Thornwood s general partner, Barberry Corp, or Barberry, we acquired a majority interest in Federal-Mogul for an aggregate price of $862,750,000 (or $17.00 per share, which represented a discount to Thornwood s purchase price of such shares). Thornwood and Barberry are wholly owned by Mr. Carl C. Icahn. Prior to our majority interest acquisition of Federal-Mogul, Thornwood owned an aggregate of 75,241,924 shares of stock of Federal-Mogul, or Federal-Mogul Shares. Thornwood had acquired such shares as follows: (i) 50,100,000 Federal-Mogul Shares pursuant to the exercise of two options on February 25, 2008 acquired in December 2007 from the Federal-Mogul Asbestos Personal Injury Trust; and (ii) 25,141,924 Federal-Mogul Shares pursuant to and in connection with Federal-Mogul s Plan of Reorganization under Chapter 11 of the United States Code, which became effective on December 27, 2007.

On December 2, 2008, we acquired an additional 24,491,924 of Federal-Mogul Shares from Thornwood, which represented the remaining Federal-Mogul Shares owned by Thornwood. As a result of this transaction, we beneficially own 75,241,924 Federal-Mogul Shares, or 75.7% of the total issued and outstanding capital stock of Federal-Mogul. In consideration of the acquisition of the additional Federal-Mogul Shares, we issued to Thornwood 4,286,087 (or $153 million based on the opening price of $35.60 on our depositary units on December 2, 2008) fully paid and non-assessable depositary units representing our limited partner interests.

Each of the acquisitions was approved by the audit committee of the independent directors of Icahn Enterprises GP. The audit committee was advised by its own legal counsel and independent financial advisor with respect to the transaction. The audit committee received an opinion from its financial adviser as to the fairness to us, from a financial point of view, of the consideration paid.

Divestiture

On February 20, 2008, we consummated the sale of our subsidiary, American Casino & Entertainment Properties LLC, or ACEP, to an affiliate of Whitehall Street Real Estate Fund for $1.2 billion, realizing a gain of $472 million, after taxes. The sale of ACEP included the Stratosphere and three other Nevada gaming properties, which represented all of our remaining gaming operations.

In connection with the closing, we repaid all of ACEP s outstanding 7.85% Senior Secured Notes due 2012, which were tendered pursuant to ACEP s previously announced tender offer and consent solicitation. In addition, ACEP repaid in full all amounts outstanding, and terminated all commitments, under its credit facility with Bear Stearns Corporate Lending Inc., as administrative agent, and the other lenders thereunder.

We elected to deposit $1.2 billion of the gross proceeds from the sale into escrow accounts to fund investment activities through tax-deferred exchanges under Section 1031 of the Internal Revenue Code, or the Code. During the third quarter of fiscal 2008, we invested $465 million of the gross proceeds to purchase two net leased properties within our Real Estate segment, resulting in a deferral of $103 million in taxes. The balance of the escrow accounts was subsequently released.

Declaration of Distribution on Depositary Units

On February 23, 2009, the board of directors approved a payment of a quarterly cash distribution of $0.25 per unit on our depositary units payable in the first quarter of fiscal 2009. The distribution will be paid on March 30, 2009, to depositary unitholders of record at the close of business on March 16, 2009. Under the terms of the indenture dated April 5, 2007 governing our variable rate notes due 2013, we will also be making a $0.15 distribution to holders of these notes in accordance with the formula set forth in the indenture.

6

TABLE OF CONTENTS

Results of Operations

Overview

A summary of the significant developments for fiscal 2008 is as follows:

Consummation of the sale of ACEP on February 20, 2008 for $1.2 billion, realizing a gain of $472 million, after taxes of $260 million;
Investment of $465 million of the gross proceeds in a Code Section 1031 Exchange transaction related to the sale of ACEP with the purchase of two net leased properties within our Real Estate segment, resulting in a deferral of $103 million in taxes;
The inclusion of $5.7 billion of revenues from our Automotive segment for the period March 1, 2008 through December 31, 2008. Additionally, our Automotive segment results for the period March 1, 2008 through December 31, 2008 included total asset impairment charges aggregating $434 million, of which $222 million related to goodwill and $130 related to other indefinite-lived intangible assets. These charges were principally attributable to significant decreases in forecasted future cash flows as Federal-Mogul adjusts to the known and anticipated changes in industry volumes;
Increased net sales from the Metals segment of $405 million for fiscal 2008 as compared to fiscal 2007, resulting from an increase in the average selling price of ferrous scrap, increased volume of shipped ferrous production and the inclusion of financial results of acquisitions made during fiscal 2007 and early fiscal 2008;
Loss attributable to Icahn Enterprises from continuing operations from the Investment Management segment of $335 million during fiscal 2008 resulting from investment losses from the Private Funds which were primarily affected by the decline in the value of the Private Funds largest equity positions; and
Reduced net sales from the Home Fashion segment of $258 million for fiscal 2008 as compared to fiscal 2007 due to the weak home textile retail environment and the elimination of unprofitable programs.

A summary of the significant developments for fiscal 2007 is as follows:

The acquisition of the Investment Management business on August 8, 2007 for an initial consideration of 8,632,679 of our depositary units, valued at $810 million;
The acquisition of PSC Metals from Philip Services Corporation, or Philip, on November 5, 2007 for a total consideration of $335 million in cash;
An increase in the Investment Management segment s AUM of $3.5 billion compared to December 31, 2006;
The issuance of $500 million of additional 7.125% senior unsecured notes in January 2007;
The issuance of $600 million of variable rate notes in April 2007;
The sale of our position in common stock of SandRidge Energy, Inc., or SandRidge, for total cash consideration of $243 million in April 2007;
Income attributable to Icahn Enterprises from continuing operations from our Investment Management segment of $170 million due to overall positive returns of the Private Funds despite broad, volatile market conditions in fiscal 2007; and
The continued restructuring efforts of WPI, including the closure of all of WPI s retail stores and related inventory disposal. WPI recorded a charge of $14 million related to this restructuring effort, which is included in discontinued operations.

