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

FORM 10-Q

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

For the quarterly period ended March 31, 2016

or

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

For the transition period from to

Commission File Number: 001-34029

FEDERAL-MOGUL HOLDINGS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**46-5182047**
(State or other jurisdiction of incorporation or organization)	**(IRS employer identification number)**
27300 West 11 Mile Road, Southfield, Michigan	**48034**
(Address of principal executive offices)	**(Zip Code)**

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions 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 Exchange Act). Yes ☐ No ☒

As of April 25, 2016, there were 169,040,651 outstanding shares of the registrant's $0.01 par value common stock.

FEDERAL-MOGUL HOLDINGS CORPORATION

Form 10-Q

For the Three and Three Months Ended March 31, 2016

INDEX

PART I
FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FEDERAL-MOGUL HOLDINGS CORPORATION
Condensed Consolidated Statements of Operations (Unaudited)
(in millions, except per share amounts)

	Three Months Ended March 31	
	2016	2015
Net sales	$ 1,897	$ 1,835
Cost of products sold	(1,609)	(1,584)
Gross profit	288	251
Selling, general and administrative expenses	(198)	(203)
Goodwill and intangible impairment expense, net (Note 10)	—	6
Restructuring charges and asset impairments (Note 3)	(18)	(13)
Amortization expense	(15)	(14)
Other income (expense), net (Note 4)	10	(3)
Operating income (loss)	67	24
Interest expense, net	(37)	(35)
Equity earnings of nonconsolidated affiliates (Note 11)	14	12
Income (loss) from continuing operations before income taxes	44	1
Income tax (expense) benefit (Note 14)	(8)	(11)
Net income (loss)	36	(10)
Less net income attributable to noncontrolling interests	(1)	(1)
Net income (loss) attributable to Federal-Mogul	$ 35	$ (11)
Net income (loss) per common share attributable to Federal-Mogul		
Basic and diluted:		
Net income (loss)	$ 0.21	$ (0.07)

See accompanying notes to condensed consolidated financial statements.

FEDERAL-MOGUL HOLDINGS CORPORATION
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(in millions)

	Three Months Ended March 31	
	2016	**2015**
Net income (loss)	$ 36	$ (10)
Other comprehensive income (loss), net of tax (Note 16)		
Foreign currency translation adjustments	42	(119)
Cash flow hedging income (loss), net	—	1
Postemployment benefits	4	21
Other comprehensive income (loss), net of tax	46	(97)
Comprehensive income (loss)	82	(107)
Less: Comprehensive income (loss) attributable to noncontrolling interests	4	(1)
Comprehensive income (loss) attributable to Federal-Mogul	$ 78	$ (106)

See accompanying notes to condensed consolidated financial statements.

FEDERAL-MOGUL HOLDINGS CORPORATION
Condensed Consolidated Balance Sheets (Unaudited)
(in millions)

	March 31 2016	December 31 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 252	$ 194
Accounts receivable, net	1,469	1,374
Inventories, net (Note 9)	1,353	1,342
Prepaid expenses and other current assets	210	188
Total current assets	3,284	3,098
Property, plant and equipment, net	2,400	2,353
Goodwill and other indefinite-lived intangible assets (Note 10)	913	903
Definite-lived intangible assets, net	391	404
Investments in nonconsolidated affiliates (Note 11)	313	296
Other noncurrent assets	176	174
TOTAL ASSETS	$ 7,477	$ 7,228
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt, including current portion of long-term debt (Note 12)	$ 157	$ 138
Accounts payable	945	901
Accrued liabilities	654	582
Current portion of pensions and other postemployment benefits liability	41	40
Other current liabilities	148	159
Total current liabilities	1,945	1,820
Long-term debt (Note 12)	2,958	2,914
Pensions and other postemployment benefits liability	1,128	1,123
Long-term portion of deferred income taxes	372	367
Other accrued liabilities	90	102
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; 170,636,151 issued shares and 169,040,651 outstanding shares as of March 31, 2016 and December 31, 2015)	2	2
Additional paid-in capital	2,899	2,899
Accumulated deficit	(761)	(796)
Accumulated other comprehensive loss	(1,275)	(1,318)
Treasury stock, at cost	(17)	(17)
Total Federal-Mogul shareholders' equity	848	770
Noncontrolling interests	136	132
Total shareholders' equity	984	902
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 7,477	$ 7,228

See accompanying notes to condensed consolidated financial statements.

FEDERAL-MOGUL HOLDINGS CORPORATION
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in millions)

	Three Months Ended March 31	
	2016	**2015**
Cash Provided From (Used By) Operating Activities		
Net income (loss)	$ 36	$ (10)
Adjustments to reconcile net income to net cash provided from (used by) operating activities:		
Depreciation and amortization	87	83
Payments against restructuring liabilities	(11)	(16)
Equity earnings of nonconsolidated affiliates	(14)	(12)
Cash dividends received from nonconsolidated affiliates	6	—
Change in pensions and postemployment benefits	(12)	(9)
Restructuring charges and asset impairments	18	12
Deferred tax benefit	(1)	(1)
Loss on sale of equity method investment	—	11
Gain from sales of property, plant and equipment	(9)	(4)
Unrealized foreign currency transaction losses	1	—
Changes in operating assets and liabilities:		
Accounts receivable	(70)	(129)
Inventories	11	(101)
Accounts payable	34	108
Other assets and liabilities	27	(31)
Net Cash Provided From (Used by) Operating Activities	103	(99)
Cash Provided From (Used By) Investing Activities		
Expenditures for property, plant and equipment	(94)	(108)
Payments to acquire businesses, net of cash acquired	—	(305)
Net proceeds from sale of equity method investment	—	15
Net proceeds from sales of property, plant and equipment	2	8
Transfer of cash balances upon disposition of held for sale operations	(12)	—
Capital investment in nonconsolidated affiliates	(1)	—
Net Cash Provided From (Used By) Investing Activities	(105)	(390)
Cash Provided From (Used By) Financing Activities		
Proceeds from term loans, net of original issue discount	15	—
Proceeds from equity rights offering net of related fees	—	250
Proceeds from borrowings on revolving line of credit	145	339
Payments on revolving line of credit	(93)	(124)
Principal payments on term loans	(11)	(7)
Decrease in other long-term debt	—	(2)
Increase in short-term debt	4	8
Net remittances on servicing of factoring arrangements	(1)	—
Net Cash Provided From (Used By) Financing Activities	59	464
Effect of foreign currency exchange rate fluctuations on cash	(11)	16
Cash and equivalents at beginning of period	194	332
Cash and cash equivalents of held for sale operations at January 1	12	—
Increase (decrease) in cash and equivalents	46	(9)
Cash and equivalents at end of period	$ 252	$ 323
Supplementary Disclosures:		
Non-cash financing and investing activities:		
Change in accrued property and equipment additions	$ (9)	$ (14)

See accompanying notes to condensed consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Federal-Mogul Holdings Corporation (the "Company") was incorporated as a Delaware Corporation in 2014. 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.

Proposed Merger Transaction
On February 29, 2016, the Company announced it received a proposal from its majority shareholder Icahn Enterprises L.P. ("IEP") to purchase the shares of the Company's common stock not owned by IEP for $7.00 per share in a merger transaction. The Company’s Board of Directors subsequently authorized the formation of a special committee consisting of three of the four independent members of the Board of Directors and chaired by Mr. Thomas W. Elward to review and evaluate this proposal and any alternative transactions involving the Company. Following its formation, the special committee engaged Houlihan Lokey Capital, Inc. as its financial advisor and Richards, Layton & Finger as its legal counsel. The special committee, working with its advisors, has commenced its review and evaluation of the IEP proposal and alternatives thereto. Subsequent to submitting its proposal, IEP advised the Company’s Board of Directors that it was not considering selling its stake in Federal-Mogul at the current time.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Interim Financial Statements
The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. These statements include all adjustments (consisting of normal recurring adjustments) management believes are necessary for a fair presentation of the results of operations, comprehensive income, financial position, and cash flows. The Company’s management believes the disclosures are adequate to make the information presented not misleading when read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 filed on February 29, 2016 and the Company's Amended Annual Report on Form 10-K/A for the year ended December 31, 2015 filed on March 30, 2016. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ended December 31, 2016.

Principles of Consolidation: The Company consolidates into its financial statements all wholly-owned and any partially-owned subsidiaries 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 11. *Investment in Nonconsolidated Affiliates*, for discussion regarding the Company's subsidiaries that were 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.

Reclassifications: Certain reclassifications from the prior year presentation have been made to conform to the current year presentation.

Concentrations of Credit Risk: Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of accounts receivable, cash deposits, cash equivalents, and derivatives. 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. The Company only utilizes well-known and highly creditworthy financial institutions for cash deposits and investments in cash equivalents or as a counterparty to derivative transactions.

Factoring of Accounts Receivable: 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:

	March 31 2016	December 31 2015
Gross accounts receivable factored	$ 491	$ 408
Gross accounts receivable factored, qualifying as sales	$ 479	$ 401
Undrawn cash on factored accounts receivable	$ 1	$ 1

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

	Three Months Ended March 31	
	2016	2015
Proceeds from factoring qualifying as sales	$ 413	$ 390
Financing charges	$ (3)	$ (2)

Accounts receivables factored but not qualifying as a sale were pledged as collateral and accounted for as secured borrowings and recorded in the condensed consolidated balance sheets within “Accounts receivable, net” and “Short-term debt, including the current portion of long-term debt.”

The financing charges totaled $3 million as of March 31, 2016 and are recorded in the condensed consolidated statements of operations within “Other income (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 factored receivables. The maximum exposures to the Company associated with these certain facilities’ terms were $4 million and $11 million as of March 31, 2016 and December 31, 2015.

Changes in Accounting Principle

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The accounting guidance requires debt issuance costs related to a recognized debt liability be reported in the Consolidated Balance Sheets as a direct deduction from the carrying amount of that debt liability. The guidance is effective retrospectively and the Company has adopted this guidance in the first quarter of 2016. The adoption of this accounting guidance to the consolidated financial statements is summarized below:

	March 31, 2016		
Condensed Consolidated Balance Sheet	Prior Accounting Principles	Effect of Accounting Change	As Reported
Other noncurrent assets	$ 186	(10)	$ 176
Long-term debt	$ 2,968	(10)	$ 2,958

	December 31, 2015		
Consolidated Balance Sheet	Previously Reported	Effect of Accounting Change	Recast
Other noncurrent assets	$ 184	(10)	$ 174
Long-term debt	$ 2,924	(10)	$ 2,914

Noncontrolling Interests

The following table presents a rollforward of the changes in noncontrolling interests:

	Three Months Ended March 31
Equity balance of noncontrolling interests as of January 1	$ 132
Comprehensive income (loss):	
Net income	1
Foreign currency adjustments and other	3
Equity balance of noncontrolling interests as of March 31	$ 136

Recently Issued Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The updated guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation, and disclosure. The amendments in the ASU are effective prospectively for fiscal years beginning after December 15, 2017, and interim periods therein, with early adoption not permitted. The Company is currently evaluating the potential effects of this pronouncement.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* that replaces existing lease guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. The new guidance will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The standard is effective for the Company beginning January 1, 2019, with early application permitted. The new standard is required to be applied with a modified retrospective approach to each prior reporting period presented with various optional practical expedients. The Company is currently evaluating the potential effects of this pronouncement.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The Company is currently evaluating the potential effects of this pronouncement.

3. RESTRUCTURING CHARGES AND ASSET IMPAIRMENTS

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 Company's restructuring charges consist primarily of employee costs (principally severance and/or termination benefits), facility closure and other costs, curtailment losses (gains) related to reductions of pension and retiree medical benefit obligations as a result of headcount reductions, and asset impairments related to restructuring activities.

	Three Months Ended March 31,							
	2016							
	Powertrain		Motorparts		Corporate		Total	
Severance and other charges, net	$	(12)	$	(3)	$	—	$	(15)
Asset impairments related to restructuring activities		—		—		—		—
Total restructuring charges		(12)		(3)		—		(15)
Other asset impairments		—		—		—		—
Impairment of assets held for sale		—		(3)		—		(3)
Total asset impairment charges		—		(3)		—	$	(3)
Total restructuring charges and asset impairments	$	(12)	$	(6)	$	—	$	(18)
	2015							
	Powertrain		Motorparts		Corporate		Total	
Severance and other charges, net	$	(6)	$	(6)	$	—	$	(12)
Asset impairments related to restructuring activities		—		—		—		—
Total restructuring charges		(6)		(6)		—		(12)
Other asset impairments		—		(1)		—		(1)
Total asset impairment charges		—		(1)		—		(1)
Total restructuring charges and asset impairments	$	(6)	$	(7)	$	—	$	(13)

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 affect 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 effect on its liquidity position.

The following table provides a quarterly summary of the Company’s restructuring liabilities and related activity as of and for the three months ended March 31, 2016 and three months ended March 31, 2015 by reporting segment:

	Powertrain		Motorparts		Total Reporting Segment		Corporate		Total Company	
Balance at December 31, 2015	$	33	$	47	$	80	$	—	$	80
Provisions		12		3		15		—		15
Payments		(5)		(6)		(11)		—		(11)
Acquisitions		—		—		—		—		—
Foreign Currency		1		1		2		—		2
Balance at March 31, 2016	$	41	$	45	$	86	$	—	$	86

	Powertrain	Motorparts	Total Reporting Segment	Corporate	Total Company
Balance at December 31, 2014	$ 36	$ 16	$ 52	$ 1	$ 53
Provisions	6	6	12	—	12
Payments	(10)	(5)	(15)	(1)	(16)
Acquisitions	2	—	2	—	2
Foreign Currency	(3)	(1)	(4)	—	(4)
Balance at March 31, 2015	$ 31	$ 16	$ 47	$ —	$ 47

The following table provides a quarterly summary of the Company's restructuring liabilities and related activity for each type of exit cost as of and for the three months ended March 31, 2016 and three months ended March 31, 2015. As the table indicates, facility closure costs are typically paid within the quarter of incurrence.

	Employee Costs	Facility Closure and Other Costs	Total
Balance at December 31, 2015	$ 79	$ 1	$ 80
Provisions	13	2	15
Payments	(9)	(2)	(11)
Acquisitions	—	—	—
Foreign Currency	2	—	2
Balance at March 31, 2016	$ 85	$ 1	$ 86

	Employee Costs	Facility Closure and Other Costs	Total
Balance at December 31, 2014	$ 51	$ 2	$ 53
Provisions	10	2	12
Payments	(13)	(3)	(16)
Acquisitions	2	—	2
Foreign Currency	(4)	—	(4)
Balance at March 31, 2015	$ 46	$ 1	$ 47

Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially estimated. The Company did not change its estimate of any previously recorded liabilities during the three months ended March 31, 2016 or 2015.

Restructuring charges and asset impairments for the three months ended March 31, 2016 were comprised of $12 million related to the Powertrain segment and $6 million related to the Motorparts segment. The charges include severance related costs of $7 million in EMEA, $3 million in North America, and $1 million in ROW for the Powertrain segment. In addition, there was $1 million in other costs in ROW for the Powertrain segment. For the Motorparts segment, the charges include severance related costs of $2 million and other costs of $1 million in North America. In addition, there was $3 million in asset impairments in EMEA for the Motorparts segment.

Restructuring expenses for the three months ended March 31, 2016 are aimed at optimizing the Company's cost structure. We expect to complete these programs in 2017 and incur additional restructuring and other charges of approximately $1 million. For programs previously initiated in prior periods, we expect to complete these programs in 2018 and incur additional restructuring and other charges of approximately $5 million.

See Note 6, *Assets Held for Sale,* for further details related to the $3 million impairment loss on assets held for sale for the three months ended March 31, 2016.

4. OTHER INCOME (EXPENSE), NET

The specific components of "Other income (expense), net" are as follows:

	Three Months Ended March 31	
	2016	2015
Loss on sale of equity method investment[(a)]	$ —	$ (11)
Gain on sale of assets	9	4
Foreign currency exchange	(2)	1
Third-party royalty income	2	2
Legal separation costs	—	(2)
Financing charges	(3)	(2)
Other	4	5
	$ 10	$ (3)

(a) See Note 11. *Investment in Nonconsolidated Affiliates*, for further details.

In the three months ended March 31, 2016, the other income (expense), net included the recognition of a $9 million gain related to the sale of real estate made in a prior year. The gain and receipt of the proceeds was contingent upon the property's redevelopment by the buyer.