7

TABLE OF CONTENTS

Consolidated Financial Results of Continuing Operations

The following table summarizes revenues and income attributable to Icahn Enterprises from continuing operations for each of our segments (in millions of dollars):

	Revenues[1]		
	Year Ended December 31,		
	2008	2007	2006
Investment Management	$ (2,783)	$ 588	$ 1,104
Automotive[2]	5,727		
Metals	1,243	834	715
Real Estate	103	113	137
Home Fashion	438	706	898
Holding Company	299	250	152
Total	$ 5,027	$ 2,491	$ 3,006

	Income (Loss) Attributable to Icahn Enterprises From Continuing Operations		
	Year Ended December 31,		
	2008	2007	2006
Investment Management	$ (335)	$ 170	$ 260
Automotive[2]	(350)		
Metals	66	42	51
Real Estate	14	14	25
Home Fashion	(55)	(84)	(71)
Holding Company	132	77	46
Total	$ (528)	$ 219	$ 311

(1) Revenues include interest and dividend income, other income, net and gain on extinguishment of debt.

(2) Automotive segment results are for the period March 1, 2008 through December 31, 2008.

Investment Management

Overview

On August 8, 2007, we acquired the general partnership interests in Icahn Onshore LP, or the Onshore GP, and Icahn Offshore LP, or the Offshore GP (and, together with the Onshore GP, being referred to herein as the General Partners), acting as general partners of Icahn Partners LP, or the Onshore Fund, and the Offshore Master Funds (as defined below). We also acquired the general partnership interest in Icahn Capital Management LP, or New Icahn Management, a Delaware limited partnership. Prior to January 1, 2008, the General Partners and New Icahn Management provided investment advisory and certain management services to the Private Funds (as defined below). Effective January 1, 2008, in addition to providing investment advisory services to the Private Funds, the General Partners provide or cause their affiliates to provide certain administrative and back office services to the Private Funds that had been previously provided by New Icahn Management. The General Partners do not provide such services to any other entities, individuals or accounts. Interests in the Private Funds are offered only to certain sophisticated and accredited investors on the basis of exemptions from the registration requirements of the federal securities laws and are not publicly available. As referred to herein, the Offshore Master Funds consist of (i) Icahn Partners Master Fund L.P., (ii) Icahn Partners Master Fund II L.P. and (iii) Icahn Partners Master Fund III L.P. The Onshore Fund and the Offshore Master Funds are collectively referred to herein as the Investment Funds.

The Offshore GP also acts as general partner of certain funds formed as a Cayman Islands exempted limited partnership that invests in the Offshore Master Funds. These funds, together with other funds that also invest in the Offshore Master Funds, constitute the Feeder Funds and, together with the Investment Funds, are referred to herein as the Private Funds.

TABLE OF CONTENTS

Globally markets were down approximately 40% in fiscal 2008. We believe that the factors that contributed to the distressed market conditions during fiscal 2008 included, but were not limited to, constrained credit markets, de-leveraging by global financial institutions and a global recession. These conditions contributed to price volatility and declining asset values which negatively impacted the Private Funds performance, particularly during the second half of fiscal 2008. The majority of the Private Funds losses came from two core equity positions, Motorola Inc., or Motorola, and Yahoo!, which declined more than the global equity markets, as well as the Private Funds long credit exposures. We expect fiscal 2009 to present opportunities for capitalizing on distressed investing.

As of January 1, 2009, we invested an additional $250 million in the Private Funds. For a more detailed description of how global economic and financial market conditions can materially affect our performance, see Item 1A. Risk Factors Risks Related to Our Business Investment Management.

Revenues

The Investment Management segment derives revenues from three sources: (1) special profits interest allocations (and prior to January 1, 2008, management fees); (2) incentive allocations, and (3) gains and losses from our investments in the Private Funds.

Prior to January 1, 2008, the management agreements between New Icahn Management and the Private Funds provided for the management fees to be paid by each of the Feeder Funds and the Onshore Fund to New Icahn Management at the beginning of each quarter generally in an amount equal to 0.625% (2.5% annualized) of the net asset value of each Investor s (defined below) investment in the Feeder Fund or Onshore Fund, as applicable, and were recognized quarterly.

Effective January 1, 2008, the management agreements were terminated resulting in the termination of the Feeder Funds and the Onshore Fund s obligations to pay management fees. In addition, the limited partnership agreements of the Investment Funds, or the Investment Fund LPAs, were amended to provide that, as of January 1, 2008, the General Partners will provide or cause their affiliates to provide to the Private Funds the administrative and back office services that were formerly provided by New Icahn Management (referred to herein as the Services) and, in consideration of providing the Services, the General Partners will receive special profits interest allocations (as further discussed below) from the Investment Funds. As of January 1, 2008, New Icahn Management distributed its net assets to Icahn Capital LP, or Icahn Capital. Icahn Capital is the general partner of Onshore GP and Offshore GP.

Effective January 1, 2008, the Investment Fund LPAs provide that the applicable General Partner will receive a special profits interest allocation at the end of each calendar year from each capital account maintained in the Investment Funds that is attributable to: (i) in the case of the Onshore Fund, each fee-paying limited partner in the Onshore Fund and (ii) in the case of the Feeder Funds, each fee-paying investor in the Feeder Funds (that excludes certain investors that are affiliates of Mr. Icahn) (in each case, referred to herein as an Investor). This allocation is generally equal to 0.625% of the balance in each fee-paying capital account as of the beginning of each quarter (for each Investor, the Target Special Profits Interest Amount) except that amounts are allocated to the General Partners in respect of special profits interest allocations only to the extent that net increases (i.e., net profits) are allocated to an Investor for the fiscal year. Accordingly, any special profits interest allocations allocated to the General Partners in respect of an Investor in any year cannot exceed the net profits allocated to such Investor in such year.

In the event that sufficient net profits are not generated by an Investment Fund with respect to a capital account to meet the full Target Special Profits Interest Amount for an Investor for a calendar year, a special profits interest allocation will be made to the extent of such net profits, if any, and the shortfall will be carried forward (without interest or a preferred return thereon) and added to the Target Special Profits Interest Amount determined for such

Investor for the next calendar year. Appropriate adjustments will be made to the calculation of the special profits interest allocation for new subscriptions and withdrawals by Investors. In the event that an Investor redeems in full from a Feeder Fund or the Onshore Fund before the entire Target Special Profits Interest Amount determined for such Investor has been allocated to the General Partner in the form of a special profits interest allocation, the Target Special Profits Interest Amount that has not yet been allocated to the General Partner will be forfeited and the General Partner will never receive it.

Each Target Special Profits Interest Amount will be deemed contributed to a separate hypothetical capital account (that is not subject to an incentive allocation or a special profits interest allocation) in the applicable Investment Fund and any gains or losses that would have been allocated on such amounts will be credited or debited, as applicable, to such hypothetical capital account. The special profits interest allocation attributable to an Investor will be deemed to be made (and thereby debited) from such hypothetical capital account and, accordingly, the aggregate amount of any special profits interest allocation attributable to such Investor will also depend upon the investment returns of the Investment Fund in which such hypothetical capital account is maintained.

The General Partners waived the special profits interest allocations effective January 1, 2008 (and for periods prior to January 1, 2008, New Icahn Management waived management fees) and incentive allocations for Icahn Enterprises investments in the Private Funds and Mr. Icahn s direct and indirect holdings and may, in their sole discretion, modify or may elect to reduce or waive such fees with respect to any investor that is an affiliate, employee or relative of Mr. Icahn or his affiliates, or for any other investor.

All of the special profits interest allocations (effective January 1, 2008), substantially all of the management fees (prior to January 1, 2008) from certain consolidated entities and all of the incentive allocations are eliminated in consolidation; however, our share of the net income from the Private Funds includes the amount of these eliminated fees and allocations.

Prior to January 1, 2008, our Investment Management results were driven by the combination of the Private Funds assets under management, or AUM, and the investment performance of the Private Funds. Prior to January 1, 2008, as AUM increased, management fee revenues generally increased in tandem because New Icahn Management charged management fees based on the net asset value of fee-paying capital in the Private Funds, generally at the beginning of each quarter. Effective January 1, 2008, our Investment Management results continue to be driven by the combination of the Private Funds AUM and the investment performance of the Private Funds, except, as discussed above, that special profits interest allocations are only earned to extent that there are sufficient net profits generated from the Private Funds to cover such allocations.

Incentive allocations are determined based on the aggregate amount of net profits earned by the Investment Funds (after the special profits interest allocation is made). Incentive allocations are determined by the investment performance of the Private Funds, which is a principal determinant of the long-term success of the Investment Management segment because it enables AUM to increase through retention of fund profits and by making it more likely to attract new investment capital and minimize redemptions by Private Fund investors. Incentive allocations are generally 25% of the net profits (both realized and unrealized) generated by fee-paying investors in the Investment Funds and are subject to a high water mark (whereby the General Partners do not earn incentive allocations during a particular year even though the fund had a positive return in such year until losses in prior periods are recovered). These allocations are calculated and allocated to the capital accounts of the General Partners annually except for incentive allocations earned as a result of investor redemption events during interim periods.

The General Partners and their affiliates also earn income (or are subject to losses) through their investments in the Investment Funds. Icahn Enterprises Holdings earns income (or is subject to losses) through its investment in the Investment Funds. In both cases the income or losses consist of realized and unrealized gains and losses on investment activities along with interest and dividend income.

AUM and Fund Performance

The table below reflects changes to AUM for the years ended December 31, 2008, 2007 and 2006. The end-of-period balances represent total AUM, including any accrued special profits interest allocations (and prior to January 1, 2008, deferred management fees) and any incentive allocations and our own investments in the Private Funds as well as investments of other affiliated parties who have not been charged special profits interest allocations (and prior to January 1, 2008, management fees) or incentive allocations for the periods presented (in millions of dollars):

10

TABLE OF CONTENTS

	Year Ended December 31,		
	2008	2007	2006
Balance, beginning of period	$ 7,511	$ 4,020	$ 2,647
Net (out-flows) in-flows	(274)	3,005	332
(Depreciation) appreciation	(2,869)	486	1,041
Balance, end of period	$ 4,368	$ 7,511	$ 4,020
Fee-paying AUM	$ 2,374	$ 5,050	$ 3,193

For the year ended December 31, 2008, we, along with affiliates of Carl C. Icahn, invested a net amount of $510 million in the Private Funds for which no special profits interest allocations or incentive allocations are applicable. These amounts are included in the net outflows for the year ended December 31, 2008.

The following table sets forth performance information for the Private Funds that were in existence for the comparative periods presented. These gross returns represent a weighted-average composite of the average gross returns, net of expenses for the Private Funds.

	Gross Return(1) for the Year Ended December 31,		
	2008	2007	2006
Private Funds	-35.6 %	12.3 %	37.8 %

(1) These returns are indicative of a typical investor who has been invested since inception of the Private Funds. The performance information is presented gross of any special profits interest allocations (and prior to January 1, 2008, management fees) but net of expenses. Past performance is not necessarily indicative of future results.

The Private Funds aggregate gross performance was -35.6% for fiscal 2008. During fiscal 2008, losses were primarily a result of the decline in the Private Funds holdings of Yahoo! and Motorola as well as the Private Funds long credit exposure. For fiscal 2008, the Private Funds short exposure in equity produced gains due to the negative U.S. equity markets. Short exposure to credit contributed gains for fiscal 2008 and overall credit exposure was slightly positive, although such gains were offset by long credit exposure.