5. ACQUISITIONS

TRW Engine Components Acquisition

Pursuant to the Amended and Restated Share and Asset Purchase Agreement dated January 23, 2015, the Company completed the acquisition of TRW's valvetrain business and closed the transaction on February 6, 2015. The business was acquired through a combination of asset and stock purchases for a purchase price of approximately $309 million. On July 7, 2015, the Company completed the purchase of certain additional business assets of the TRW's valvetrain business. The business was acquired through stock purchases for a base purchase price of approximately $56 million. The purchase includes a $25 million noncontrolling interest related to a 66% stake in a majority owned entity the Company consolidates into its financial statements. The acquisition was funded primarily from the Company's available revolving line of credit and is subject to certain customary closing and post-closing adjustments. The acquisition of TRW's valvetrain 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 following table summarizes the fair value of the assets acquired and liabilities assumed at the acquisition date:

	Fair Value
Cash	$ 14
Accounts receivable, net	31
Inventory, net	36
Property, plant and equipment, net	234
Goodwill	74
Other identified intangible assets	107
Accounts payable	(22)
Accrued liabilities	(39)
Acquired postemployment benefits	(46)
Other net assets	1
Total identifiable net assets	$ 390

In addition to the benefits noted above, goodwill is created from the expected synergies through the integration of the engine components business into the existing Powertrain segment which will allow for improved profitability.

Proforma Results

The following proforma results for the three months ended March 31, 2016 and 2015 assume the purchase of the TRW valvetrain business occurred as of the beginning of 2015 and are inclusive of provisional purchase price adjustments. The proforma results are not necessarily indicative of the results that actually would have been obtained.

	Three Months Ended March 31	
	2016	2015
Net sales	$ 1,897	$ 1,879
Net income (loss) attributable to Federal-Mogul	$ 35	$ (11)
Earnings (loss) per share attributable to Federal-Mogul - basic and diluted	$ 0.21	$ (0.07)

During the three months ended March 31, 2016, the Company did not record any transaction related expenses. During the three months ended March 31, 2015 the Company recorded $1 million in transaction related expenses, primarily legal and other professional fees, associated with the acquisition of certain assets of the TRW engine components business. These expenses were recorded in "Selling, general and administrative expenses" within the condensed consolidated statements of operations.

6. ASSETS HELD FOR SALE

Held for Sale Operations

The Company classifies assets and liabilities as held for sale ("disposal group") when management, having the authority to approve the action, commits to a plan to sell the disposal group, the sale is probable within one year, and the disposal group is available for immediate sale in its present condition. The Company also considers whether an active program to locate a buyer has been initiated, whether the disposal group is marketed actively for sale at a price that is reasonable in relation to its current fair value, and whether actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

The Company aggregates the assets and aggregates the liabilities of all held-for-sale disposal groups on the balance sheet for the period in which the disposal group is held for sale.

In the first quarter 2016, the Company classified land and building of one of its closed Motorparts aftermarket sites as held for sale. The net book value of the assets was $3 million and the Company accepted an offer of to sell the site. The Company has recorded an impairment loss in the amount of $3 million for the three months ended March 31, 2016 which has been included in "Restructuring charges and asset impairments, net" in the condensed consolidated statements of operations. The remaining asset balance has been recorded in "Prepaid expenses and other current assets" as of March 31, 2016.

In the first quarter 2016, the Company has engaged in the process to sell one of its closed facilities in the Motorparts segment. The net book value of the assets, which mainly consists of the land and building, is $2 million. The closed facility meets held for sale accounting treatment and the related assets have been recorded in "Prepaid expenses and other current assets" as of March 31, 2016.

In the first quarter 2016, the Company entered into a sales purchase agreement to sell the assets of one of its closed Powertrain manufacturing locations. The net book value of the assets, which mainly consists of the land and building is $1 million. The agreed upon sales price is in excess of net book value and the related assets have been recorded in "Prepaid expenses and other current assets" as of March 31, 2016.

In 2015, the Company entered into a share agreement to sell 100% of the shares of one of its subsidiaries in the Powertrain segment along with certain related assets of another subsidiary. The Company classified the assets and liabilities related to this transaction as held for sale. Prior to December 31, 2015, the Company contributed $12 million in cash to the subsidiary. The transaction closed on January 1, 2016 with no additional amounts recognized for the three months ended March 31, 2016.

7. DERIVATIVES AND HEDGING ACTIVITIES

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 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:

	March 31 2016	December 31 2015
Combined notional value	$ 21	$ 28
Combined notional value designated as hedging instruments	$ 21	$ 28
Unrealized net loss recorded in "Accumulated other comprehensive loss"	$ (2)	$ (2)

The Company has designated these contracts as cash flow hedging instruments and has a net liability position related to these instruments in the amount of $2 million and $3 million as of March 31, 2016 and December 31, 2015. The Company records unrecognized gains and losses in other comprehensive income and makes regular reclassifying adjustments into "Cost of products sold" within the condensed consolidated statement of operations when amounts are recognized. For the three months ended March 31, 2016 and March 31, 2015, the Company recognized $1 million and $2 million of losses into other comprehensive income and has reclassified $1 million of losses and $1 million of gains into "Cost of products sold" within the condensed consolidated statement of operations.

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, Australia, 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 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. The Company did not hold any foreign currency price hedge contracts at March 31, 2016 or December 31, 2015. For the three months ended March 31, 2016 and March 31, 2015 there were no amounts reclassified into net income.

Concentrations of Credit Risk

Financial instruments including cash equivalents, derivative contracts, and accounts receivable, expose the Company to counter-party credit risk for non-performance. The Company's counterparties for cash equivalents and derivative contracts are banks and financial institutions that meet the Company's requirement of high credit standing. The Company's counterparties for derivative contracts are substantial investment and commercial banks with significant experience using such derivatives. The Company manages its credit risk through policies requiring minimum credit standing and limiting credit exposure to any one counter-party and through monitoring counter-party credit risks. The Company's concentration of credit risk related to derivative contracts at March 31, 2016 and 2015 is not material.

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 income (expense), 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 income (expense), net" for outstanding hedges and either "Cost of products sold" or "Other income (expense), net" upon hedge maturity.

8. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), clarifies 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, 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. The Company estimates the fair value of its derivative contracts using an income approach based on valuation techniques to convert future amounts to a single, discounted amount. Estimates of the fair value of foreign currency and commodity derivative instruments are determined using exchange traded prices and rates.

Items Measured at Fair Value on a Recurring Basis
Assets and liabilities remeasured and disclosed at fair value on a recurring basis at March 31, 2016 and December 31, 2015 are set forth in the table below:

	Liability	Level 2
March 31, 2016		
Commodity contracts	$ (2)	$ (2)
December 31, 2015		
Commodity contracts	$ (3)	$ (3)

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

Items Measured at Fair Value on a Nonrecurring Basis
In addition to items that are measured at fair value on a recurring basis, we also have assets that may be measured at fair value on a nonrecurring basis. As these items are not measured at fair value on a recurring basis, they are not included in the tables above. These assets include, long-lived assets, intangible assets and investments in affiliates which may be written down to fair value as a result of impairment.

During the three months ended March 31, 2016 and March 31, 2015 the Company recorded impairment charges of $3 million and $1 million related to property, plant, and equipment, which have been recorded within "*Restructuring charges and asset impairments, net*" in the condensed consolidated statement of operations.

The Company's investment in nonconsolidated affiliates is discussed further in Note 11, *Investment in Nonconsolidated Affiliates*.

Financial Instruments not Carried at Fair Value
Estimated fair values of the Company's term loans under the Credit Agreement were:

	March 31, 2016		December 31, 2015		
	Carrying Value	Fair Value	Carrying Value	Fair Value	Measurement Approach
Term Loans	$ 2,553	$ 2,323	$ 2,559	$ 2,273	Level 2

Fair value approximates carrying value for foreign debt as well as the U.S. revolver.

Fair market values are developed by the use of estimates obtained from brokers and other appropriate valuation techniques based on information available as of March 31, 2016 and 2015. The fair value estimates do not necessarily reflect the values the Company could realize in the current markets.

9. INVENTORIES

Inventories are stated at the lower of cost or market. Cost was determined by the first-in, first-out method at March 31, 2016 and December 31, 2015. 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:

	March 31 2016	December 31 2015
Raw materials	$ 278	$ 254
Work-in-process	190	175
Finished products	1,012	1,027
	1,480	1,456
Inventory valuation allowance	(127)	(114)
	$ 1,353	$ 1,342

10. GOODWILL AND OTHER INTANGIBLE ASSETS

A summary of changes in the net carrying amounts of goodwill by segment are as follows:

	Three Months Ended March 31, 2016		
	Powertrain	Motorparts	Total
Net carrying amount, January 1	$ 512	$ 161	$ 673
Acquisitions and purchase accounting adjustments	6	—	6
Foreign exchange	6	—	6
Net carrying amount, March 31	$ 524	$ 161	$ 685

	Powertrain	Motorparts	Total
Accumulated impairment charges at March 31, 2016 and December 31, 2015	$ 136	$ 648	$ 784

The Company conducts its assessment for goodwill impairments on October 1 of each year for all reporting units. Due to the complexity of the 2015 second step goodwill impairment test, the Company has not finalized its assessment as of March 31, 2016. Based on the preliminary results of the annual impairment test the Company recorded an estimate of goodwill charges of $44 million as of December 31, 2015.

At March 31, 2016 and December 31, 2015, intangible assets consist of the following

	March 31, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Developed technology	$ 138	$ (90)	$ 48	$ 140	$ (86)	$ 54
Customer relationships	687	(344)	343	683	(333)	350
	$ 825	$ (434)	$ 391	$ 823	$ (419)	$ 404
Indefinite-lived intangible assets:						
Trademarks and brand names			$ 228			$ 230

The Company's recorded amortization expense associated with definite-lived intangible assets was:

	Three Months Ended March 31,	
	2016	2015
Amortization expense	$ 15	$ 14

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

	Remaining 2016	2017	2018	2019	2020	2021 and thereafter	Total
Expected amortization expenses	$ 44	58	49	49	49	142	$ 391

11. INVESTMENT IN NONCONSOLIDATED AFFILIATES

The Company maintains investments in several nonconsolidated affiliates, which are located in China, Korea, Turkey, India, Germany, 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.

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:

	March 31 2016	December 31 2015
Investments in nonconsolidated affiliates	$ 313	$ 296
Direct ownership percentages	2% to 50%	2% to 50%

The following table represents amounts reflected in the Company’s financial statements related to nonconsolidated affiliates:

	Three Months Ended March 31	
	2016	2015
Equity earnings of nonconsolidated affiliates	$ 14	$ 12
Cash dividends received from nonconsolidated affiliates	$ 6	$ —

The following tables present summarized aggregated financial information of the Company’s nonconsolidated affiliates for the three months ended March 31, 2016 and 2015. The amounts represent 100% of the interest in the nonconsolidated affiliates and not the Company's proportionate share.

	Three Months Ended March 31, 2016			
Statements of Operations	**Turkey JVs**	**Anqing TP Goetze**	**All Other**	**Total**
Sales	$ 91	$ 39	$ 112	$ 242
Gross profit	$ 24	$ 12	$ 25	$ 61
Income from continuing operations	$ 18	$ 9	$ 15	$ 42
Net income	$ 14	$ 9	$ 14	$ 37

	Three Months Ended March 31, 2015			
Statements of Operations	**Turkey JVs**	**Anqing TP Goetze**	**All Other**	**Total**
Sales	$ 82	$ 47	$ 84	$ 213
Gross profit	$ 19	$ 15	$ 9	$ 43
Income from continuing operations	$ 15	$ 13	$ 5	$ 33
Net income	$ 12	$ 13	$ 5	$ 30

In January 2015, Federal-Mogul Piston Segman ve Gomlek Uretim Tesisleri A.S was dissolved to form two separate joint ventures, Federal-Mogul Motorparts Otomotiv A.S and Federal-Mogul Powertrain Otomotiv A.S. The Company retained a 50% noncontrolling interest in the new joint ventures. These entities, along with Federal-Mogul Izmit Piston ve Pim Uretim Tesisleri A.S. and Federal Mogul Dis Ticaret A.S. are collectively referred to herein as the Turkey JVs.

As part of the regulatory approval related to an acquisition, the Company committed to divest, or procure the divestiture of the commercial and light vehicle brake pads business relating to the original equipment manufacturers market in the European Economic Area. As such, the Company deconsolidated these subsidiaries and accounted for them as equity method investments until disposition. The disposition was completed in the first quarter of 2015. As a result, the Company recognized an $11 million loss on disposal recorded in the line item "Other income (expense), net" in the condensed consolidated statements of operations.

12. DEBT

The following is a summary of debt outstanding as of March 31, 2016 and December 31, 2015:

	March 31 2016	December 31 2015
Loans under facilities:		
Revolver	$ 390	$ 340
Tranche B term loan	690	691
Tranche C term loan	1,871	1,876
Debt discount	(8)	(8)
Unamortized debt issuance fees	(10)	(10)
Other debt, primarily foreign instruments	182	163
	3,115	3,052
Less:		
Short-term debt, including current maturities of long-term debt	(157)	(138)
Total long-term debt	$ 2,958	$ 2,914

During the three months ended March 31, 2016 the Company increased its borrowing capacity under its revolving line of credit by $50 million up to $600 million.

The Replacement Revolving Facility has an available borrowing base of $170 million and $40 million of letters of credit outstanding at March 31, 2016, 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.

Interest expense associated with the amortization of the debt issuance costs recognized in the Company's condensed consolidated statements of operations, consists of the following:

	Three Months Ended March 31			
	2016		2015	
Amortization of debt issuance fees	$	1	$	1

13. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors several defined benefit pension plans ("Pension Benefits") and health care and life insurance benefits ("Other Postretirement Benefits" or "OPEB") for certain employees and retirees around the world.

Components of net periodic benefit cost (credit) for the three months ended March 31, 2016 and 2015 are as follows:

	Pension Benefits								Other Postretirement Benefits			
	United States Plans				Non-U.S. Plans							
	2016		2015		2016		2015		2016		2015	
Service cost	$	1	$	1	$	3	$	4	$	—	$	—
Interest cost		12		12		3		2		3		3
Expected return on plan assets		(12)		(15)		—		—		—		—
Amortization of actuarial losses		3		3		1		3		1		2
Amortization of prior service credits		—		—		—		—		(1)		(1)
Net periodic benefit cost (credit)	$	4	$	1	$	7	$	9	$	3	$	4

14. 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.

For the three months ended March 31, 2016, the Company recorded income tax expense of $8 million on income from continuing operations before income taxes of $44 million. This compares to income tax expense of $11 million on income from operations before income taxes of $1 million in the same period of 2015. Income tax expense for the three months ended March 31, 2016 differs from the U.S. statutory rate due primarily to pre-tax losses with no tax benefits, partially offset by pre-tax income taxed at rates lower than the U.S. statutory rate. Income tax expense for the three months ended March 31, 2015 differs from the U.S. statutory rate due primarily to pre-tax losses with no tax benefits.

15. 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 condensed consolidated balance sheets as follows:

	March 31 2016	December 31 2015
Other current liabilities	$ 5	$ 4
Other accrued liabilities (noncurrent)	9	10
	$ 14	$ 14

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 March 31, 2016, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximate $43 million.

Asset Retirement Obligations

The Company's primary asset retirement obligations ("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 condensed consolidated balance sheets as follows:

	March 31 2016	December 31 2015
Other current liabilities	$ 2	$ 2
Other accrued liabilities (noncurrent)	14	14
	$ 16	$ 16

The following is a rollforward of the Company's ARO liability for the period ended March 31, 2016 and 2015:

Balance at December 31, 2015		16
Liabilities incurred		—
Liabilities settled/adjustments		—
Foreign Currency		—
Balance at March 31, 2016	$	16
Balance at December 31, 2014	$	24
Liabilities incurred		—
Liabilities settled/adjustments		(3)
Foreign Currency		(2)
Balance at March 31, 2015	$	19

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

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 March 31, 2016. If the ACF plans were voluntarily terminated, they would be underfunded by approximately $91 million as of March 31, 2016. 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.

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 condensed consolidated financial position, results of operations or cash flows.

16. 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 three months ended March 31, 2016:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Foreign currency translation adjustments and other		
Balance at beginning of period	$ (714)	$ (482)
Other comprehensive income (loss) before reclassification adjustment, net of tax	40	(117)
Reclassification from other comprehensive income (loss)[(a)]	(1)	—
Other comprehensive loss, net of tax	39	(117)
Balance at end of period	$ (675)	$ (599)
Pensions and postretirement benefits		
Balance at beginning of period	$ (587)	$ (643)
Other comprehensive income (loss) before reclassifications	—	14
Reclassification from other comprehensive income (loss)[(b)]	4	7
Other comprehensive income (loss), net of tax	4	21
Balance at end of period	$ (583)	$ (622)
Hedge instruments		
Balance at beginning of period	$ (17)	$ (17)
Other comprehensive income (loss) before reclassifications[(c)]	—	1
Other comprehensive income (loss), net of tax	—	1
Balance at end of period	$ (17)	$ (16)
Other comprehensive income (loss) attributable to noncontrolling interests, net of tax[(d)]	3	(2)

(a) Includes accumulated foreign currency translation on sale of foreign entity. Refer to Note 6 for additional information.

(b) Includes amortization of prior service costs/credits and actuarial gains/losses which are included in cost of products sold, and selling, general, and administrative. Refer to Note 13 for additional information.

(c) Includes commodity contacts and foreign currency contracts which are included in cost of products sold. Refer to Note 7 for additional information.

(d) Consists of foreign currency translation adjustments.

17. STOCK-BASED COMPENSATION

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 the grant date and 25.0% on each of the next three anniversaries of the grant date. The SARs granted in February 2010 (“2010 SARs”) vested 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 exercised in the form of cash, the SARs are being treated as liability awards for accounting purposes.

The Company has total outstanding awards of approximately 238,000 and 603,000 as of March 31, 2016 and December 31, 2015. As of March 31, 2016, all 2011 SARs and all 2010 SARs were expired.

The Company did not recognize any SARs income for the three months ended March 31, 2016 and recognized $1 million in income for the three months ended March 31, 2015.

18. INCOME (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and diluted income (loss) per common share attributable to Federal-Mogul:

	Three Months Ended March 31	
	2016	**2015**
Amounts attributable to Federal-Mogul:		
Net income (loss)	$ 35	$ (11)
Weighted average shares outstanding, basic and diluted (in millions)	169.0	151.3
Net income (loss) per common share attributable to Federal-Mogul		
Basic and diluted:		
Net income (loss)	$ 0.21	$ (0.07)

19. OPERATIONS BY REPORTING SEGMENT

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 Company's global teams to be responsive to customers' needs for superior products and to promote greater identification with the Company's 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.

Net sales, cost of products sold and gross profit information are as follows:

	Three Months Ended March 31					
	Net Sales		**Cost of Products Sold**		**Gross Profit**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Powertrain	$ 1,128	$ 1,138	$ (992)	$ (996)	$ 136	$ 142
Motorparts	831	773	(679)	(664)	152	109
Inter-segment eliminations	(62)	(76)	62	76	—	—
Total Reporting Segment	$ 1,897	$ 1,835	$ (1,609)	$ (1,584)	$ 288	$ 251
Inter-segment eliminations attributable to sales from Powertrain to Motorparts	$ 54	$ 67				
Inter-segment eliminations attributable to sales from Motorparts to Powertrain	$ 9	$ 10				

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

	Three Months Ended March 31	
	2016	2015
	(millions of dollars)	
Powertrain	$ 119	$ 111
Motorparts	74	31
Total Operational EBITDA	193	142
Items required to reconcile Operational EBITDA to EBITDA:		
Restructuring charges and asset impairments [a]	(18)	(13)
Goodwill and intangible impairment expense, net	—	6
Loss on sale of equity method investment	—	(11)
Financing charges	(3)	(2)
Acquisition related costs	—	(4)
Segmentation costs	—	(1)
Other [b]	(4)	2
EBITDA	168	119
Items required to reconcile EBITDA to net income (loss):		
Depreciation and amortization	(87)	(83)
Interest expense, net	(37)	(35)
Income tax (expense) benefit	(8)	(11)
Net income (loss)	$ 36	$ (10)

	Three Months Ended March 31	
Footnotes:	2016	2015
[a] ***Restructuring charges and asset impairments, net:***	(millions of dollars)	
Restructuring charges related to severance and other charges, net	$ (15)	$ (12)
Asset impairments, including impairments related to restructuring activities	(3)	(1)
Total Restructuring charges	(18)	(13)
[b] ***Other reconciling items:***		
Non-service cost components associated with U.S. based funded pension plans	(3)	—
Stock appreciation rights	—	1
Other	(1)	1
	$ (4)	$ 2

Total assets are as follows:

	March 31 2016	December 31 2015
Powertrain	$ 4,198	$ 3,997
Motorparts	3,135	3,141
Total Reporting Segment Assets	7,333	7,138
Corporate	144	90
Total Company Assets	$ 7,477	$ 7,228

20. RELATED PARTY TRANSACTIONS

Insight Portfolio Group, LLC (“Insight”) is an entity formed and controlled by IEP in order to maximize the potential buying power of a group of entities with which IEP has a relationship in negotiating with a wide range of suppliers of goods, services, and tangible and intangible property at negotiated rates. The Company acquired a minority equity interest in Insight and agreed to pay a portion of Insight’s operating expenses beginning in 2013. In addition to the minority equity interest held by the Company, certain subsidiaries of IEP and other entities with which IEP has a relationship also acquired equity interests in Insight and also agreed to pay certain operating expenses.

The Company’s payments to Insight were less than $0.5 million for the years ended December 31, 2015 and 2014.

On June 1, 2015, IEP, the Company's parent, completed an acquisition of substantially all of the assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. comprising the U.S. automotive parts distribution of Uni-Select Inc ("Uni-Select"). Subsequent to the IEP acquisition of Uni-Select, Uni-Select changed its name to Auto Plus. Auto Plus is operated independently from the Company and transactions with Auto Plus are approved by the Company's audit committee in accordance with the Company's policy regarding related party transactions. In connection with IEP's acquisition of Auto Plus, Mr. Icahn resigned from the Company's board of directors and Daniel A. Ninivaggi, Co-Chief Executive Officer of the Company resigned from the board of directors of IEP.

The Company had $13 million of sales for the three months ended March 31, 2016 to Auto Plus and $15 million of accounts receivable outstanding from Auto Plus as of March 31, 2016.

On February 3, 2016, IEP acquired a majority of the outstanding shares of Pep Boys - Manny, Moe & Jack ("Pep Boys"), a leading aftermarket provider of automotive service, tires, parts and accessories across the United States and Puerto Rico. On February 4, 2016, IEP completed the acquisition of the remaining outstanding shares of Pep Boys.

The Company had $1 million of sales for the three months ended March 31, 2016 to Pep Boys and $1 million of accounts receivable outstanding from Pep Boys as of March 31, 2016.

21. SUBSEQUENT EVENTS

On April 18, 2016, the Company entered into a purchase agreement to acquire a filter manufacturing business in Mexico, which primarily serves the Mexican market. The proposed purchase price is $24 million.

FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated in this Quarterly Report on Form 10-Q 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. 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.

All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 filed on February 29, 2016 and the Company's Amended Annual Report on Form 10-K/A for the year ended December 31, 2015 filed on March 30, 2016, as well as the risks and uncertainties discussed elsewhere in the Annual Report and this report. Other factors besides those listed could also materially affect the Company’s business.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References herein to the “Company,” “Federal-Mogul,” “we,” “us,” “our” refer to Federal-Mogul Holdings Corporation.

The following Management’s Discussion and Analysis of financial condition and results of operations (“MD&A”) should be read in conjunction with the MD&A included in the Company’s Annual Report.

Executive Overview

Our Business: We are 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 (“OEM”) and servicers (“OES”) (collectively “OE”) market and the replacement market (“aftermarket”). Our customers include the world’s largest automotive OEs, and major distributors and retailers in the independent aftermarket. For a more detailed description of the Company’s business, products, industry, operating strategy and associated risks, refer to the Annual Report.

Proposed Merger Transaction: On February 29, 2016, the Company announced it received a proposal from its majority shareholder Icahn Enterprises, L.P. ("IEP") to purchase the shares of the Company's common stock not owned by IEP for $7.00 per share in a merger transaction. The Company’s Board of Directors subsequently authorized the formation of a special committee consisting of three of the four independent members of the Board of Directors and chaired by Mr. Thomas W. Elward to review and evaluate this proposal and any alternative transactions involving the Company. Following its formation, the special committee engaged Houlihan Lokey Capital, Inc. as its financial advisor and Richards, Layton & Finger as its legal counsel. The special committee, working with its advisors, has commenced its review and evaluation of the IEP proposal and alternatives thereto. Subsequent to submitting its proposal, IEP advised the Company’s Board of Directors that it was not considering selling its stake in Federal-Mogul at the current time.

Financial Results for the Three Months Ended March 31, 2016: Consolidated net sales were $1,897 million, an increase of $62 million, or 3.4%. The increase was primarily driven by a 7.1% increase in sales volumes of $117 million (which included a $50 million benefit from acquisitions) and was substantially offset by a $52 million unfavorable effect of foreign currency exchange.

Cost of products sold was $1,609 million for the three months ended March 31, 2016, an increase of $25 million, or 1.6%. The increase was primarily driven by $95 million in incremental costs related to higher sales volumes attributable to organic growth and acquisitions. This was partially offset by the $44 million favorable effect of foreign currency exchange and $26 million of savings from net performance.

Gross profit increased by $37 million to $288 million, or 15.2% of sales, for the three months ended March 31, 2016 compared to $251 million, or 13.7% of sales, for the three months ended March 31, 2015. The increase was primarily driven by the favorable effects of higher sales volumes (net of changes in mix) of $22 million, which included the effect from acquisitions, and a $23 million favorable effect of performance, which was offset by the negative effects of foreign currency exchange.

For the three months ended March 31, 2016:

- Net income attributable to Federal-Mogul for the three months ended March 31, 2016 was $35 million which included other income of $9 million (net of tax) related to the recognition of a gain on the sale of real estate made in a prior year, and restructuring charges and asset impairments of $18 million.

- Restructuring charges and asset impairments were comprised of $12 million related to the Powertrain segment and $6 million related to the Motorparts segment. The charges includes $15 million of costs related to severance and other charges are $7 million in EMEA, $6 million in North America, and $2 million in ROW, primarily focused on optimizing our cost structure. In addition, there was $3 million in asset impairments in EMEA.

- Total debt, including short-term debt and current portion of long-term debt, increased by $63 million. The increase was primarily attributable to net borrowings on the revolving line of credit of $46 million. These net borrowings partially attributed to the $58 million increase in cash during the three months ended March 31, 2016. We had $252 million of cash and $170 million of availability under our credit facilities at March 31, 2016.

Recent Trends and Market Conditions:
There is inherent uncertainty in the continuation of the trends discussed below. In addition, there may be other factors or trends that can have an effect on our business. Our business and operating results are affected by the relative strength of:

General economic conditions: Our OE business is directly related to automotive sales and automotive vehicle production by our customers. Automotive sales depend on a number of factors, including global and regional economic conditions. Demand for aftermarket products is driven by three primary factors including: the number of vehicles in operation; the average age of vehicles; and vehicle usage trends (primarily distance traveled).

Global vehicle production levels: Global vehicle production increased by 0.7 percent in the first quarter of 2016. European vehicle production rose 1.6 percent and North American vehicle production increased 4.0 percent, with positive growth in Canada and the United States. Vehicle production in the Asia-Pacific region increased just over 1 percent, reaching another record high. Among the major regions, only South America posted a decline during the three months ended March 31, 2016, down 30.8 percent.

Global vehicle sales levels: Global vehicle sales increased by 2.3 percent in the first quarter of 2016. European vehicle sales rose 3.2 percent and North American vehicles sales increased 4.5 percent, with positive growth in Canada, Mexico and the United States. Vehicle sales in the Asia-Pacific region increased 3.0 percent, reaching another record high. Among the major regions, only South America posted a decline during the three months ended March 31, 2016, which was down 19.7 percent.

Part replacement trends: The strength of our aftermarket business is influenced by several key drivers. These include the vehicle population (or "parc"), average vehicle age, fuel prices and vehicle distance traveled. The vehicle parc is estimated to have expanded in most major markets, including the United States, Japan, China, and Germany. Average vehicle ages also increased, despite growth in new vehicle sales, in most regions.

Recent decline in oil prices: The volatility in recent oil prices, which are generally at historic lows, results in lower fuel prices for consumers. However, on an aggregate level, the losses from these lower prices have been larger and quicker than expected as energy companies cut back on investment and lay off workers, while the gains are smaller and slower to materialize, as the majority of this extra discretionary income has been offset by paying off debt, precautionary saving, and slower income growth. But for some households, lower fuel prices do provide more discretionary income for a variety of purchases, including new vehicle sales, which increases demand for production parts from OEMs. That additional income can also support vehicle repairs and tends to encourage more driving miles, which in turn accelerates wear on vehicle components, accelerating the need for replacements.

Foreign currencies: Given the global nature of our operations, we are subject to fluctuations in foreign exchange rates and there has been significant volatility in foreign currency rates.

Strategy:

Our strategy is to develop and deliver leading technology, innovation, and service capabilities which result in market share expansion in the OE market and aftermarket. Our strategy is designed to create sustainable global profitable growth by leveraging existing and developing new economic advantages. This strategy consists of the following:

Extending our global reach to support our OE and aftermarket customers, furthering our relationships with leading Asian OEs and strengthening market share with U.S. and European OEs.

Our company conducts business with the majority of OE/OES providers, as well as leading automotive aftermarket warehouse distributors and retailers, around the world. Within the highly competitive automotive parts industry, we enjoy and seek to extend the significant advantage that comes from our world-class manufacturing and global distribution footprint. This footprint enables the production and delivery of premium parts emphasizing quality, safety and reliability virtually anywhere in the world and also supports the continual innovation of new products and technologies. During 2015, we acquired TRW's valvetrain business, which adds a completely new product line to our product portfolio, and strengthens our position as a leading developer and supplier of core components for engines. In late 2015 we opened a new state-of-the-art wiper production facility in southeastern Romania serving both OE and aftermarket customers throughout Europe. We are in the process of expanding our braking production capacity in an existing braking plant in Romania and also investing in our manufacturing footprint in Mexico, Eastern Europe, and Africa.

Assess acquisition and investment opportunities that provide product line expansion, technological advancements, geographic positioning, penetration of emerging markets (including India and China) and market share growth.

In addition to the TRW valvetrain acquisition during 2015, we also made investments in joint ventures in India, as well as entered into two new joint ventures, one in Thailand and one in China focused on automotive aftermarket vehicle repair business. We will be the preferred supplier to the China joint venture and will provide our broad portfolio of premium-branded automotive parts for distribution through a network of repair shops. These investments position the company to capitalize on the development of the independent aftermarket in the Asia Pacific region.

Leverage the strength of our global aftermarket leading brand positions, product portfolio and range, marketing and selling expertise, and distribution and logistics capabilities.

During 2015, we executed on various marketing campaigns and significantly expanded the digital presence of our premium brands. We also launched a series of 'Tech First' initiatives to provide online, on-demand, and onsite technical training and support to vehicle repair technicians who use and install our products. This initiative included the opening of 'Garage Gurus,' a nationwide technical education network consisting of 10 technical support centers and a fleet of mobile training vans in major U.S. markets; a repair shop engagement program in France and Germany; and the opening of the company's first technical training and support center in China.

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 our strategic alliances, and rationalizing business resources and infrastructure.

Restructuring expenses for the three months ended March 31, 2016 primarily related to our Powertrain locations and were aimed at reducing production complexities, and reducing inefficiencies in indirect and fixed costs structures.

We assess individual opportunities to execute our strategy based upon estimated sales and margin growth, cost reduction potential, internal investment returns, and other criteria, and make 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.

Consolidated Results – Three Months Ended March 31, 2016 vs. Three Months Ended March 31, 2015

	Three Months Ended March 31		$ Variance
	2016	2015	2016 v 2015
	(millions of dollars)		
Consolidated Statement of Operations Data			
Net sales	$ 1,897	$ 1,835	$ 62
Cost of products sold	(1,609)	(1,584)	(25)
Gross profit	288	251	37
Selling, general and administrative expenses	(198)	(203)	5
Goodwill and intangible impairment expense, net	—	6	(6)
Restructuring charges and asset impairments	(18)	(13)	(5)
Amortization expense	(15)	(14)	(1)
Other income (expense), net	10	(3)	13
Interest expense, net	(37)	(35)	(2)
Equity earnings of nonconsolidated affiliates	14	12	2
Income tax (expense) benefit	(8)	(11)	3
Net income (loss) from continuing operations	36	(10)	46
Less net income attributable to noncontrolling interests	(1)	(1)	—
Net income (loss) attributable to Federal-Mogul	$ 35	$ (11)	$ 46

Comparison of Three Months Ended March 31, 2016 to Three Months Ended March 31, 2015

Sales: Consolidated net sales increased by $62 million, or 3.4%, compared to the three months ended March 31, 2015. The increase was primarily driven by a 7.1% increase in sales volumes of $130 million (which included a $50 million benefit from acquisitions) and was substantially offset by a $52 million unfavorable effect of foreign currency exchange.

Cost of Sales: Cost of products sold increased by $25 million compared to the three months ended March 31, 2015. The increase was primarily driven by $95 million in incremental costs related to higher sales volumes attributable to organic growth and acquisitions. This was partially offset by the $44 million favorable effect of foreign currency exchange and $26 million of savings from net performance.

Gross Profit: Gross profit as a percentage of sales, for the three months ended March 31, 2016 was 15.2% compared to 13.7% for the three months ended March 31, 2015. Gross profit increased by $37 million compared to the three months ended March 31, 2015. The increase was primarily driven by the favorable effects of higher sales volumes (net of changes in mix) of $22 million, which included the effect from acquisitions, and a $23 million favorable effect of performance, which was offset by the negative effects of foreign currency exchange.

Selling, General and Administrative Expense: Selling, general and administrative expenses ("SG&A") as a percentage of sales, was 10.4% for the three months ended March 31, 2016 as compared to 11.1% for the year ended three months ended March 31, 2015. This decrease of $5 million is primarily attributable to cost savings partially resulting from previous restructuring programs of $6 million and favorable foreign exchange of $4 million, partially offset by higher pension costs of $3 million and increased SG&A attributable to acquisitions of $2 million. SG&A includes research and development ("R&D") costs, including product and validation costs, of $50 million and $51 million for the three months ended March 31, 2016 and March 31, 2015.