Current dislocations in the global financial markets and the lack of confidence resulting from unprecedented systemic risks associated with derivative and financial leverage, while providing potential long-term opportunities, may continue to negatively impact the Private Funds performance.

The Private Funds aggregate gross performance of 12.3% for 2007 was driven by a few core equity positions, including: Anadarko Petroleum Corp., or Anadarko, MedImmune Inc., or MedImmune, and BEA Systems. Additionally, short positions in high-yield credit and the broad U.S. equity markets also added to performance as high-yield spreads widened and the market declined in the last months of the year. However, our long investments in energy more than offset the losses from the energy hedge and, overall, the sector was positive.

The Private Funds aggregate gross performance of 37.8% for 2006 was driven by a few core activist positions as well as strong U.S. equity and credit markets. Investments in five positions Time Warner, Kerr McGee, Lear Corporation, Cigna and KT&G Corporation were the main drivers of our performance, contributing over 62% of our total profits. Profits were somewhat mitigated by hedged positions in energy and shorts against a few long hotel and retail positions. Volatility was reduced as a result, as is our intent with these short positions.

Equity positions in Yahoo!, Motorola, MedImmune, Anadarko, BEA Systems, Time Warner, Kerr McGee, Lear Corporation, Cigna and KT&G Corporation have been previously disclosed in other filings with the SEC as well as other governmental agencies.

Since inception in November 2004, the Private Funds gross returns are 24.0%, representing an annualized rate of return of 5.3% through December 31, 2008, which is indicative of a typical investor who has invested since inception of the Private Funds. Past performance is not necessarily indicative of future results.

11

TABLE OF CONTENTS

Operating Results

We consolidate certain of the Private Funds into our results. Accordingly, in accordance with U.S. GAAP, any special profits interest allocations (and prior to January 1, 2008, management fees), incentive allocations and earnings on investments in the Private Funds are eliminated in consolidation. These eliminations have no impact on our net income, however, as our allocated share of the net income from the Private Funds includes the amount of these eliminated fees and allocations.

The tables below provide a reconciliation of the unconsolidated revenues and expenses of our interest in the General Partners and Icahn Capital (and, for periods prior to January 1, 2008, our interest in the General Partners and New Icahn Management) to the consolidated U.S. GAAP revenues and expenses. The first column represents the results of operations of our interest in the General Partners and Icahn Capital (and, for periods prior to January 1, 2008, our interest in the General Partners and New Icahn Management) without the impact of consolidating the Private Funds or the eliminations arising from the consolidation of these funds. This includes the gross amount of any special profits interest allocations (and, prior to January 1, 2008, management fees), incentive allocations and returns on investments in the Private Funds that is attributable to us only. This also includes gains and losses on our direct investments in the Private Funds. The second column represents the total consolidated income and expenses of the Private Funds for all investors, including us, before eliminations. The third column represents the eliminations required in order to arrive at our consolidated U.S. GAAP reported income for the segment.

Summarized income statement information on a deconsolidated basis and on a U.S. GAAP basis for the years ended December 31, 2008, 2007 and 2006 (in millions of dollars):

	Year Ended December 31, 2008			
	Icahn Enterprises Interests	Consolidated Private Funds	Eliminations	Total U.S. GAAP Results
Revenues:				
Special profit interests allocation	$	$	$	$
Net loss from investment activities	(303)[(1)]	(3,025)	303	(3,025)
Interest and dividend income		242		242
	(303)	(2,783)	303	(2,783)
Costs and expenses	32	21		53
Interest expense		12		12
	32	33		65
Loss from continuing operations before income tax expense	(335)	(2,816)	303	(2,848)
Income tax expense				
Loss from continuing operations	(335)	(2,816)	303	(2,848)
Less: Loss attributable to non-controlling interests from continuing operations		2,787	(274)	2,513
Loss attributable to Icahn Enterprises from continuing operations	$ (335)	$ (29)	$ 29	$ (335)

12

TABLE OF CONTENTS

	Year Ended December 31, 2007			
	Icahn Enterprises Interests	Consolidated Private Funds	Eliminations	Total U.S. GAAP Results
Revenues:				
Management fees	$ 128	$	$ (117)	$ 11
Incentive allocations	71		(71)	
Net gain from investment activities	21 (1)	355	(21)	355
Interest and dividend income	1	221		222
	221	576	(209)	588
Costs and expenses	47	38		85
Interest expense		15		15
	47	53		100
Income from continuing operations before income tax expense	174	523	(209)	488
Income tax expense	(4)			(4)
Income from continuing operations	170	523	(209)	484
Less: Income attributable to non-controlling interests from continuing operations		(298)	(16)	(314)
Income attributable to Icahn Enterprises from continuing operations	$ 170	$ 225	$ (225)	$ 170

	Year Ended December 31, 2006			
	Icahn Enterprises Interests	Consolidated Private Funds	Eliminations	Total U.S. GAAP Results
Revenues:				
Management fees	$ 82	$	$ (82)	$
Incentive allocations	190		(190)	
Net gain from investment activities	27	1,031	(27)	1,031
Interest and dividend income		73		73
	299	1,104	(299)	1,104
Costs and expenses	38	32		70
Interest expense		10		10
	38	42		80
Income (loss) from continuing operations before income tax expense	261	1,062	(299)	1,024
Income tax (expense) benefit	(1)			(1)
Income (loss) from continuing operations	260	1,062	(299)	1,023
Less: Income attributable to non-controlling interests from continuing operations		(763)		(763)
	$ 260	$ 299	$ (299)	$ 260

Income attributable to Icahn Enterprises from continuing operations

(1) We made investments aggregating $950 million (of which $700 million was made during fiscal 2007 and $250 million was made during the fourth quarter of fiscal 2008) in the Private Funds for which no special profits interest allocation effective January 1, 2008 (and prior to January 1, 2008, management fees) or incentive allocations are applicable. As of December 31, 2008, the total value of this investment is $660 million, with an unrealized loss of $274 million and $16 million for fiscal 2008 and fiscal 2007, respectively. These amounts are reflected in the Private Funds net assets and earnings.

13

TABLE OF CONTENTS

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

For fiscal 2008, the Target Special Profits Interest Amount was $70 million, net of a hypothetical loss from the Investment Funds and forfeited amounts based on redemptions in full. (See above for further discussion regarding the Target Special Profits Interest Amount.) No accrual for special profits interest allocation was made for fiscal 2008 due to losses in the Investment Funds. The Target Special Profits Interest Amount of $70 million representing the entire fiscal 2008 Target Special Profits Amount will be carried forward into future periods and will be accrued to the extent that there are sufficient net profits in the Investment Funds during the investment period to cover such amounts. There was no special profits interest allocation for fiscal 2007 because the special profits interest allocations commenced effective January 1, 2008.

There were no management fees in fiscal 2008 as these fees were terminated on January 1, 2008. Management fees were $128 million for fiscal 2007.

There was no incentive allocation to the General Partners in fiscal 2008 as compared to an incentive allocation of $71 million in fiscal 2007. The decrease of $71 million was due to the decline in performance of the Private Funds during fiscal 2008 compared to fiscal 2007 as the Private Funds largest core equity positions declined in value. Incentive allocations earned from the Private Funds are accrued on a quarterly basis and are generally allocated to the General Partners at the end of the Private Funds fiscal year (or sooner on redemptions).

The net loss from investment activities in fiscal 2008 was $303 million compared to a net gain of $21 million in fiscal 2007 and consists of two components. The first component reflects a net loss of $29 million in fiscal 2008 relating to the decrease in the General Partners investment in the Private Funds as a result of the decline in the performance of the General Partners investment, compared to a gain of $37 million in fiscal 2007. The second component includes a net investment loss in fiscal 2008 of $274 million as compared to $16 million in fiscal 2007 on the aggregate $950 million invested in the Private Funds by us.

Net realized and unrealized losses of the Private Funds on investment activities were $3.0 billion for fiscal 2008, compared to a gain of $355 million for fiscal 2007. This decrease relates primarily to the decline in performance of the Private Funds during fiscal 2008 caused primarily by the decline in the value of the Private Funds largest equity positions.

Interest and dividend income increased by $20 million, or 9.0%, to $242 million for fiscal 2008 as compared to the fiscal 2007. The increase was primarily attributable to amounts earned on interest-paying investments.

The General Partners and Icahn Capital s costs and expenses decreased by $15 million, or 31.9%, to $32 million for fiscal 2008 as compared to fiscal 2007. This decrease is due to a decrease in compensation awards during fiscal 2008 that were primarily tied to the performance of the Investment Funds and unpaid re-invested compensation balances that declined in value.

Private Funds costs and expenses, including interest expense, decreased by $20 million, or 37.7%, to $33 million in fiscal 2008 as compared to fiscal 2007. This decrease is primarily attributable to net loss accrued on the deferred management fee payable by the consolidated Offshore Fund.

Loss attributable to non-controlling interests from continuing operations in fiscal 2008 was $2.5 billion as compared to income attributable to non-controlling interests of $314 million in fiscal 2007. This change was due to the decline in performance of the Private Funds during fiscal 2008.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Management fees increased by $46 million, or 56.1%, to $128 million for fiscal 2007 as compared to fiscal 2006. The increase was attributable to increased AUM due mainly to net capital inflows and capital appreciation.

Incentive allocations decreased by $119 million, or 62.6%, to $71 million for fiscal 2007, as compared to fiscal 2006. This decrease relates to the decline in performance of the Private Funds during fiscal 2007. The General Partners incentive allocations earned from the Private Funds are accrued on a quarterly basis and are allocated to the General Partners at the end of the Private Funds fiscal year (or sooner on redemptions).

14

TABLE OF CONTENTS

The net gain from investment activities of $21 million earned by our interests in the Investment Management segment in fiscal 2007 consists of two components. The first reflects a net gain of $37 million relating to the increase in the General Partners investment in the Private Funds as a result of earned incentive allocations and the return on the General Partners investment. This compares with $27 million in fiscal 2006. The second component includes a net investment loss in fiscal 2007 of $16 million on the original $700 million invested in the Private Funds by us which were primarily made in the fourth quarter of fiscal 2007.

Net realized and unrealized gains of the Private Funds on investment activities were $355 million for fiscal 2007, compared to $1.0 billion for fiscal 2006. This decrease relates to the decline in performance of the Private Funds during fiscal 2007 relating to the economic and market factors discussed above but partially offset by increased AUM.

Interest and dividend income increased by $149 million, or 204%, to $222 million for fiscal 2007, as compared to fiscal 2006. The increase was primarily attributable to increases in AUM and the amounts invested in interest-paying investments.

The General Partners and New Icahn Managements costs and expenses increased by $9 million, or 23.7%, to $47 million for fiscal 2007, as compared to fiscal 2006. This increase is primarily due to vested compensation awards relating to management fees and earned incentive allocations and the return thereon.

Private Funds costs and expenses increased by $11 million, or 26.2%, to $53 million for fiscal 2007 as compared to fiscal 2006. This increase is primarily attributable to increases in financing expenses and interest expense relating to securities sold, not yet purchased and an increase in fees paid to the Private Funds administrator that are based on AUM.

Income attributable to non-controlling interests from continuing operations was $314 million for fiscal 2007, as compared to $763 million for fiscal 2006. This decrease was due to the decline in performance of the Private Funds during fiscal 2007 as discussed above.

Automotive

Our Automotive segment consists of Federal-Mogul, 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 industrial, energy and transport markets, including customers in both the OEM market and the aftermarket. Effective July 3, 2008, we acquired a majority interest in Federal-Mogul.