Goodwill and intangible impairment expense, net: During the first quarter 2015, an adjustment of $6 million was recorded reducing a previously recognized impairment charge as a result of the completion of our step two goodwill analysis for the year-ended December 31, 2014.

Restructuring charges and asset impairments: Restructuring charges and asset impairments increased by $5 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015. This increase was primarily related to higher severance and other charges of $3 million, primarily related to our restructuring efforts in EMEA and ROW aimed at optimizing our cost structure, and an increase of $2 million in impairment charges related to long lived assets in EMEA.

Amortization expense: Amortization expense increased $1 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015. The increase was primarily driven by the acquisition of the TRW valvetrain business.

Equity earnings of nonconsolidated affiliates: Equity in earnings of nonconsolidated affiliates increased by $2 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015. The increase was primarily driven by the additional investment in one of our China joint ventures included in the results for the three months ended March 31, 2016.

Interest Expense, Net: Net interest expense was $37 million for the three months ended March 31, 2016 compared to $35 million for the three months ended March 31, 2015. This increase is primarily attributable to the higher interest rate on borrowings under our revolving credit facilities.

Other Income (Expense), Net: Other expense, net was $10 million for the three months ended March 31, 2016 compared to $(3) million for the three months ended March 31, 2015. The primary reason for the increase is the recognition of a $9 million gain (net of tax) in the three months ended March 31, 2016 related to a prior year sale of real estate. The gain and receipt of the proceeds was contingent upon the property's redevelopment by the buyer. In addition, the three months ended March 31, 2015 includes non-recurring items, most notable being the loss on the sale of an equity method investment of $11 million and the gain on the sale of real estate of $4 million.

Income tax (expense) / benefit: For the three months ended March 31, 2016, we recorded an income tax expense of $8 million on income from continuing operations before income taxes of $44 million, compared to income tax expense of $11 million on income from continuing operations before income taxes of $1 million for the three months ended March 31, 2015.

Reporting Segment Results – Three Months Ended March 31, 2016 vs. Three Months Ended March 31, 2015

2016 Sales Analysis:

Sales by Region:

	Powertrain	%	Motorparts	%
	(millions of dollars)			
North America	$ 403	35%	$ 485	59%
EMEA	515	46%	285	34%
ROW	210	19%	61	7%
	$ 1,128	100%	$ 831	100%

Volume Increase (Decrease) by Region:

	Excluding Acquisitions				Including Acquisitions			
	Powertrain	%	Motorparts	%	Powertrain	%	Motorparts	%
	(millions of dollars)				(millions of dollars)			
North America	$ —	— %	$ 67	8.7 %	$ 24	2.1%	$ 67	8.7 %
EMEA	(8)	(0.7)%	(2)	(0.3)%	11	1.0%	(2)	(0.3)%
ROW	5	0.4 %	5	0.6 %	12	1.1%	5	0.6 %
	$ (3)	(0.3)%	$ 70	9.0 %	$ 47	4.2%	$ 70	9.0 %

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment
	(millions of dollars)			
2015 Sales	**$ 1,138**	**$ 773**	**$ (76)**	**$ 1,835**
External sales volumes	(3)	70	—	67
Inter-segment sales volumes	(13)	(1)	14	—
Acquisitions	50	—	—	50
Other	(14)	11	—	(3)
Foreign currency	(30)	(22)	—	(52)
2016 Sales	**$ 1,128**	**$ 831**	**$ (62)**	**$ 1,897**

Other: Primarily represents commercial actions and customer pricing.

2016 Cost of Products Sold Analysis:

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment
	(millions of dollars)			
2015 Cost of Products Sold	**$ (996)**	**$ (664)**	**$ 76**	**$ (1,584)**
Sales volumes / mix	(33)	(48)	(14)	(95)
Performance	9	17	—	26
Foreign currency	28	16	—	44
2016 Cost of Products Sold	**$ (992)**	**$ (679)**	**$ 62**	**$ (1,609)**

Sales Volumes: The increase is primarily due to the increase in sales in the Motorparts segment and an increase in sales attributable to acquisitions in the Powertrain segment.

Performance: Performance includes the benefit of favorable material and service sourcing, and productivity.

2016 Gross Profit Analysis:

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment
	(millions of dollars)			
2015 Gross Profit	**$ 142**	**$ 109**	**$ —**	**$ 251**
Sales volumes/mix	1	21	—	22
Performance and other	(5)	28	—	23
Foreign currency	(2)	(6)	—	(8)
2016 Gross Profit	**$ 136**	**$ 152**	**$ —**	**$ 288**

2016 Operational EBITDA Analysis:

	Powertrain	Motorparts	Inter-segment Elimination	Total Reporting Segment
		(millions of dollars)		
2015 Operational EBITDA	**$ 111**	**$ 31**	**$ —**	**$ 142**
Sales volumes / mix	2	21	—	23
Performance and other	(2)	34	—	32
Equity earnings in nonconsolidated affiliates	2	—	—	2
Increase in other costs	8	(6)	—	2
Foreign currency	(2)	(6)	—	(8)
2016 Operational EBITDA	**$ 119**	**$ 74**	**$ —**	**$ 193**

Sales volume / mix: Sales volume and mix included in Operational EBITDA includes the effects of increased selling, general, and administrative expenses attributable to acquisitions, net of adjustments to earnings that are included in Operational EBITDA.

Reconciliation of Operational EBITDA to Net Income (loss):

	Three Months Ended March 31	
	2016	**2015**
	(millions of dollars)	
Powertrain	**$ 119**	**$ 111**
Motorparts	**74**	**31**
Total Operational EBITDA	**193**	**142**
Items required to reconcile Operational EBITDA to EBITDA:		
Restructuring charges and asset impairments [a]	(18)	(13)
Goodwill and intangible impairment expense, net	—	6
Loss on sale of equity method investment	—	(11)
Financing charges	(3)	(2)
Discontinued operations	—	—
Acquisition related costs	—	(4)
Segmentation costs	—	(1)
Other [b]	(4)	2
EBITDA	168	119
Items required to reconcile EBITDA to net income (loss):		
Depreciation and amortization	(87)	(83)
Interest expense, net	(37)	(35)
Income tax (expense) benefit	(8)	(11)
Net income (loss)	$ 36	$ (10)

	Three Months Ended March 31	
Footnotes:	2016	2015
[(a)] ***Restructuring charges and asset impairments, net:***	(millions of dollars)	
Restructuring charges related to severance and other charges, net	$ (15)	$ (12)
Asset impairments, including impairments related to restructuring activities	(3)	(1)
Total Restructuring charges	(18)	(13)
[(b)] ***Other reconciling items:***		
Non-service cost components associated with U.S. based funded pension plans	(3)	—
Stock appreciation rights	—	1
Other	(1)	1
	$ (4)	$ 2

Liquidity and Capital Resources

Operating Activities
As summarized in the table below, net cash provided from (used by) operating activities was $103 million and $(99) million for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31	
	2016	2015
	(millions of dollars)	
Operational cash flow before changes in operating assets and liabilities	$ 101	$ 54
Changes in operating assets and liabilities:		
Accounts receivable	(70)	(129)
Inventories	11	(101)
Accounts payable	34	108
Other assets and liabilities	27	(31)
Total change in operating assets and liabilities	2	(153)
Net Cash (Used by) Provided From Operating Activities	$ 103	$ (99)

Cash provided by operations for the three months ended March 31, 2016 increased by $202 million compared to the three months ended March 31, 2015. The increase was primarily the result of:

- a reduction in inventory in the three months ended March 31, 2016 versus a build of inventory in the three months ended March 31, 2015 driven by the integration of acquisitions and the additional investment related to the realignment of our North American distribution network during the prior period in the Motorparts segment; and
- normalized working capital requirements as compared to the prior year when additional working capital was required to support the acquisition of the TRW valvetrain business in the Powertrain segment.

Investing Activities
As summarized in the table below, net cash provided from (used by) investing activities for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31	
	2016	2015
	(millions of dollars)	
Expenditures for property, plant and equipment	$ (94)	$ (108)
Payments to acquire businesses, net of cash acquired	—	(305)
Net proceeds from sale of equity method investment	—	15
Net proceeds from sales of property, plant and equipment	2	8
Transfer of cash balances upon disposition of held for sale operations	(12)	—
Capital investment in nonconsolidated affiliates	(1)	—
Net Cash Provided From (Used By) Investing Activities	$ (105)	$ (390)

Capital expenditures were $94 million and $108 million for the three months ended March 31, 2016 and 2015. These capital expenditures were primarily related to investing in new facilities, upgrading existing products, continuing new product launches, and infrastructure and equipment at our facilities to support our manufacturing, distribution and cost reduction efforts. We expect to spend between $390 million and $440 million on capital expenditures during 2016, depending on timing of expenditures, as we continue to invest in our strategic priorities and growth. We also completed the sale of a disposal group during the three months ended March 31, 2016 that was classified as held for sale at December 31, 2015 resulting in a cash outflow of $12 million.

The three months ended March 31, 2015 included a payment of $305 million, net of acquired cash, to acquire certain assets of the TRW valvetrain business and proceeds from the sale of an equity method investment of $15 million.

Financing Activities
Cash flow provided from (used by) financing activities for the three periods ended March 31, 2016 and 2015:

	Three Months Ended March 31	
	2016	2015
	(millions of dollars)	
Proceeds from term loans, net of original issue discount	$ 15	$ —
Proceeds from draws on revolving line of credit	145	339
Payment on revolving line of credit	(93)	(124)
Principal payments on term loans	(11)	(7)
Proceeds from equity rights offering, net of related fees	—	250
Decrease in other long-term debt	—	(2)
Increase (decrease) in short-term debt	4	8
Net proceeds (remittances) on servicing of factoring arrangements	(1)	—
Net cash provided from (used by) financing activities	$ 59	$ 464

For the three months ended March 31, 2016, net borrowings under the revolving line of credit increased by $52 million and net borrowings under term loans increased by $4 million.

For the three months ended March 31, 2015, cash flow provided by financing activities was $464 million. This included $215 million of net borrowings on the revolving line of credit primarily for the acquisition of the TRW valvetrain business. In addition, it included a $250 million cash inflow associated with a common stock rights offering in which approximately 19 million shares of our common stock were issued in March 2015.

Liquidity
The following table summarizes our available liquidity:

	March 31 2016	December 31 2015
	(millions of dollars)	
Cash and cash equivalents	$ 252	$ 194
Available under credit facilities	$ 170	$ 170

Off Balance Sheet Arrangements
The Company does not have any material off-balance sheet arrangements other than described below.

Other Liquidity and Capital Resource Items
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:

	March 31 2016	December 31 2015
	(millions of dollars)	
Gross accounts receivable factored	$ 491	$ 408
Gross accounts receivable factored, qualifying as sales	479	401
Undrawn cash on factored accounts receivable	1	1

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

	Three months ended March 31	
	2016	2015
	(millions of dollars)	
Proceeds from factoring qualifying as sales	$ 413	$ 390
Financing charges	(3)	(2)

Accounts receivables factored but not qualifying as a sale were pledged as collateral and accounted for as secured borrowings and recorded in the condensed consolidated balance sheets within “Accounts receivable, net” and “Short-term debt, including the current portion of long-term debt.”

The financing charges on sales of accounts receivable are recorded in the consolidated statements of operations within "other income (expense), net." Where we receive 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 factored receivables. The maximum exposures to the Company associated with these certain facilities’ terms were $4 million and $11 million as of March 31, 2016 and December 31, 2015, respectively. The fair values of the exposures to the Company associated with these certain facilities’ terms were determined to be immaterial.

Litigation and Environmental Contingencies

For a summary of material litigation and environmental contingencies, refer to Note 15., *Commitments and Contingencies*, of the condensed consolidated financial statements.

Subsequent Events

On April 18, 2016, the Company entered into a purchase agreement to acquire a filter manufacturing business in Mexico, which primarily serves the Mexican market. The proposed purchase price is $24 million.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the information concerning the Company’s exposures to market risk as stated in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 filed on February 29, 2016 and the Company's

Amended Annual Report on Form 10-K/A for the year ended December 31, 2015 filed on March 30, 2016. Refer to Note 7., *Derivatives and Hedging Activities*, to the consolidated financial statements 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 three months ended March 31, 2016, the Company derived 38% of its sales in the United States and 62% internationally. Of these international sales, 56% 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 may manage certain aspects of its foreign currency activities and larger transactions through the use of foreign currency options or forward contracts.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures
Our Co-Chief Executive Officers and Chief Financial Officer, based on their evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of March 31, 2016, had concluded the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the specified time periods and is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

Changes to Internal Control Over Financial Reporting
As previously disclosed in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2015 filed on February 29, 2016, management had then concluded that there was a material weakness in internal controls over financial reporting related to the operating effectiveness of information technology (IT) general controls. More specifically, the Company was not consistently following its processes and procedures during 2015 to execute and monitor change management controls or to restrict or monitor access to certain of its IT systems. These processes and procedures are intended to ensure that access to financial applications and data is adequately restricted to appropriate personnel and that all changes affecting the financial applications and underlying account records are identified, authorized, tested and implemented appropriately.

The Company evaluated the material weakness and developed a plan of remediation to strengthen our information technology general controls. The remediation plan included improving the design and operation of control activities and procedures associated with user and administrator access and implementing appropriate program change management control activities to the affected IT systems; including both preventive and detective control activities.

The Company concluded these remediation efforts represent significant improvements to our internal control over financial reporting. Based upon the actions taken, management believes the condensed consolidated financial statements included in this filing are fairly stated in all material respects. The Company will continue to monitor the effectiveness of its internal control over financial reporting, particularly as it relates to IT general controls, and will take further actions as deemed appropriate.

There were no changes in internal control over financial reporting during the quarter ended March 31, 2016, except as discussed above, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

(a) Contingencies.

Note 15., *Commitments and Contingencies*, that is included in Part I of this report, is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

The Company has been negotiating for the acquisition of the Beck Arnley tradename and related assets and operations from IEH BA LLC, an entity controlled by IEP for an estimated purchase price of $18 million. The purchase price will be paid through issuance of a promissory note at closing, with 50% of the principal balance due in the third quarter and 50% due two years from closing. As part of a supply agreement to be executed at closing, IEH Auto Parts LLC, also an entity controlled by IEP, will continue to purchase Beck Arnley products from a subsidiary of the Company after closing.

On April 22, 2016, the Company's subsidiary Federal-Mogul Motorparts Corporation ("Motorparts") filed a lawsuit against Genuine Parts Company and UAP Inc. (collectively, "NAPA") in state court in Michigan alleging that NAPA had breached certain terms of its supply agreement with Motorparts. The amount in dispute is not expected to be material to the financial condition or results of operations of the Company.

ITEM 6. EXHIBITS

(a) Exhibits:

	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).
	10.1	First Amendment to Employment Agreement, effective April 1, 2016, by and between Federal-Mogul Corporation and Rainer Jueckstock (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 1, 2016 and filed with the Securities and Exchange Commission on April. 4, 2016). †
*	10.2	Federal-Mogul Corporation 2010 Stock Incentive Plan Form of Performance Award Agreement-Motorparts Segment. †
*	10.3	Federal-Mogul Powertrain Management Incentive Plan for Fiscal Year 2016 Under the Federal-Mogul Corporation 2010 Stock Incentive Plan (as amended). †
*	10.4	Federal-Mogul Motorparts Management Incentive Plan for Fiscal Year 2016 Under the Federal-Mogul Corporation 2010 Stock Incentive Plan. †
*	10.5	Letter Agreement, dated January 28, 2016, between Jerome Rouquet and Federal-Mogul Motorparts Corporation. †
*	31.1	Certification by Daniel A. Ninivaggi, Co-Chief Executive Officer, Federal-Mogul Holdings Corporation, and Chief Executive Officer, Motorparts, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
*	31.2	Certification by Rainer Jueckstock, Co-Chief Executive Officer, Federal-Mogul Holdings Corporation, and Chief Executive Officer, Powertrain, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
*	31.3	Certification by Jérôme Rouquet, Chief Financial Officer, Federal-Mogul Holdings Corporation, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
*	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) of the Securities Exchange Act of 1934.
*	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.

SIGNATURES

Pursuant to the requirements 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/ Jérôme Rouquet

Jérôme Rouquet
Senior Vice President and Chief Financial Officer
Principal Financial Officer

By: /s/ John S. Patouhas

John S. Patouhas
Vice President, Controller, and Chief Accounting Officer
Principal Accounting Officer

Dated: April 27, 2016

Exhibit 10.2

FEDERAL-MOGUL CORPORATION
2010 STOCK INCENTIVE PLAN
PERFORMANCE AWARD AGREEMENT – MOTORPARTS SEGMENT

THIS PERFORMANCE AWARD AGREEMENT (the "Agreement") is made by and between Federal-Mogul Corporation (Motorparts segment), a Delaware corporation (the "Company"), and [Name], an officer or employee of the Company or a subsidiary of the Company (the "Participant") effective as of January 1, 2016.