Federal-Mogul believes that its sales are well balanced between OEM and aftermarket as well as domestic and international. During 2008, Federal-Mogul derived 62% of its sales from the OE market and 38% from the aftermarket. Federal-Mogul s customers include the world s largest automotive OEMs and major distributors and retailers in the independent aftermarket. Geographically, Federal-Mogul derived 38% of its 2008 sales in North America and 62% internationally. Federal-Mogul is organized into five product groups: Powertrain Energy, Powertrain Sealing and Bearings, Vehicle Safety and Protection, Automotive Products and Global Aftermarket. Federal-Mogul has operations in established markets including Canada, France, Germany, Italy, Japan, Spain, the United Kingdom and the United States, and emerging markets including Brazil, China, Czech Republic, Hungary, India, Korea, Mexico, Poland, Russia, Thailand and Turkey. The attendant risks of Federal-Mogul s international operations are primarily related to currency fluctuations, changes in local economic and political conditions, and changes in laws and regulations.

In accordance with U.S. GAAP, assets transferred between entities under common control are accounted for at historical cost similar to a pooling of interests. As of February 25, 2008 (the effective date of control by Thornwood and, indirectly, by Carl C. Icahn) and thereafter, as a result of our acquisition of a majority interest in Federal-Mogul on July 3, 2008, we consolidated the financial position, results of operations and cash flows of Federal-Mogul. We evaluated the activity between February 25, 2008 and February 29, 2008 and, based on the immateriality of such activity, concluded that the use of an accounting convenience date of February 29, 2008 was appropriate. For comparative purposes, revenues and earnings of Federal-Mogul for the ten months ended December 31, 2007 are provided in the tables and discussion below and are not included in our consolidated results, and exclude income and expenses relating to their emergence from bankruptcy.

The five product groups of our Automotive segment have been aggregated for purposes of reporting our operating results below. Summarized statements of operations and performance data for the Automotive segment for the period March 1, 2008 through December 31, 2008 and 2007 are as follows (in millions of dollars):

	Period March 1 through December 31,	
	2008	2007
Net sales	$5,652	$ 5,822
Cost of goods sold	4,730	4,820
Gross margin	922	1,002
Expenses:		
Selling, general and administrative	709	785
Restructuring and impairment	566	103
Total expenses	1,275	888
(Loss) income from continuing operations before interest, income taxes, and other income, net	$(353)	$ 114

The percentage of Federal-Mogul s net sales by region for the ten months ended December 31, 2008 and 2007 are listed below.

2008	Ten Months
U.S. and Canada	40 %
Europe	46 %
Rest of world	14 %

2007	Ten Months
U.S. and Canada	42 %
Europe	45 %
Rest of world	13 %

Net Sales

During the first half of fiscal 2008, Federal-Mogul experienced significant sales growth in all regions and business units. Starting during the third quarter of fiscal 2008, North American light vehicle OE production began to lose pace, with significant production declines in both North American and European light vehicle OE production during the fourth quarter. In total, the number of light vehicles produced was 16.4 million in the Americas, 22.4 million in Europe, the Middle East and Africa, or EMEA, and 27.2 million in Asia, compared to 2007 light vehicle production of 18.5 million, 24.0 million and 27.2 million in the Americas, EMEA and Asia, respectively. Federal-Mogul expects continued downward pressure on fiscal 2009 production volumes when compared to the volumes experienced during fiscal 2008.

Net sales decreased by $170 million, or 2.9%, to $5.7 billion for the ten months ended December 31, 2008 as compared to the corresponding prior year period. Decreased OE production in North America and Europe as well as decreased demand in aftermarket resulted in overall sales volume declines, which were partially offset by customer pricing increases and incremental sales resulting from acquisitions. Additionally, approximately 60% of Federal-Mogul s net sales for the ten months ended December 31, 2008 originated outside the United States; therefore, the weakening of the U.S. dollar, primarily against the euro, resulted in increased reported sales from non-U.S. operations, thereby partially offsetting the overall net sales decrease for the ten months ended December 31, 2008 as compared to the corresponding prior year period.

16

TABLE OF CONTENTS

Gross Margin

Gross margin decreased by $80 million, or 8.0%, to $922 million for the ten months ended December 31, 2008 as compared to the corresponding prior year period. During the period March 1, 2008 through December 31, 2008, our Automotive segment recognized $60 million as additional cost of goods sold which consisted of fair value adjustments based on our purchase of the controlling interest in Federal-Mogul, thereby reducing gross margin by the same amount. Before considering the impact of this one-time inventory charge of $60 million, gross margin would have been 17.4% of net sales as compared to 17.2% in the corresponding prior year period. Improved productivity, net of labor and benefits inflation, lower depreciation of fixed assets revalued in conjunction with the purchase accounting adjustments to fair value, and customer price increases were more than offset by decreased sales volumes and increased costs of materials and services.

Selling, General and Administrative

Selling, general and administrative, or SG&A expenses, decreased by $76 million, or 9.7%, to $709 million for the ten months ended December 31, 2008 as compared to the corresponding prior year period. SG&A expenses were 12.5% and 13.5% of net sales for the ten months ended December 31, 2008 and 2007, respectively. The unfavorable impact of exchange movements increased SG&A expenses which was more than offset by a constant-dollar reduction, primarily due to reduced pension costs and other productivity improvements, net of labor and benefits inflation.

Included in SG&A expense above were research and development, or R&D, costs, including product engineering and validation costs, of $142 million for the ten months ended December 31, 2008 compared to $149 million in the comparable prior year period. As a percentage of OEM sales, research and development was 4% for each of the ten months ended December 31, 2008 and 2007.

Restructuring and Impairment

Restructuring and impairment increased by $463 million to $566 million for the ten months ended December 31, 2008, as compared the corresponding prior year period. The increase is primarily due to impairment charges relating to goodwill and other indefinite-lived intangible assets as discussed below.

Included in restructuring and impairment charges are a total of $434 million related to impairment charges as follows:

	Amount
Long-lived tangible assets	$ 19
Goodwill	222
Other indefinite-lived intangible assets	130
Investments in unconsolidated affiliates	63
	$ 434

Given the complexity of the calculation and the significance of fourth quarter economic activity, Federal-Mogul has not yet completed its annual impairment assessment. Federal-Mogul evaluates its recorded goodwill and other indefinite-lived intangible assets for impairment annually as of October 1 and in accordance with Statement of Financial Accounting Standards, or SFAS, No. 142, *Accounting for Goodwill and Other Intangible Assets*, or SFAS No. 142. Based upon the draft valuations and preliminary assessment, our Automotive segment recorded impairment charges of $222 million and $130 million for goodwill and other indefinite-lived intangible assets, respectively, for the period March 1, 2008 through December 31, 2008. To the extent that the finalization of Federal-Mogul s assessment of goodwill and other indefinite-lived intangible requires adjustment to the preliminary impairment charge, such adjustment would be recorded in the first quarter of fiscal 2009. These charges were required to adjust the carrying value of goodwill and other indefinite-lived intangible assets to estimated fair value. The goodwill impairment charge is net of $17 million related to recorded goodwill resulting from our purchase of the controlling interest in Federal-Mogul. This net adjustment was recorded in conjunction with Federal-Mogul s goodwill impairment as Federal-Mogul s impairment also impacts our underlying values related to our inventory revaluation and recorded goodwill related to the acquisition. The estimated fair values were determined based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and projected

17

TABLE OF CONTENTS

future cash flows discounted at rates commensurate with the risk involved. Although the annual assessment was conducted as of October 1, 2008, Federal-Mogul incorporated general economic and company specific factors subsequent to this date into its assessment, including updated discount rates, costs of capital, market capitalization of Federal-Mogul, and financial projections, all in order to give appropriate consideration to the unprecedented economic downturn in the automotive industry that continued throughout the fourth quarter of 2008.

The impairment charge is primarily attributable to significant decreases in forecasted future cash flows as Federal-Mogul adjusts to the known and anticipated changes in industry production volumes.

As of December 31, 2008, Federal-Mogul evaluated the recorded value of its investments in non-consolidated affiliates for potential impairment. Due to the economic downturn in the global automotive industry and the related declines in anticipated production volumes, Federal-Mogul concluded that its investments in non-consolidated affiliates were impaired, and an impairment charge of $63 million was recorded as of December 31, 2008.

Federal-Mogul recorded impairment charges of $19 million for the ten months ended December 31, 2008 to adjust definite-lived long-lived assets to their estimated fair values in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or SFAS No. 144. These impairment charges were primarily related to operating facilities for which Federal-Mogul will announce closures in 2009 as part of its ongoing Restructuring 2009 program. In assessing indications of impairment for its definite-lived assets, Federal-Mogul compares the estimated future cash flows of such assets against their carrying values. Federal-Mogul records impairment amounts by assessing carrying values associated with definite-lived assets such as property, plant and equipment in relation to their estimated net realizable values.

The unprecedented downturn in the global automotive industry and global financial markets led Federal-Mogul to announce, in September 2008 and December 2008, certain restructuring actions, herein referred to as Restructuring 2009, designed to improve operating performance and respond to increasingly challenging conditions in the global automotive market. This plan, when combined with other workforce adjustments, is expected to reduce Federal Mogul s global workforce by approximately 8,600 positions. Federal-Mogul continues to solidify certain components of this plan, and will announce those components as plans are finalized. For the ten months ended December 31, 2008, Federal-Mogul has recorded $132 million in restructuring charges associated with Restructuring 2009 and other restructuring programs, and expects to incur additional restructuring charges up to $37 million through fiscal 2010. As the majority of the costs expected to be incurred in relation to Restructuring 2009 are related to severance, such activities are expected to yield future annual savings at least equal to the costs incurred.

Metals

Our Metals segment is conducted through our wholly owned subsidiary, PSC Metals. PSC Metals completed the acquisitions of substantially all of the assets of four scrap metal recyclers in fiscal 2007 and fiscal 2008. The aggregate purchase price for the acquisitions was $55 million, the most significant of which was $42 million relating to the September 2007 acquisition of substantially all of the assets of WIMCO Operating Company, Inc., a full-service scrap metal recycler in Ohio. The results of operations for yards acquired are reflected in the consolidated results of PSC Metals from the dates of acquisition.

Summarized statements of operations and performance data for PSC Metals for the years ended December 31, 2008, 2007 and 2006 are as follows (in millions, except units of weight):

	Year Ended December 31,		
	2008	2007	2006
Net sales	$1,239	$834	$710
Cost of goods sold	1,102	778	652
Gross profit	137	56	58
Selling, general and administrative	34	18	15
Income from continuing operations before interest, income taxes and other income, net	$103	$38	$43
Ferrous tons sold (000s)	1,858	1,707	1,560
Non-ferrous pounds sold (000s)	125,140	120,470	114,086

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Net sales for fiscal 2008 increased by $405 million, or 48.6%, to a record $1.2 billion as compared to fiscal 2007. This increase was primarily driven by improvement in ferrous revenues during fiscal 2008. Ferrous average pricing was approximately $178 per gross ton higher and ferrous shipments were 151,000 gross tons, or 8.8%, higher in fiscal 2008 as compared to fiscal 2007. Ferrous pricing reached historically high levels during fiscal 2008, with shredded material prices quoted as high as $594 per gross ton in the July American Metals Market Scrap Composites Index. The increased prices were driven by strong worldwide demand for recycled metals. All product lines except non-ferrous contributed to the revenue increase in fiscal 2008. Scrap yards acquired during fiscal 2007 and early fiscal 2008 contributed $141 million to the revenue increase in fiscal 2008.

Although net sales for fiscal 2008 were greater than fiscal 2007, prices and demand deteriorated during the second half of fiscal 2008 as the distressed global economic conditions have affected the scrap industry. We cannot predict whether, or how long, current market conditions will continue to persist. However, in response to these conditions, PSC Metals has implemented various measures to align its cost structure to the current market environment. Some of these measures include significant staff reductions and salary freezes, temporary idling of major equipment and certain operations, and reduced capital spending.