In consideration of the mutual covenants herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the Company and the Participant hereby agree as follows:

1. GRANT. The Company hereby grants to the Participant identified above a "Performance Award" (sometimes referred to herein as the "Award") (calculated in the manner set forth herein and the Plan) subject to the terms and conditions set forth herein and the Federal-Mogul Corporation 2010 Incentive Plan (as may be amended from time to time) (the "Plan"). It is intended that the Award granted hereunder shall be deemed to be a "performance unit" under the Plan expressed hereunder in the form of Performance-Based Cash Awards within the meaning of Section 10(c) of the Plan. No Performance Award will be paid or payable hereunder unless the Participant earns the Performance Award pursuant to Sections 6 and/or 7 hereof; provided that, if the Participant is a Covered Employee (as defined below), any payment to Participant in respect of the Performance Award shall be contingent on certification by the Compensation Committee of the Company's Board of Directors (the "Committee") of the achievement of the applicable performance objectives. A copy of the Plan is attached as an exhibit hereto and the terms and conditions thereof are incorporated herein by this reference and are expressly made part of this Agreement. All terms used herein and defined in the Plan shall, unless otherwise defined herein, have the same meaning set forth in the Plan. If the Participant is a Covered Employee, and if any compensation to be realized by the Participant pursuant to the Award is intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Code and the regulations thereunder ("Qualified Performance-Based Compensation"), the provisions of this Agreement shall be construed and administered in a manner consistent with this intent. The Award granted hereby is non-transferable except as otherwise permitted under the Plan. As used herein, a "Covered Employee" means a person designated by the Compensation Committee as likely to be a "covered employee" (as such term is defined under Code Section 162(m)) with respect to a given fiscal year of the Company for which or in which the Performance Award is payable. The Participant may be designated as a Covered Employee hereunder even if the Participant is in fact not a "covered employee" for purposes of Code Section 162(m). Notwithstanding the foregoing, if the Participant is designated as a Covered Employee, the Participant will cease being a Covered Employee if, with respect to the applicable taxable year in which compensation is payable by the Company to the Participant in respect of the Performance Award, the Participant is in fact not a "covered employee" for purposes of Code Section 162(m).

2. PERFORMANCE PERIOD. The Performance Period for this Award shall be the three-year period commencing on January 1, 2016 and ending on December 31, 2018.

3. VESTING. The Performance-based portion of the Award shall be earned in accordance with Sections 6 and/or 7 hereof, subject to the Participant's continuous employment throughout the Performance Period. The Service-based portion of the Award shall vest 1/3 after year two of the three-year Performance Period and 2/3 after year 3 of the Performance Period, subject to the Participant's continued employment with the Company through the applicable payment date.

4. PERFORMANCE MEASURE. The performance measure for the Performance Period shall have two elements; the cumulative Operational EBITDA for the Performance Period and Return on Working Assets (ROWA). Operational EBITDA is defined as disclosed in the Company's SEC filings.

Notwithstanding anything to the contrary in the foregoing, for purposes of calculating Operational EBITDA and ROWA (see below definition), the Committee shall, subject to the terms of the Plan (and solely to the extent consistent with the exemption under Code Section 162(m) for compensation intended to constitute Qualified Performance-Based Compensation), adjust the calculation of Operational EBITDA and ROWA, or their respective targets, based on approved capital expansion plans, acquisitions, changes in foreign currency exchange rates and other changes in Company business for events or actions during the course of the Performance Period that vary from business plan assumptions or that are extraordinary and/or non-recurring (including but not limited to goodwill impairments or legacy costs). For purposes of clarification, the Operational EBITDA performance target set forth in Section 6 is based on the Company's current business plan.

ROWA is expressed as a percentage. It is equal to fiscal year Earnings Before Interest, taxes and Intangible Amortization (EBITA) divided by monthly average Working Assets. Working Assets equal accounts receivable plus inventory, less accounts payable, plus PP&E (plant, property and equipment), capitalized software, plus investment in non-consolidated joint ventures. The ROWA calculation will assume factoring levels remain constant with levels as at December 31, 2015.

5. SERVICE UNIT MEASURE. The service unit measure for the Performance Period shall be based upon the Participant remaining 'in good standing' for the Performance Period and will be further qualified pursuant to Sections 7, 8, 9, 10 and 11 below. This Section 5 shall not apply to the Participant if he or she is a Covered Employee.

6. PERFORMANCE GOAL.

2016 Operational EBITDA: $280 Million
2017 Operational EBITDA: $315 Million
2018 Operational EBITDA: $365 Million
Cumulative Operational EBITDA of $960 Million

RETURN ON WORKING ASSETS:

2016 9.5% Target
2017 10.7% Target
2018 12.6% Target

7. PERFORMANCE AWARD.

a. Participant's Target Long-term Incentive Award shall be a combination of a Performance-based target award and a Service-based target award (except that, if the Participant is a Covered Employee, his or her Target Long-term Incentive Award shall be solely a Performance-based target award). For the 2016-2018 performance cycle the total target award for both elements shall be a total target of ____________ allocated as follows:

i. Participant's Performance-based Long-term Incentive Award portion of the Long-term Incentive Award will equate to 75% of the total target (7a); provided, however, that, if the Participant is a Covered Employee, such portion shall instead be 100% of the total target (7a) and clause (ii) below shall not apply. The Performance-based Long-term Incentive will be determined based on the two performance metrics described in section 4 of the Agreement. Actual award will be the Target Long-term Incentive Award multiplied by the percent of the Long-term Incentive Award Earned as determined in accordance with the Appendix.

ii. Participants Service Unit Award portion of the Long-term Incentive Award will equate to 25% of the participants total Long-term Incentive target (7a). The Service Unit portion of the Long-term Incentive Award shall be payable as follows: 1/3 in year two and 2/3 in year three of the performance cycle, subject to the Participant's continued employment with the Company through the applicable payment date.

8. TIMING AND FORM OF PAYOUT. Except as hereinafter provided, after the end of the Performance Period, the Participant shall be entitled to receive a payment (if any) equal to the value of the Award in a lump sum in cash subject to the terms and conditions herein. Payment of such amount shall be made as soon as administratively practicable after the later of (i) the filing of the Company's 2018 Annual Report on Form 10-K (or any successor filing) and (ii) the "Operational EBIDTA" and "ROWA" results are calculated and certified by the Committee following the end of the Performance Period, but in no event later than April 30, 2019. If the Participant is a Covered Employee, then any payment to Participant under this Section 8 that is intended to constitute Qualified Performance-Based Compensation shall be conditioned upon the written certification of the Committee that the applicable performance objectives and any other material conditions applicable to such award have been achieved, and any such certification by the Committee shall be set forth in its minutes. All Award payments shall be reduced by amounts required to be withheld for taxes at the time payments are made.

9. SEPARATION FROM SERVICE FOR ANY REASON. Performance Awards are not considered earned until they are approved by the Committee and are actually paid by the Company. Except as may be provided in Section 10 or Section 11, the Participant must be an employee of the Company and/or an Affiliate continuously from the date of this Award until the Performance Award is paid. Consequently, a Participant whose employment with the Company is voluntarily or involuntarily terminated prior to the Performance Award payment date will be ineligible for payment of the Performance Award, except as otherwise may be provided by the Committee pursuant to Section 10 or Section 11, in which case any such Performance Award to the terminated employee shall be paid at the time Performance Awards are paid to active employees pursuant to Section 8 above or pursuant to Section 11.

10. DEATH, DISABILITY, OR SEPARATION FROM SERVICE DUE TO (i) TERMINATION BY THE COMPANY OTHER THAN FOR A BREACH OF CONDUCT, OR (ii) TERMINATION BY THE COMPANY DUE TO PARTICIPANT'S DISABILITY. In the event of the Participant's death, or separation from service due to (i) termination by the Company for any reason other than for a Breach of Conduct, or (ii) termination by the Company due to the Participant's Disability, each, a "Qualifying Event", in each case on or after January 1, 2016 and prior to the end of the Performance Period, the Committee may, in its sole and absolute discretion, take action to cause the Participant (or in the case of the Participant's death, the Participant's beneficiary) to be entitled to receive an Award payout equal to the Performance Award (calculated in accordance with Section 8) as if he or she had remained employed until the last day of the Performance Period based on actual results, multiplied by a fraction, the numerator of which shall be the number of full calendar months during the period of January 1, 2016 through the date the Participant's employment terminated due to a Qualifying Event and the denominator of which shall be thirty-six (36), the total number of months in the Performance Period. The payment of any such amount shall be made according to same terms set forth in Section 8 above. As used herein, "Disability" shall have the meaning ascribed to such term in the Plan and must also constitute a "disability" pursuant to Section 409A(a)(2)(C) of the Code.

11. PAYMENT UPON A CHANGE IN CONTROL. Notwithstanding anything to the contrary in the Plan or this Agreement, upon the occurrence of both a Change in Control during the Performance Period, and a separation from service due to termination by the Company other than for a breach of conduct as defined in Section 2(d) of the Plan, the participant will be entitled to receive an Award payout equal to the Performance Award (calculated in accordance with Section 8) as if he or she had remained employed until the last day of the Performance Period based on actual results, multiplied by a fraction, the numerator of which shall be the number of full calendar months during the period of January 1, 2016 through the date

the Participant's employment terminated due to a Qualifying Event and the denominator of which shall be thirty-six (36), the total number of months in the Performance Period. The payment of any such amount shall be made according to same terms set forth in Section 8 above.

12. NO LIMITATION ON RIGHTS OF THE COMPANY. The grant of this Award shall not in any way affect the right or power of the Company to make adjustments, reclassification, or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

13. CANCELLATION, RESCISSION, AND CLAWBACK OF AWARDS. In the event of a restatement of the Company's consolidated financial statements that would reduce the amount of any previously awarded Performance Award, the related outstanding awards will be cancelled or reduced accordingly. For Performance Awards that have been paid, the Participant shall pay over to the Company an amount equal to any gain realized as a result of the exercise, distribution or settlement (whether at the time of exercise, distribution or settlement or thereafter) within (a) the twenty-four (24) months preceding such financial restatement for the Chief Executive Officer, the Chief Financial Officer, and the Chief Accounting Officer of the Company or (b) the twelve (12) months preceding such financial restatement for all other Participants.

Additionally, the Committee may at any time, in its sole and absolute discretion, cancel, declare forfeited, rescind, or require the return of any outstanding Award (or a portion thereof) upon the Committee determining that, at any time (whether before or after the grant date of the Award), an event or condition has occurred that would have given the Company the right to terminate the Participant for a Breach of Conduct. In addition, at any time following the payment of an Award, the Committee may, in its sole and absolute discretion, rescind any such payment and require the repayment of an Award (or a portion thereof) upon the Committee determining that, at any time (whether before or after the payment of the Award), an event or condition has occurred that would have given the Company the right to terminate the Participant for a Breach of Conduct.

The Committee's determination that an event or condition has occurred that would have given the Company the right to terminate the Participant for a Breach of Conduct, and its decision to require rescission of an Award's payment, shall be conclusive, binding, and final on all parties. The Committee's determination that a Participant has violated the terms of the Plan or the Award and the Committee's decision to cancel, declare forfeited, or rescind an Award or to require rescission of an Award's payment shall be conclusive, binding, and final on all parties.

In connection with any cancellation, forfeiture or rescission contemplated by this Section 13 or the Plan, the terms of repayment by the Participant shall be determined in the Committee's sole and absolute discretion, which may include, among other terms, the repayment being required to be made (i) in one or more installments or payroll deductions or deducted from future bonus payments or (ii) immediately in a lump sum in the event that such Participant incurs a termination of employment.

To the extent not prohibited under applicable law, the Company, in its sole and absolute discretion, will have the right to set off (or cause to be set off) any amounts otherwise due to a Participant from the Company in satisfaction of any repayment obligation of such Participant hereunder, provided that an such amounts are exempt from, or set off in a manner intended to comply with the requirements of, Section 409A of the Code.

14. NOTICE. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered by electronic mail or personally, or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered (if sent by electronic mail or personal delivery) or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to the Chief Financial Officer and, in the case of the Participant, to his or her address set

forth on the signature page hereto or, in each case, to such other address as may be designated in a notice given in accordance with this Section 14. Electronic mail notices to Participant shall be sent to his or her e-mail address on file with the Company, and electronic mail notices to the Company shall be sent to the Company's Human Resources Department.

15. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the conflicts of laws principles thereof.

16. PARTICIPANT ACKNOWLEDGMENT. The Participant hereby acknowledges receipt of a copy of the Plan, has read and understands the Plan, and agrees to be bound by all terms and provisions contained therein.

17. DEFINITIONS. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Plan.

18. UNFUNDED STATUS. The Performance Award constitutes an unfunded and unsecured promise of the Company to deliver (or cause to be delivered) to the Participant, subject to the terms and conditions of this Agreement and the Plan, payment in respect of the Award as provided herein. By accepting this Performance Award, the Participant understands that this grant does not confer any legal or equitable right (other than those constituting the Performance Award) against the Company or any of its affiliates, directly or indirectly, or give rise to any cause of action at law or in equity against the Company or any of its affiliates. The rights of the Participant (or any person claiming through the Participant) under this Agreement shall be solely those of an unsecured general creditor of the Company.

19. NO RIGHT TO CONTINUED EMPLOYMENT. Nothing in this Agreement shall be interpreted or construed to confer upon the Participant any right with respect to continuance of employment by the Company or one of its subsidiaries, nor shall this Agreement interfere in any way with the right of the Company or one of its subsidiaries to terminate the Participant's employment therewith at any time. In addition, the Performance Award is provided solely as an incentive and shall not constitute part of the Participant's employment compensation package. The Performance Award shall not be considered part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, long-service awards, pension, or retirement benefits or similar payments.

20. TAX WITHHOLDING. The Participant shall be liable for any and all federal, state, provincial, local or foreign taxes, pension plan contributions, employment insurance premiums, social insurance contributions, amounts payable to a governmental and/or regulatory body in the Participant's country and other levies of any kind required by applicable laws to be deducted or withheld with respect to the Performance Award (collectively, the "Withholding Taxes"). The Company and its subsidiaries shall have the right to deduct and withhold all required Withholding Taxes from any payment or other consideration deliverable hereunder to the Participant.

21. PLAN DOCUMENT CONTROLS. The rights herein granted are in all respects subject to the provisions set forth in the Plan to the same extent and with the same effect as if set forth fully herein. In the event that the terms of this Agreement conflict with the terms of the Plan document, the Plan document shall control.

22. COMPLIANCE WITH SECTION 409A. The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted in accordance with such intent. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Participant by Code Section 409A (or analogous state laws) or any damages for failing to comply with Code Section 409A (or analogous state laws).

If the Participant is a “specified employee” (as such term is defined for purposes of Code Section 409A) at the time of his or her termination of employment, no amount that is subject to Code Section 409A and that becomes payable by reason of such termination of employment shall be paid to the Participant before the earlier of (i) the date immediately following the expiration of the six-month period measured from the date of the Participant’s termination of employment, and (ii) the date of the Participant’s death. A termination of employment shall be deemed to occur only if it is a “separation from service” as defined in the Plan, and references in this Agreement to “termination,” “termination of employment,” or like terms shall mean a separation from service.

23. DATA PROTECTION. By executing this Agreement, the Participant consents to the holding and processing of personal information provided by the Participant to the Company, any affiliate of the Company, trustee or third party service provider, for all purposes relating to the performance of this Agreement. These include, but are not limited to: (i) administering and maintaining Participant records; (ii) providing information to the Company, its affiliates, trustees of any employee benefit trust, registrars, brokers or third party administrators; (iii) providing information to future purchasers or merger partners of the Company or any of its affiliates, or the business in which the Participant works; and (iv) to the extent not prohibited by applicable law, transferring information about the Participant to any country or territory that may not provide the same protection for the information as the Participant’s home country.

24. CONFIDENTIALITY. By executing this Agreement, the Participant agrees and acknowledges that at all times, and notwithstanding any payment or forfeiture of this Award, he or she will hold in strict confidence and will not disclose the terms of this Performance Award and/or the Plan to any third party, except to Participant’s spouse or significant other, legal counsel, financial or tax advisor, or as otherwise required by law. In the event Participant discloses such information to one or more of the foregoing individuals, such individual(s) shall also be bound by the confidentiality obligations set forth herein.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer and said Participant has hereunto signed this Agreement on his or her own behalf, as of the day and year first above written.

Participant

____

Name:

Federal-Mogul Corporation

By: ___________________________

Name: Anthony F. Papa

Title: SVP Global Human Resources

Exhibit 10.3

Federal-Mogul Powertrain Management Incentive Plan for Fiscal Year 2016 Under the Federal-Mogul Corporation 2010 Stock Incentive Plan (as amended)

I. PURPOSE

The Federal-Mogul Powertrain Management Incentive Plan (the “Plan”) has been established for Fiscal Year 2016 under the Federal-Mogul Corporation 2010 Stock Incentive Plan, as amended (the “2010 Incentive Plan”) for those Participants defined under Section III below. It is intended that each Financial Award or Bonus awarded under this Plan shall be deemed to be a “performance unit” under the 2010 Incentive Plan that is expressed in the form of Performance-Based Cash Awards within the meaning of Section 10(c) of the 2010 Incentive Plan.

This Plan authorizes the granting to Participants of Financial Awards or Bonuses that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code (“Qualified Performance-Based Compensation”) and Financial Awards or Bonuses that are not intended to qualify as Qualified Performance-Based Compensation. Those Participants who are Covered Employees shall be awarded Qualified Performance-Based Compensation under this Plan. Financial Awards or Bonuses granted hereunder that are intended to constitute Qualified Performance-Based Compensation shall be subject to the individual limitations set forth in Section 4(b) of the 2010 Incentive Plan.

The purpose of this Plan is to provide additional compensation (otherwise referred to as “Bonus” or “Financial Award”) to Participants for their contribution to the achievement of the objectives of the Company, encouraging and stimulating superior performance by such individuals, and assisting in attracting and retaining highly qualified key employees.

II. DEFINITIONS

A. Base Salary equals the base annual salary for each Participant, effective as of January 1, 2016. If a Participant’s Base Salary changes during the year, the Base Salary used to calculate the Bonus under this Plan will be prorated for the portion of the year each Base Salary was in effect based on a 12-month year. For the avoidance of doubt, Base Salary shall be determined before reductions for contributions (if any) under Code Section 401(k), and shall not include, without limitation and to the extent applicable, (i) any Financial Award under the Plan; (ii) variable compensation such as incentive awards, commissions or spot bonuses, if any; (iii) imputed income from such programs as life insurance, auto allowance, or non-recurring earnings such as moving or relocation expenses, allowances or perquisites, or reimbursed business expenses; (iv) long-term incentive compensation (including stock or stock-equivalent awards, if any); or (v) overtime, unless required to be included in Base Salary for purposes of the Plan in accordance with applicable law.

a. Chief Executive Officer means the Chief Executive Officer of Federal-Mogul, Powertrain.

b. Chief Financial Officer means the Chief Financial Officer of Federal-Mogul, Powertrain or Senior Vice President, Finance, Federal-Mogul, Powertrain.

c. Senior Vice President, Human Resources means the Senior Vice President of Human Resources, Federal-Mogul, Powertrain.

d. Code means the Internal Revenue Code of 1986, as amended.

e. Company means Federal-Mogul Corporation (Powertrain segment) and its subsidiaries and its successors and assigns.

f. Compensation Committee means the Compensation Committee of the Board of Directors of the Company.

g. Covered Employee means a person designated by the Compensation Committee as likely to be a "covered employee" (as such term is defined under Code Section 162(m)) with respect to a given fiscal year of the Company for which or in which a Financial Award or Bonus is payable. An employee of the Company may be designated as a Covered Employee hereunder even if the employee is in fact not a "covered employee" for purposes of Code Section 162(m).

h. Financial Awards or Bonus mean the awards that Participants may earn pursuant to the Plan.

i. Fiscal Year means the Company's Fiscal Year beginning January 1, 2016 and ending December 31, 2016.

j. Plan means the Federal-Mogul Powertrain Management Incentive Plan, as from time to time amended.

III. EMPLOYEES COVERED BY THIS PLAN

Participating employees of the Company selected to participate in the Plan shall be subject to the review and approval by the Compensation Committee (each a "Participant"). If a Participant vacates a listed position, the employee selected as the replacement would be eligible to participate in the Plan pro-rata for the months in the position, subject to approval by the Chief Executive Officer (except that, in the case of Participants who are executive officers, subject to the approval by the Compensation Committee in its sole and absolute discretion). Notwithstanding the foregoing, no Participant shall be eligible to participate in the Plan unless he or she has returned to the Company an executed Integrity Policy Agreement and Confidentiality Agreement, and acknowledged his or her understanding and acceptance of the Company's policies consistent with the Company practices and procedures.

In order to be eligible to receive a payout under the Plan, on the actual bonus payout date, a Participant must be actively employed, in good standing and not on a performance improvement plan or in corrective action status as a result of poor performance during the Fiscal Year.

IV. FINANCIAL AWARD

Computation of a Participant's Financial Award is described in Appendix A.

A Participant in the Plan shall be entitled to a Financial Award computed as the product of:

Participant's Base Salary	**X**	**Target Bonus Percentage**	**X**	**Financial Performance as a % of Target**	**X**	**Individual Performance Rating (on a 50% - 150% scale)**	**=**	**Participant's Financial Award ("Bonus")**

provided, however, that with respect to any Participant covered by Section VII, the Individual Performance Rating component shall not apply for purposes of the above calculation.

A. "Participant's Base Salary" shall be the Base Salary (as defined in Section II) of a Participant.

B. "Target Bonus Percentage" that is selected for each Participant shall be subject to the review and approval by the Compensation Committee.

C. "Financial and Operational Performance as a % of Performance Target" shall be determined in the manner set forth in Exhibit A based on the attainment of both the financial and operational targets for the Fiscal Year. The financial and operational targets shall be the attainment by the Company and business units in the Fiscal Year of a.) Net Sales; b.) an Adjusted EBITDA target; c.) the Operating Cash Flow target; d.) operational targets tied to safety, delivery performance and customer satisfaction (quality).

V. FINANCIAL AND OPERATIONAL PERFORMANCE TARGETS AND PAYOUT RANGES

The financial performance target and payout ranges used under this Plan in the Fiscal Year have been approved by the Compensation Committee based on the annual business plan and are set forth in Exhibit A. The payout percentage for the performance target will be based on the level of attainment as set forth in Exhibit A. For purposes of the Plan (including, without limitation, Exhibit A), "Net Sales: shall mean third party sales minus returns, discounts and allowances,

"Adjusted EBITDA" as disclosed in the Company public filings.

"Powertrain Operating Cash Flow" is defined as total cash flow minus cash flow for taxes, interest, pension and factoring charges.

"Product Line Contribution to Operating Cash Flow" shall mean EBITDA of Powertrain minus Capex booked minus Restructuring Charge plus or minus Change in Capex Creditor plus or minus Change in Restructuring Provision plus or minus Change in Net Inventories.

To the extent consistent with the "qualified performance-based compensation" exception under Section 162(m) of the Code (and the applicable regulations promulgated thereunder) and Section 2(r) of the 2010 Incentive Plan, with respect to any Financial Award or Bonus intended to constitute Qualified Performance-Based Compensation, the Compensation Committee will adjust the financial and operating performance goals in recognition of unusual or nonrecurring events affecting the Company or any of its subsidiaries or the financial statements of the Company or any of its subsidiaries in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles. With respect to any Financial Award or Bonus that is not intended to constitute Qualified Performance-Based Compensation, the Compensation Committee may, but shall not be required to, make any such adjustment in its sole and absolute discretion.

VI. COMPUTATION AND DISBURSEMENT OF FUNDS

As soon as practicable after the close of the Fiscal Year and approval of the Company's annual financial statements, the Chief Financial Officer and the Senior Vice President of Human Resources shall calculate the applicable financial and operating performance measures under the Plan. The Senior Vice President of Human Resources shall then calculate the proposed payout under the Plan based upon the proposed achievement of the financial and operating performance measures. The proposed payout shall be verified by the Chief Executive Officer and presented to the Compensation Committee for review and final approval. Once approved, payment of the Financial Awards shall be made within 30 days after completion of the annual audit, but not later than March 15th of the calendar year following the fiscal year for which the award is earned. Any determination by the Compensation Committee made under this paragraph shall be final and binding on all parties.

Each Participant shall be liable for any and all federal, state, provincial, local or foreign taxes, pension plan contributions, employment insurance premiums, social insurance contributions, amounts payable to a governmental and/or regulatory body in the Participant's country and other levies of any kind required by applicable laws to be deducted or withheld with respect to the awards granted pursuant to the Plan (collectively, the "Withholding Taxes"). The Company and its subsidiaries shall have the right to deduct and withhold all required Withholding Taxes from any payment or other consideration deliverable to the Participant.

VII. QUALIFIED PERFORMANCE-BASED AWARDS

Notwithstanding anything in this Plan (including, without limitation, Exhibit A hereto) to the contrary, the following provisions will apply with respect to any Participant who is a Covered Employee and any Financial Award or Bonus received by such Participant that is intended to constitute Qualified Performance-Based Compensation:

A. All decisions and determinations with respect to such Financial Awards or Bonuses will be made by the Compensation Committee members who are "outside directors" within the meaning of Section 162(m) of the Code. The administration of the Plan with respect to such Financial Awards and Bonuses shall be made by such Compensation Committee members.

B. The applicable pre-established objective performance goals (including without limitation the financial and operating performance measures set forth herein) for Participants and Financial Awards/Bonuses subject to this Section VII shall be established by the Compensation Committee no later than the earliest to occur of (i) the ninetieth (90th) day following the beginning of the Fiscal Year, (ii) the date on which 25% of the Fiscal Year has been completed, and (iii) such other date as may be required under applicable regulations under Code Section 162(m). Such applicable pre-established objective performance goals shall be set forth in the minutes of the Compensation Committee.

C. Any Financial Award/Bonus payable to a Participant covered by this Section VII shall be based on applicable pre-established, objective performance goals (including, without limitation, financial and operating performance measures) that satisfy the requirements for "qualified performance-based compensation" under Code Section 162(m), including the requirement that the achievement of such performance goals be substantially uncertain at the time they are established and that the applicable performance goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the applicable performance measures have been met.

D. Payment of any Financial Award/Bonus under this Plan to any Participant covered by this Section VII is conditioned upon the written certification of the Compensation Committee that the pre-established objective performance goals and any other material conditions applicable to such award were satisfied. Any such certification by the Compensation Committee shall be set forth in its minutes.

E. The Compensation Committee shall have the sole and absolute discretion to decrease, but not increase, the amount of any Financial Award/Bonus otherwise payable to a Participant covered by this Section VII regardless of the degree of attainment of the applicable performance objectives. The Compensation Committee may, in its sole and absolute discretion, use the Participant's Individual Performance Rating or other factors for purposes of decreasing the amount of Financial Award/Bonus otherwise payable to the Participant covered by this Section VII.

VIII. PRORATION OF FINANCIAL AWARDS

Any Participant who is not employed with the Company in a Bonus-eligible position prior to October 1, 2016 shall not be eligible to receive a Financial Award for the Fiscal Year, except as otherwise provided by the Chief Executive Officer or, in the case of the Chief Executive Officer and executives at the level of Vice President or above, by the Compensation Committee. Any Participant who is eligible for a Financial Award but who did not serve in a Bonus-eligible position during the entire 2016 Fiscal Year will be eligible to receive a pro-rated Bonus payment based on the amount of time such eligible Participant was actively and continuously employed in an eligible position during the Fiscal Year.

- *New Hires and Rehires* – The Financial Award will be prorated based upon the number of full months the Participant was employed during the Fiscal Year. For example, a Participant initially hired on July 1st would be eligible for 50% of the annual Financial Award. In the case of rehires, there is no credit for prior service and the rehire date must occur prior to October 1st in order for the Participant to be Bonus-eligible under the Plan for the Fiscal Year.

- *Leaves of Absence* - Time taken during a leave of absence (including disability leave) is not credited toward eligibility for a Financial Award; therefore, awards will be prorated for the length of time on leave of absence. Furthermore, payments of Financial Awards are not considered earned and payable unless and until the Participant returns to work, with the exception of military leave. If the leave of absence lasts nine months or more during the Fiscal Year, the Participant will not have met the three-month eligibility required to earn a Bonus for that Fiscal Year.

- *Promotions and Demotions* – If the action results in a movement from one Bonus-eligible position to another Bonus-eligible position (with either a higher or lower Bonus target) a prorated Financial Award will be calculated. The Financial Award will be calculated separately by factoring the time in each Bonus-eligible position by the corresponding Bonus target and Base Salary during the Participant's tenure in each position. However, if a Participant is both promoted and later demoted during the Fiscal Year, the Participant's entire Bonus eligibility and Bonus target percent will be determined by the lower position.

  - *Status Change*

    - *Change in employment status* – The Financial Award is not payable unless the Participant has occupied a Bonus-eligible position for at least three months during the Fiscal Year on a full-time basis (i.e., 40-hour or more per week), unless specifically approved by the company's CEO, and meets all eligibility criteria during the last full quarter of the Fiscal Year, i.e., from October 1st through December 31st. The Financial Award will be based upon the Base Salary and the annual Bonus target while in the Bonus-eligible position.

- *Bonus-eligible position to a non-Bonus eligible position* – The Financial Award will be prorated based upon the time in a Bonus-eligible position as long as the Participant was in the position for a minimum of three months during the Fiscal Year. A Participant must occupy a Bonus-eligible position prior to October 1st in order to be eligible to receive a Bonus payment for the Fiscal Year. The Financial Award will be based upon the Base Salary and the annual Bonus target while in the Bonus-eligible position.

- *Non-Bonus-eligible position to a Bonus-eligible position* – The Financial Award will be prorated based on the time worked, the corresponding Bonus target, and the Base Salary in effect while in the Bonus-eligible position as long as the Participant was in the eligible position for a minimum of three months during the Fiscal Year. A Participant must move into the Bonus-eligible position prior to October 1st in order to be eligible to receive a Bonus payment for the Fiscal Year.

IX. FORFEITURE / RECOUPMENT OF FINANCIAL AWARDS

Financial Awards are not considered earned until they are approved by the Compensation Committee and are actually paid by the Company. Consequently, a Participant whose employment with the Company is voluntarily or involuntarily terminated prior to the actual Financial Award payment date will be ineligible for payment of the Financial Award, except as otherwise provided by the Chief Executive Officer or, in the case of the Chief Executive Officer and executives at the level of Vice President or above, by the Compensation Committee, in its sole and absolute discretion, in which case any such Financial Award to the terminated employee shall be paid at the time Financial Awards are paid to active employees pursuant to Section VIII above.

If the Compensation Committee, in its sole and absolute discretion, determines that (i) there has been misconduct or a gross dereliction of duty resulting in either a violation of law or Company policy or procedures, that, in either case, causes significant financial or reputational harm to the Company (or any of its affiliates), and that a Participant committed the misconduct/ gross dereliction of duty, or failed in his or her responsibility to manage or monitor the applicable conduct or risk; (ii) a conduct of a Participant involves an immoral act which is reasonably likely to impair the reputation of the Company (or any of its affiliates); (iii) a Participant committed, or was indicted for, a felony or any crime involving fraud or embezzlement or dishonesty or was convicted of, or entered a plea of *nolo contendere* to a misdemeanor (other than a traffic violation) punishable by imprisonment under federal, state or local law; (iv) a Participant violated any securities or employment laws or regulations; (v) a Participant materially breached the Integrity Policy Agreement and/or the Confidentiality Agreement; or (vi) a Participant embezzled and/or misappropriated any property of the Company (or any of its affiliates) or committed any act involving fraud with respect to the Company (or any of its affiliates), then, to the extent not prohibited by applicable law, the Compensation Committee, in its sole and absolute discretion, may seek reimbursement from such Participant (and such Participant shall be obligated to repay) all or any portion of any payments made to such Participant in respect of the Financial Award; provided, however, that the Compensation Committee may only seek such reimbursement in respect of payments of the Financial Award made to a Participant within the three-year period preceding the date that the Compensation Committee makes a determination that there has been misconduct or a gross dereliction of duty.

If the Compensation Committee determines, in its sole and absolute discretion, that calculations underlying the performance measures and targets, including but not limited to mistakes in the Company's financial statements for the Fiscal Year, were incorrect, then the Compensation Committee may, in its sole and absolute discretion, seek to recover the amount of any payment made to Participants that exceeded the amount that would have been paid based on the corrected calculations; provided, however, that the Compensation Committee may only seek to recover such amounts within the three-year period preceding the date that the Compensation Committee makes a determination that the calculations were incorrect.

To the extent not prohibited by applicable law, if a Participant is an officer of the Company, or, if applicable, has otherwise been designated by the Board of Directors as an "officer" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, the Board of Directors shall seek reimbursement of any payment made to such Participant in respect of the Financial Award in the event of a restatement of the Company's (or any of its subsidiaries') financial results (occurring due to material noncompliance with any financial reporting requirements under applicable securities laws) that reduced a previously granted payment made to such Participant in respect of the Financial Award. In that event, the Compensation Committee may, in its sole and absolute discretion, seek to recover the amount of any such payment made to the Participant that exceeded the amount that would have been paid based on the restated financial results.

If the Company subsequently determines that it is required by law to apply a "clawback" or alternate recoupment provision to the Financial Award, under the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, then such clawback or recoupment provision also shall apply to such Financial Award, as if it had been included on the effective date of this Plan.