Gross profit for fiscal 2008 increased by $81 million, or 144.6%, to $137 million as compared to fiscal 2007. As a percentage of net sales, cost of goods sold was 89.0% and 93.3% for fiscal 2008 and fiscal 2007, respectively. The increase in gross profit and lower cost of goods sold percentage are primarily due to increased selling prices during fiscal 2008 that exceeded the increased cost of scrap supply. Yards acquired during fiscal 2007 and early fiscal 2008 also contributed to the increase in gross profit in fiscal 2008.

Selling, general and administrative expenses increased $16 million, or 88.9%, to $34 million as compared to fiscal 2007. The increase was primarily attributable to employee-related costs, which include headcount increases during the year supporting growth and acquired yards and higher incentive compensation expenses relating to our Metals segment s strong operating performance, and increased professional fees.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Net sales for fiscal 2007 increased by $124 million, or 17.5%, to $834 million as compared to fiscal 2006. The increase was primarily due to the increase in ferrous sales generated by both an increase in the average selling price of ferrous scrap and increased volume of shipped ferrous production. For fiscal 2007, average pricing increased approximately $35 per gross ton while ferrous shipments increased by 147,000 gross tons as compared to fiscal 2006. The average selling price of non-ferrous scrap increased $.04 per pound, and non-ferrous shipments increased by 6.4 million pounds in fiscal 2007 compared to fiscal 2006. In fiscal 2007, our non-ferrous operations benefited from higher prices for copper. The increase in price was evident in data published by the London Market Exchange and COMEX. We believe the non-ferrous prices were higher than historical average prices due to strong increases in industrial production and demand from industrializing countries such as China during fiscal 2007.

19

TABLE OF CONTENTS

Gross profit for fiscal 2007 decreased by $2 million, or 3.4%, to $56 million as compared to fiscal 2006. As a percentage of net sales, cost of sales was 93.3% and 91.8% in fiscal 2007 and fiscal 2006, respectively. The increase is due to increased cost of secondary products caused by reduced supply of material from PSC Metals key suppliers.

Selling, general and administrative expenses increased $3 million, or 20.0%, to $18 million in fiscal 2007 as compared to fiscal 2006. The increase is primarily due to additional headcount and employee-related costs.

Real Estate

Our Real Estate segment is comprised of rental real estate, property development and resort activities associated with property development. The three related operating lines of our real estate segment have been aggregated for purposes of reporting our operating results below. Certain properties are reclassified as discontinued operations when subject to a contract and are excluded from income from continuing operations.

The following table summarizes the key operating data for real estate activities for the years ended December 31, 2008, 2007 and 2006 (in millions of dollars):

	Year Ended December 31,		
	2008	2007	2006
Revenues[(1)]	$101	$ 106	$ 134
Expenses	82	92	105
Income from continuing operations before interest, income taxes and other income, net	$19	$ 14	$ 29

(1) Revenues include net sales from Development and Resort operations, and rental and financing lease income from Rental operations.

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Total revenues decreased by $5 million, or 4.7%, to $101 million as compared to fiscal 2007. The decrease was primarily attributable to a decrease in property development sales activity due to the general slowdown in residential and vacation home sales, and was partially offset by an increase in rental income, due to the acquisitions of two net leased properties acquired in August 2008. In fiscal 2008, we sold 39 residential units for $42 million at an average price of $1.1 million. In fiscal 2007, we sold 76 residential units for $61 million at an average price of $0.8 million.

Total expenses decreased by $10 million, or 10.9%, to $82 million in fiscal 2008 as compared to fiscal 2007. The decrease was primarily due to a decrease in property development sales activity. In fiscal 2008, property development expenses included asset impairment charges of $4 million, primarily attributable to inventory units in our Grand Harbor and Oak Harbor, Florida subdivisions. These decreases were partially offset by increased depreciation expenses attributable to the acquisition of two net lease properties. In fiscal 2007, property development expenses included an asset impairment charge of $3 million related to certain condominium land in our Oak Harbor, Florida subdivision and a litigation loss reserve of $2 million.

Based on current residential sales conditions, coupled with the completion of our Westchester, New York properties and the depressed Florida real estate market, we anticipate that property development sales will likely continue to decline in fiscal 2009. We may incur additional asset impairment charges if sales price assumptions and unit absorptions are not achieved.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Total revenues decreased by $28 million, or 20.9%, to $106 million in fiscal 2007 as compared to fiscal 2006. The decrease was primarily attributable to a decrease in property development sales activity due to the general slowdown in residential and vacation home sales. In fiscal 2007, we sold 76 units for $61 million at an average price of $0.8 million. In fiscal 2006, we sold 128 units for $91 million at an average price of $0.7 million. In fiscal 2006, our New Seabury, MA property sales and margins were stronger principally due to closings from its grand opening in fiscal 2005.

Total expenses decreased by $13 million, or 12.4%, to $92 million in fiscal 2007 as compared to fiscal 2006. The decrease was primarily due to a decrease in property development sales activity. Contributing to the

TABLE OF CONTENTS

overall decrease in fiscal 2007 was the reversal of a prior year hurricane loss provision of $1 million related to our rental properties. Included in total expenses for fiscal 2007 was a litigation loss reserve of $2 million, an impairment charge of $3 million related to our development properties and a $1 million impairment charge related to our rental properties. Impairment charges in our property development segment primarily related to decreased condominium land values in our Oak Harbor, FL subdivision caused by the current real estate slowdown. Impairment charges in our rental real estate were primarily due to a decrease in rental renewal rates at certain of our commercial properties.

Home Fashion

WPI has been adversely affected by a variety of unfavorable conditions, including the following factors that have negatively impacted operating results:

adverse competitive conditions for U.S. manufacturing facilities compared to manufacturing