To the extent not prohibited under applicable law, the Company, in its sole and absolute discretion, will have the right to set off (or cause to be set off) any amounts otherwise due to a Participant from the Company in satisfaction of any repayment obligation of such Participant hereunder, provided that any such amounts are exempt from, or set off in a manner intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

For the avoidance of doubt, the Company's rights under this Section IX shall apply to Participants, without regard to whether any such Participant is currently providing, or previously provided, services to the Company as an employee.

X. ADMINISTRATION

This Plan shall be administered by the Senior Vice President of Human Resources, subject to the control and supervision of the Chief Executive Officer and the Compensation Committee. In the event of a claim or dispute brought forth by a Participant (other than the Chief Executive Officer), the decision of the Chief Executive Officer as to the facts in the case and the meaning and intent of any provision of the Plan, or its application, shall be final, binding, and conclusive. In the event of a claim or dispute brought forth by the Chief Executive Officer, the decision of the Compensation Committee as to the facts in the case and the meaning and intent of any provision of the Plan, or its application, shall be final, binding, and conclusive.

XI. NO EMPLOYMENT CONTRACT; FUTURE PLANS

Participation in this Plan shall not confer upon any Participant any right to continue in the employ of the Company nor interfere in any way with the right of the Company to terminate any Participant’s employment at any time. The Company is under no obligation to continue the Plan in future years. Participation in this Plan shall also supersede and eliminate any incentive bonus plan or other contractual bonus arrangement (including, without limitation, any sales commission, safety incentive, personal incentives and project incentives) that the Participant has or may have had by contract or otherwise, except as may be expressly provided in the acceptance document that such Participant executes.

XII. AMENDMENT OR TERMINATION

The Compensation Committee may at any time, or from time to time, in its sole and absolute discretion, (a) amend, alter or modify the provisions of this Plan, (b) terminate this Plan, or (c) terminate the participation of an employee or group of employees in this Plan; provided, however, that in the event of the termination of this Plan or a termination of participation, the Compensation Committee in its sole and absolute discretion, may determine that a prorated award is payable to employees who were Participants in this Plan under such terms and conditions as established by the Compensation Committee in its sole and absolute discretion.

XIII. GENERAL PROVISIONS

A. No rights of the Participants under this Plan shall be transferable or assignable by a Participant, either voluntarily or involuntarily by way of encumbrance, pledge, attachment, levy or charge of any nature (except as may be required by state or federal law).

B. Nothing in the Plan shall require the Company to segregate or set aside any funds or other property for the purpose of paying any portion of an award. No Participant, beneficiary or other person shall have any right, title or interest in any amount awarded under the Plan prior to the payment of such award to him or her. A Participant's rights to a Financial Award under this Plan are no greater than those of unsecured general creditors of the Company.

C. By participating in the Plan, each Participant hereunder shall consent to the holding and processing of personal information provided by such Participant to the Company, any affiliate of the Company, trustee or third party service provider, for all purposes relating to the operation of the Plan. These include, but are not limited to: (i) administering and maintaining Participant records; (ii) providing information to the Company, its affiliates, trustees of any employee benefit trust, registrars, brokers or third party administrators of the Plan; (iii) providing information to future purchasers or merger partners of the Company or any of its affiliates, or the business in which the Participant works; and (iv) to the extent not prohibited by applicable law, transferring information about the Participant to any country or territory that may not provide the same protection for the information as the Participant's home country.

D. This Plan is governed by the laws of the State of New York and as such will be construed under and in accordance with the laws of the State of New York without regard to conflicts of law.

February 29, 2016

Chief Executive Officer Date

Exhibit 10.4

FEDERAL-MOGUL MOTORPARTS
Management Incentive Plan for Fiscal Year 2016
Under the Federal-Mogul Corporation 2010 Stock Incentive Plan (as amended)

I. PURPOSE

The Federal-Mogul Motorparts Management Incentive Plan (the "Plan") has been established for Fiscal Year 2016 under the Federal-Mogul Corporation 2010 Stock Incentive Plan, as amended (the "2010 Incentive Plan") for those Participants defined under Section III below. It is intended that each Financial Award or Bonus awarded under this Plan shall be deemed to be a "performance unit" under the 2010 Incentive Plan that is expressed in the form of Performance-Based Cash Awards within the meaning of Section 10(c) of the 2010 Incentive Plan.

This Plan authorizes the granting to Participants of Financial Awards or Bonuses that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code ("Qualified Performance-Based Compensation") and Financial Awards or Bonuses that are not intended to qualify as Qualified Performance-Based Compensation. Those Participants who are Covered Employees shall be awarded Qualified Performance-Based Compensation under this Plan. Financial Awards or Bonuses granted hereunder that are intended to constitute Qualified Performance-Based Compensation shall be subject to the individual limitations set forth in Section 4(b) of the 2010 Incentive Plan.

The purpose of this Plan is to provide additional compensation (otherwise referred to as "Bonus" or "Financial Award") to Participants for their contribution to the achievement of the objectives of the Company, encouraging and stimulating superior performance by such individuals, and assisting in attracting and retaining highly qualified key employees.

II. DEFINITIONS

A. Base Salary equals the base annual salary for each Participant, effective as of January 1, 2016. If a Participant's Base Salary changes during the year, the Base Salary used to calculate the Bonus under this Plan will be prorated for the portion of the year each Base Salary was in effect based on a 12-month year. For the avoidance of doubt, Base Salary shall be determined before reductions for contributions (if any) under Code Section 401(k), and shall not include, without limitation and to the extent applicable, (i) any Financial Award under the Plan; (ii) variable compensation such as incentive awards, commissions or spot bonuses, if any; (iii) imputed income from such programs as life insurance, auto allowance, or non-recurring earnings such as moving or relocation expenses, allowances or perquisites, or reimbursed business expenses; (iv) long-term incentive compensation (including stock or stock-equivalent awards, if any); or (v) overtime, unless required to be included in Base Salary for purposes of the Plan in accordance with applicable law.

B. Chief Executive Officer means the Chief Executive Officer of Federal-Mogul Motorparts.

C. Chief Financial Officer means the Chief Financial Officer of Federal-Mogul Motorparts.

D. Senior Vice President, Human Resources means the Senior Vice President of Human Resources of Federal-Mogul Motorparts.

E. Code means the Internal Revenue Code of 1986, as amended.

F. Company means Federal-Mogul Corporation (Motorparts segment) and its subsidiaries and its successors and assigns.

G. Compensation Committee means the Compensation Committee of the Board of Directors of the Company.

H. Covered Employee means a person designated by the Compensation Committee as likely to be a "covered employee" (as such term is defined under Code Section 162(m)) with respect to a given fiscal year of the Company for which or in which a Financial Award or Bonus is payable. An employee of the Company may be designated as a Covered Employee hereunder even if the employee is in fact not a "covered employee" for purposes of Code Section 162(m). Notwithstanding the foregoing, if a Participant is designated as a Covered Employee, such Participant will cease being a Covered Employee if, with respect to the applicable taxable year in which compensation is payable by the Company to the Participant in respect of the Financial Award or Bonus, the Participant is in fact not a "covered employee" for purposes of Code Section 162(m).

I. Financial Awards or Bonus mean the awards that Participants may earn pursuant to the Plan.

J. Fiscal Year means the Company's Fiscal Year beginning January 1, 2016 and ending December 31, 2016.

K. Plan means the Federal-Mogul Motorparts Management Incentive Plan, as from time to time amended.

III. EMPLOYEES COVERED BY THIS PLAN

Participating employees of the Company selected to participate in the Plan shall be subject to the review and approval by the Compensation Committee (each a "Participant"). If a Participant vacates a listed position, the employee selected as the replacement would be eligible to participate in the Plan pro-rata for the months in the position, subject to approval by the Chief Executive Officer (except that, in the case of Participants who are executive officers, subject to the approval by the Compensation Committee in its sole and absolute discretion). Notwithstanding the foregoing, no Participant shall be eligible to participate in the Plan unless he or she has returned to the Company an executed Integrity Policy Certification Agreement and Confidentiality Agreement and acknowledged his or her understanding and acceptance of the Company's policies consistent with the Company practices and procedures.

In order to be eligible to receive a payout under the Plan, on the actual bonus payout date, a Participant must be actively employed in good standing and not on a performance improvement plan or in corrective action status as a result of poor performance during the Fiscal Year.

IV. FINANCIAL AWARD

A Participant in the Plan shall be entitled to a Financial Award computed as the product of:

Participant's Base Salary	**X**	**Target Bonus Percentage**	**X**	**Financial Performance as a % of Target**	**X**	**Individual Performance Rating (on a 50% - 150% scale)**	**=**	**Participant's Financial Award ("Bonus")**

provided, however, that with respect to any Participant covered by Section VIII, the Individual Performance Rating component shall not apply for purposes of the above calculation.

A. "Participant's Base Salary" shall be the Base Salary (as defined in Section II) of a Participant.

B. "Target Bonus Percentage" that is selected for each Participant shall be subject to the review and approval by the Compensation Committee.

C. "Individual Performance Rating" shall be based on an individual performance evaluation as determined in accordance with Section VI below.

D. "Financial Performance as a % of Target" shall be determined in the manner set forth in Exhibit A based on the attainment of the financial, operational and strategic initiative targets for the Fiscal Year. The financial and operational targets shall be the attainment by the Company and business units in the Fiscal Year of: Operational EBITDA target; Operational Cash Flow target; Operational targets tied to safety, customer satisfaction and delivery; strategic initiatives; Business Unit ("BU") financial performance; as well as Commercial/SCM metrics. Notwithstanding the foregoing, with respect to any Participant covered by Section VIII, the "Financial Performance as a % of Target" shall be determined in the manner set forth in Exhibit A based on the attainment of the financial and operational targets for the Fiscal Year; and such financial and operational targets shall be the attainment by the Company and business units in the Fiscal Year of: Operational EBITDA target; Operational Cash Flow target; Operational targets tied to safety, customer satisfaction and delivery; as well as Business Unit ("BU") financial performance.

It is intended that increases and decreases in Financial Awards that result from the application of Individual Performance Rating shall not result in an increase in the aggregate Plan payout that would otherwise apply based on the Financial Performance as a % of Target (as set forth on the attached Exhibit A) and Individual Performance Rating at the 100% level (such aggregate Plan payout being referred to as the "Maximum Bonus Pool"), and in the event that the Financial Awards otherwise calculated in accordance with this Section IV would exceed the Maximum Bonus Pool, each of the Financial Awards calculated on that basis shall be reduced pro rata in order that the aggregate Financial Awards shall not exceed the Maximum Bonus Pool.

V. FINANCIAL, OPERATIONAL AND STRATEGIC INTITIATIVE PERFORMANCE TARGETS AND PAYOUT RANGES

The financial performance target and payout ranges used under this Plan in the Fiscal Year have been approved by the Compensation Committee based on the annual business plan and are set forth in Exhibit A. The payout percentage for the performance target will be based on the level of attainment as set forth in Exhibit A. For purposes of the Plan (including, without limitation, Exhibit A), "Operational EBITDA" shall mean the amount as disclosed in the Company public filings, consistent with past practice. For 2016 Motorparts Operational EBITDA Target is set at $280 Million.

Motorparts Operating Cash flow is defined as total cash flow minus cash flow for taxes, interest, pension and factoring charges. For 2016 Motorparts Operating Cash Flow budget is $125M.

BU Value Cash Flow shall mean BU Operational EBITDA minus Capex booked minus Restructuring Charge plus or minus Change in Capex Creditor plus or minus Change in Restructuring Provision.

To the extent consistent with the "qualified performance-based compensation" exception under Section 162(m) of the Code (and the applicable regulations promulgated thereunder) and Section 2(r) of the 2010 Incentive Plan, with respect to any Financial Award or Bonus intended to constitute Qualified Performance-Based Compensation, the Compensation Committee will adjust the financial and operating performance goals in recognition of unusual or nonrecurring events affecting the Company or any of its subsidiaries or the financial statements of the Company or any of its subsidiaries in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles. With respect to any Financial Award or Bonus that is not intended to constitute Qualified Performance-Based Compensation, the Compensation Committee may, but shall not be required to, make any such adjustment in its sole and absolute discretion.

VI. INDIVIDUAL PERFORMANCE RATING

A Participant's personal goals shall be developed by the Participant's supervisor for the Fiscal Year. The personal goals of the executive officers will be subject to review and approval by the Chief Executive Officer. The personal goals of the Chief Executive Officer will be subject to the review and approval by the Compensation Committee or the Board of Directors. Attainment of such goals and other performance criteria, both quantifiable and non-quantifiable, may be used to arrive at an overall individual performance rating from 50% to 150%. Such criteria shall be applied consistently to Participants with similar duties pursuant to an evaluation process to be reviewed and approved by the Senior Vice President of Human Resources. Criteria that may be weighed in arriving at an individual performance rating will be based on such personal goals and may include, without limitation:

- Achievement of performance targets established in Company's annual budget
- Development of staff

- Successful development of new accounts/products
- Improvement in product programs
- Attainment of self-development objectives
- Control or reduction of operating expenses by business unit
- Safety record of facility or facilities
- Quality program achievement
- Business process improvements

The supervisor will assign a personal performance rating, from 50% to 150%, reflecting the Participant's performance during the Fiscal Year. The Chief Executive Officer reserves the right, in his sole discretion, to accept the personal performance percentage recommendation for each Participant or to modify any personal performance percentage for any Participant to achieve such dispersion of performance ratings as the Chief Executive Officer deems appropriate; provided, however, that the personal performance percentage recommendation of the Chief Executive Officer and other executive officers shall be subject to the review and approval by the Compensation Committee in its sole and absolute discretion.

VII. COMPUTATION AND DISBURSEMENT OF FUNDS

As soon as practicable after the close of the Fiscal Year and approval of the Company's annual financial statements, the Chief Financial Officer shall calculate the applicable financial and operating performance measures under the Plan. The Chief Financial Officer and the Senior Vice President of Human Resources shall then calculate the proposed payout under the Plan based upon the proposed achievement of the financial and operating performance measures and the achievement of the Participants' Individual Performance Ratings. The proposed payout shall be verified by the Senior Vice President of Human Resources and presented to the Compensation Committee for review and final approval. Once approved, payment of the Financial Awards shall be made within 30 days after completion of the annual audit, but not later than March 15th of the calendar year following the fiscal year for which the award is earned. Any determination by the Compensation Committee made under this paragraph shall be final and binding on all parties.

Each Participant shall be liable for any and all federal, state, provincial, local or foreign taxes, pension plan contributions, employment insurance premiums, social insurance contributions, amounts payable to a governmental and/or regulatory body in the Participant's country and other levies of any kind required by applicable laws to be deducted or withheld with respect to the awards granted pursuant to the Plan (collectively, the "Withholding Taxes"). The Company and its subsidiaries shall have the right to deduct and withhold all required Withholding Taxes from any payment or other consideration deliverable to the Participant.

VIII. QUALIFIED PERFORMANCE-BASED AWARDS

Notwithstanding anything in this Plan (including, without limitation, Exhibit A hereto) to the contrary, the following provisions will apply with respect to any Participant who is a Covered Employee and any Financial Award or Bonus received by such Participant that is intended to constitute Qualified Performance-Based Compensation:

A. All decisions and determinations with respect to such Financial Awards or Bonuses will be made by the Compensation Committee members who are "outside directors" within the meaning of Section 162

(m) of the Code. The administration of the Plan with respect to such Financial Awards and Bonuses shall be made by such Compensation Committee members.

B. The applicable pre-established objective performance goals (including without limitation the financial and operating performance measures set forth herein) for Participants and Financial Awards/Bonuses subject to this Section VIII shall be established by the Compensation Committee no later than the earliest to occur of (i) the ninetieth (90th) day following the beginning of the Fiscal Year, (ii) the date on which 25% of the Fiscal Year has been completed, and (iii) such other date as may be required under applicable regulations under Code Section 162(m). Such applicable pre-established objective performance goals shall be set forth in the minutes of the Compensation Committee.

C. Any Financial Award/Bonus payable to a Participant covered by this Section VIII shall be based on applicable pre-established, objective performance goals (including, without limitation, financial and operating performance measures) that satisfy the requirements for "qualified performance-based compensation" under Code Section 162(m), including the requirement that the achievement of such performance goals be substantially uncertain at the time they are established and that the applicable performance goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the applicable performance measures have been met.

D. Payment of any Financial Award/Bonus under this Plan to any Participant covered by this Section VIII is conditioned upon the written certification of the Compensation Committee that the pre-established objective performance goals and any other material conditions applicable to such award were satisfied. Any such certification by the Compensation Committee shall be set forth in its minutes.

E. The Compensation Committee shall have the sole and absolute discretion to decrease, but not increase, the amount of any Financial Award/Bonus otherwise payable to a Participant covered by this Section VIII regardless of the degree of attainment of the applicable performance objectives. The Compensation Committee may, in its sole and absolute discretion, use the Participant's Individual Performance Rating or other factors for purposes of decreasing the amount of Financial Award/Bonus otherwise payable to the Participant covered by this Section VIII.

IX. PRORATION OF FINANCIAL AWARDS

- Any Participant who is not employed with the Company in a Bonus-eligible position prior to October 1, 2016 shall not be eligible to receive a Financial Award for the Fiscal Year, except as otherwise provided by the Chief Executive Officer or, in the case of the Chief Executive Officer and executives at the level of Vice President or above, by the Compensation Committee. Any Participant who is eligible for a Financial Award but who did not serve in a Bonus-eligible position during the entire 2016 Fiscal Year will be eligible to receive a pro-rated Bonus payment based on the amount of time such eligible Participant was actively and continuously employed in an eligible position during the Fiscal Year. *New Hires and Rehires* – The Financial Award will be prorated based upon the number of full months the Participant was employed during the Fiscal Year. For example, a Participant initially hired on July 1st would be eligible for 50% of the annual Financial Award. In the case of rehires, there is no credit for prior service and the rehire date must occur prior to October 1st in order for the Participant to be Bonus-eligible under the Plan for the Fiscal Year.

- *Leaves of Absence* - Time taken during a leave of absence (including disability leave) is not credited toward eligibility for a Financial Award; therefore, awards will be prorated for the length of time on leave of absence. Furthermore, payments of Financial Awards are not considered earned and payable unless and until the Participant returns to work, with the exception of military leave. If the leave of absence lasts nine months or more during the Fiscal Year, the Participant will not have met the three-month eligibility required to earn a Bonus for that Fiscal Year.

- *Promotions and Demotions* – If the action results in a movement from one Bonus-eligible position to another Bonus-eligible position (with either a higher or lower Bonus target) a prorated Financial Award will be calculated. The Financial Award will be calculated separately by factoring the time in each Bonus-eligible position by the corresponding Bonus target and Base Salary during the Participant's tenure in each position. However, if a Participant is both promoted and later demoted during the Fiscal Year, the Participant's entire Bonus eligibility and Bonus target percent will be determined by the lower grade.

- *Status Change*

  - *Change in employment status* – The Financial Award is not payable unless the Participant has occupied a Bonus-eligible position for at least three months during the Fiscal Year on a full-time basis (i.e., 40-hour or more per week), unless specifically approved by the company's CEO, and meets all eligibility criteria during the last full quarter of the Fiscal Year, i.e., from October 1st through December 31st. The Financial Award will be based upon the Base Salary and the annual Bonus target while in the Bonus-eligible position.

  - *Bonus-eligible position to a non-Bonus eligible position* – The Financial Award will be prorated based upon the time in a Bonus-eligible position as long as the Participant was in the position for a minimum of three months during the Fiscal Year. A Participant must occupy a Bonus-eligible position prior to October 1st in order to be eligible to receive a Bonus payment for the Fiscal Year. The Financial Award will be based upon the Base Salary and the annual Bonus target while in the Bonus-eligible position.

  - *Non-Bonus-eligible position to a Bonus-eligible position* – The Financial Award will be prorated based on the time worked, the corresponding Bonus target, and the Base Salary in effect while in the Bonus-eligible position as long as the Participant was in the eligible position for a minimum of three months during the Fiscal Year. A Participant must move into the Bonus-eligible position prior to October 1st in order to be eligible to receive a Bonus payment for the Fiscal Year.

X. FORFEITURE / RECOUPMENT OF FINANCIAL AWARDS

Financial Awards are not considered earned until they are approved by the Compensation Committee and are actually paid by the Company. Consequently, a Participant whose employment with the Company is voluntarily or involuntarily terminated prior to the actual Financial Award payment date will be ineligible for payment of the Financial Award, except as otherwise provided by the Chief Executive Officer or, in the case of the Chief Executive Officer and executives at the level of Vice President or above, by the Compensation Committee in its sole and absolute discretion, in which case any such Financial Award to the terminated employee shall be paid at the time Financial Awards are paid to active employees pursuant to Section IX above.

If the Compensation Committee, in its sole and absolute discretion, determines that (i) there has been misconduct or a gross dereliction of duty resulting in either a violation of law or Company policy or procedures, that, in either case, causes significant financial or reputational harm to the Company (or any of its affiliates), and that a Participant committed the misconduct/ gross dereliction of duty, or failed in his or her responsibility to manage or monitor the applicable conduct or risk; (ii) a conduct of a Participant involves an immoral act which is reasonably likely to impair the reputation of the Company (or any of its affiliates); (iii) a Participant committed, or was indicted for, a felony or any crime involving fraud or embezzlement or dishonesty or was convicted of, or entered a plea of *nolo contendere* to a misdemeanor (other than a traffic violation) punishable by imprisonment under federal, state or local law; (iv) a Participant violated any securities or employment laws or regulations; (v) a Participant materially breached the Integrity Policy Certification Agreement and Confidentiality Agreement; or (vi) a Participant embezzled and/or misappropriated any property of the Company (or any of its affiliates) or committed any act involving fraud with respect to the Company (or any of its affiliates), then, to the extent not prohibited by applicable law, the Compensation Committee, in its sole and absolute discretion, may seek reimbursement from such Participant (and such Participant shall be obligated to repay) all or any portion of any payments made to such Participant in respect of the Financial Award; provided, however, that the Compensation Committee may only seek such reimbursement in respect of payments of the Financial Award made to a Participant within the three-year period preceding the date that the Compensation Committee makes a determination that there has been misconduct or a gross dereliction of duty.

If the Compensation Committee determines, in its sole and absolute discretion, that calculations underlying the performance measures and targets, including but not limited to mistakes in the Company's financial statements for the Fiscal Year, were incorrect, then the Compensation Committee may, in its sole and absolute discretion, seek to recover the amount of any payment made to Participants that exceeded the amount that would have been paid based on the corrected calculations; provided, however, that the Compensation Committee may only seek to recover such amounts within the three-year period preceding the date that the Compensation Committee makes a determination that the calculations were incorrect.

To the extent not prohibited by applicable law, if a Participant is an officer of the Company, or, if applicable, has otherwise been designated by the Board of Directors as an "officer" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, the Board of Directors shall seek reimbursement of any payment made to such Participant in respect of the Financial Award in the event of a restatement of the Company's (or any of its subsidiaries') financial results (occurring due to material noncompliance with any financial reporting requirements under applicable securities laws) that reduced a previously granted payment made to such Participant in respect of the Financial Award. In that event, the Compensation Committee may, in its sole and absolute discretion, seek to recover the amount of any such payment made to the Participant that exceeded the amount that would have been paid based on the restated financial results.

If the Company subsequently determines that it is required by law to apply a "clawback" or alternate recoupment provision to the Financial Award, under the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, then such clawback or recoupment provision also shall apply to such Financial Award, as if it had been included on the effective date of this Plan.

To the extent not prohibited under applicable law, the Company, in its sole and absolute discretion, will have the right to set off (or cause to be set off) any amounts otherwise due to a Participant from the Company in satisfaction of any repayment obligation of such Participant hereunder, provided that any such amounts are exempt from, or set off in a manner intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

For the avoidance of doubt, the Company's rights under this Section X shall apply to Participants, without regard to whether any such Participant is currently providing, or previously provided, services to the Company as an employee.

XI. ADMINISTRATION

This Plan shall be administered by the Senior Vice President of Human Resources, subject to the control and supervision of the Chief Executive Officer and the Compensation Committee. In the event of a claim or dispute brought forth by a Participant (other than the Chief Executive Officer), the decision of the Chief Executive Officer as to the facts in the case and the meaning and intent of any provision of the Plan, or its application, shall be final, binding, and conclusive. In the event of a claim or dispute brought forth by the Chief Executive Officer, the decision of the Compensation Committee as to the facts in the case and the meaning and intent of any provision of the Plan, or its application, shall be final, binding, and conclusive.

XII. NO EMPLOYMENT CONTRACT; FUTURE PLANS

Participation in this Plan shall not confer upon any Participant any right to continue in the employ of the Company nor interfere in any way with the right of the Company to terminate any Participant's employment at any time. The Company is under no obligation to continue the Plan in future years. Participation in this Plan shall also supersede and eliminate any incentive bonus plan or other contractual bonus arrangement (including, without limitation, any sales commission, safety incentive, personal incentives and project incentives) that the Participant has or may have had by contract or otherwise, except as may be expressly provided in the acceptance document that such Participant executes.

XIII. AMENDMENT OR TERMINATION

The Compensation Committee may at any time, or from time to time, in its sole and absolute discretion, (a) amend, alter or modify the provisions of this Plan, (b) terminate this Plan, or (c) terminate the participation of an employee or group of employees in this Plan; provided, however, that in the event of the termination of this Plan or a termination of participation, the Compensation Committee in its sole and absolute discretion, may determine that a prorated award is payable to employees who were Participants in this Plan under such terms and conditions as established by the Compensation Committee in its sole and absolute discretion.

XIV. GENERAL PROVISIONS

A. No rights of the Participants under this Plan shall be transferable or assignable by a Participant, either voluntarily or involuntarily by way of encumbrance, pledge, attachment, levy or charge of any nature (except as may be required by state or federal law).

B. Nothing in the Plan shall require the Company to segregate or set aside any funds or other property for the purpose of paying any portion of an award. No Participant, beneficiary or other person shall have any right, title or interest in any amount awarded under the Plan prior to the payment of such award to him or her. A Participant's rights to a Financial Award under this Plan are no greater than those of unsecured general creditors of the Company.

C. By participating in the Plan, each Participant hereunder shall consent to the holding and processing of personal information provided by such Participant to the Company, any affiliate of the Company, trustee or third party service provider, for all purposes relating to the operation of the Plan. These include, but are not limited to: (i) administering and maintaining Participant records; (ii) providing information to the Company, its affiliates, trustees of any employee benefit trust, registrars, brokers or third party administrators of the Plan; (iii) providing information to future purchasers or merger partners of the Company or any of its affiliates, or the business in which the

Participant works; and (iv) to the extent not prohibited by applicable law, transferring information about the Participant to any country or territory that may not provide the same protection for the information as the Participant's home country.

D. This Plan is governed by the laws of the State of New York and as such will be construed under and in accordance with the laws of the State of New York without regard to conflicts of law.

February 29, 2016

Chief Executive Officer Date

Exhibit 10.5

January 28, 2016

Dear Jerome;

I am pleased to offer you the promotional opportunity as Chief Financial Officer Federal Mogul Holdings Corporation in addition to maintaining your current responsibilities as SVP Finance Federal Mogul Motorparts.
Your new annual gross salary will be $400,000 USD, ($15,384.62 bi-weekly salary). This new salary will take effect February 1, 2016. This position will report to Co-CEO Rainer Jueckstock and Co-CEO Dan Ninivaggi. Role is based in our Southfield, Michigan World Headquarters.

In 2016, you will participate in the annual Federal-Mogul Motorparts Management Incentive Plan (MIP), with a target bonus of 70% of base salary, subject to the terms of the plan. Bonus payments are typically made in the first quarter of the following calendar year. The payout range is between 0 and 175% of target, depending on individual and Company performance. To be eligible for a bonus payment, you must be an active employee on the date the bonus is paid. The Board of Directors may exercise its right to amend your MIP in order to incorporate total F-M Holdings Corporation results.

Subject to our Board of Directors' approval, you will also participate in the Federal-Mogul Motorparts Long-Term Incentive Plan at a 50% target level. All your compensation is subject to deductions as required by law.

For clarity purposes, your participation in the Federal Mogul Executive German Pension Scheme will be locked along with the vested benefit entitlement as effective Dec 31, 2015. No further employer contributions shall be made into this plan.

You will be eligible to participate in the Company's perquisites and benefit plans generally available to U.S. senior executives, subject to the terms and conditions of the applicable plan document. Current perquisites include the following:

Perquisite / Automobile Allowance: Equivalent to 4% of base salary

Vacation: You are eligible for 20 days per calendar year.

You will continue to be eligible for all other health, welfare & retiree benefits programs as defined in our summary plans of which you have copy. Federal-Mogul reserves the right to add, change, or terminate policies or benefits at any time.

In the unlikely event you are terminated for any reason, other than for cause, you will receive a lump sum severance payment equivalent to a minimum six months of base salary or your eligibility based upon the Severance Plan for Salaried Employees Policy in force at that time, whichever is greater. Notwithstanding the foregoing, the Company retains the sole right to increase this severance payment anywhere from six to twelve months of base salary. Any severance payment will be offered A) subject to the timely signing and return of the Company's separation agreement and release form and B) in agreement to comply with the non-compete, non-solicitation requirements as listed immediately below for an equal time period to that of the 'severance payment period.'

Hence, if you voluntarily terminate your employment with the Company, then for a period of time equivalent to that of the 'severance payment period' you shall not engage, participate, directly or indirectly, in any business that is competitive with the business of Federal-Mogul, or any of its subsidiaries or the business of any customer of Federal-Mogul (each a "Covered Business") or group of affiliated Covered Businesses (including without limitation, any supplier or distributor of automotive, commercial vehicle or industrial powertrain, service or safety products,
whether marketed to original equipment manufacturers or the aftermarket), in any capacity, directly or indirectly, whether as an individual, investor, stockholder, partner, owner, equity owner, lender, agent, trustee, consultant, employer,

advisor, manager, franchisee, or in any other relationship or capacity, and will not enter into the employ of any Covered Business, render any services to any Covered Business, raise capital or seek to raise capital for any Covered Business, or otherwise become interested in, receive compensation from, or aid, represent or work for, or assist any Covered Business directly or indirectly in any manner and will not seek, agree to, obtain, negotiate with respect to or otherwise arrange to engage in, any of the activities, arrangements, employment relationships, transactions or investments referred to above; provided that this clause does not preclude you from investing your own funds to acquire securities for your own account provided such investment does not constitute a direct or indirect active interest in a Covered Business, such investment is solely a passive investment, and such investment does not, in the aggregate, constitute more than 1% of any class or series of outstanding securities of such Covered Business and the securities of such entity so purchased by you are registered under Section 12 of the Securities Exchange Act of 1934.

Jerome, in addition, during and after your employment you shall not use or disclose to any third party any confidential or proprietary information of Federal-Mogul, any of its affiliates or subsidiaries, or any of their respective owners, members, directors, managers, and employees. You further agree that during and after your employment you will not disparage, verbally or in writing, anyone in Federal-Mogul or any of its affiliates or subsidiaries, including any of their respective owners, members, directors, managers, or employees, and their family members.

This letter does not constitute a contract or employment agreement. You understand that your employment is “at will” and can be terminated at any time by either you or Federal-Mogul, with or without cause. Nothing contained in this letter shall limit or otherwise alter the foregoing. This offer letter supersedes any and all previous offers terms and conditions. Further your employment will be subject to other policies, terms, and conditions that may be established by Federal-Mogul from time to time.

Naturally, we will be happy to provide additional information and answer any questions you may have about any aspect of this offer. You should feel free to contact me directly.

I am very excited to provide you with this excellent leadership opportunity. I am confident that you will make substantial contributions to the overall business and enjoy your newest assignment. If the terms of this offer are acceptable to you, please sign below and return this letter to me by end of day, January 29, 2016.

Best regards,

____
Anthony F. Papa
SVP Global Human Resources
Federal Mogul Motorparts

I accept and agree to these terms of employment this _____ day of _________ 2016.

____
Jerome Rouquet

Exhibit 31.3

CERTIFICATION

Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Jérôme Rouquet, the Chief Financial Officer of Federal-Mogul Holdings Corporation (the “Company”), certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 Company 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;
   d) 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;
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 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 controls 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: April 27, 2016

By: /s/ Jérôme Rouquet

Jérôme Rouquet

Senior Vice President

Chief Financial Officer

Exhibit 31.1

CERTIFICATION
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Daniel A. Ninivaggi, Co-Chief Executive Officer, Federal-Mogul Holdings Corporation (the "Company"), and Chief Executive Officer, Motorparts, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 Company 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;
   d) 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;
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 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 controls 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: April 27, 2016

By: /s/ Daniel A. Ninivaggi

Daniel A. Ninivaggi
Co-Chief Executive Officer, Federal-Mogul Holdings Corporation
Chief Executive Officer, Motorparts

Exhibit 31.2

CERTIFICATION

Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Rainer Jueckstock, Co-Chief Executive Officer, Federal-Mogul Holdings Corporation (the “Company”), and Chief Executive Officer, Powertrain, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 Company 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;
    d) 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;
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 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 controls 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: April 27, 2016

By: /s/ Rainer Jueckstock

Rainer Jueckstock
Co-Chief Executive Officer, Federal-Mogul Holdings Corporation
Chief Executive Officer, Powertrain

Exhibit 32

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 quarterly report on Form 10-Q 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 quarterly 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: April 27, 2016

By: /s/ Daniel A. Ninivaggi

Daniel A. Ninivaggi
Co-Chief Executive Officer, Federal-Mogul Holdings Corporation
Chief Executive Officer, Motorparts

By: /s/ Rainer Jueckstock

Rainer Jueckstock
Co-Chief Executive Officer, Federal-Mogul Holdings Corporation
Chief Executive Officer, Powertrain

By: /s/ Jérôme Rouquet

Jérôme Rouquet

Senior Vice President
Chief Financial Officer