



China: Prospects for North American Suppliers



*Ramzi Hermiz
Senior Vice President
Vehicle Safety and
Protection*

August 3, 2010



Company at a Glance

Key Industries: Automotive, aerospace, energy, heavy-duty, industrial, marine, railroad, power generation

Global Locations: 107 manufacturing and 21 distribution sites in 34 countries

Research & Development: 18 globally-networked technical centers in Asia, Europe and N. America

Employees: 43,000 Globally

- U.S. & Canada 12,000
- Europe 16,000
- BRIC & ROW 15,000

2009 Sales: \$5.3 Billion



Portfolio and Reporting Segments

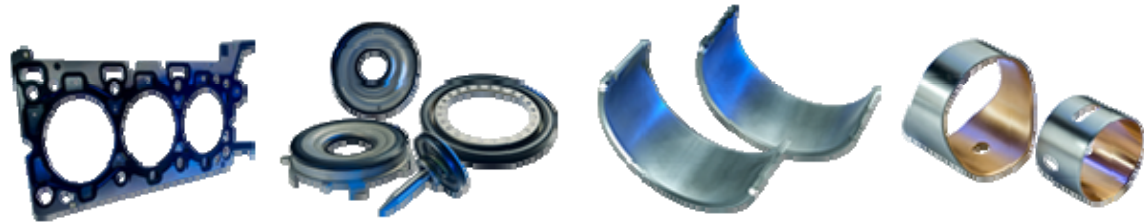
Powertrain Energy

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



Powertrain Sealing and Bearings

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



Vehicle Safety and Protection

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



Global Aftermarket

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



Leading Technology & Innovation Energy, Environment & Safety




Energy & Environment

Energy & Environment

Safety


Wipers Lighting Brake Pads Chassis

Pistons




30-40% lower friction

Rings



25-35% lower friction


Bearings



22% lower power loss


Enabling Technologies

Ignition



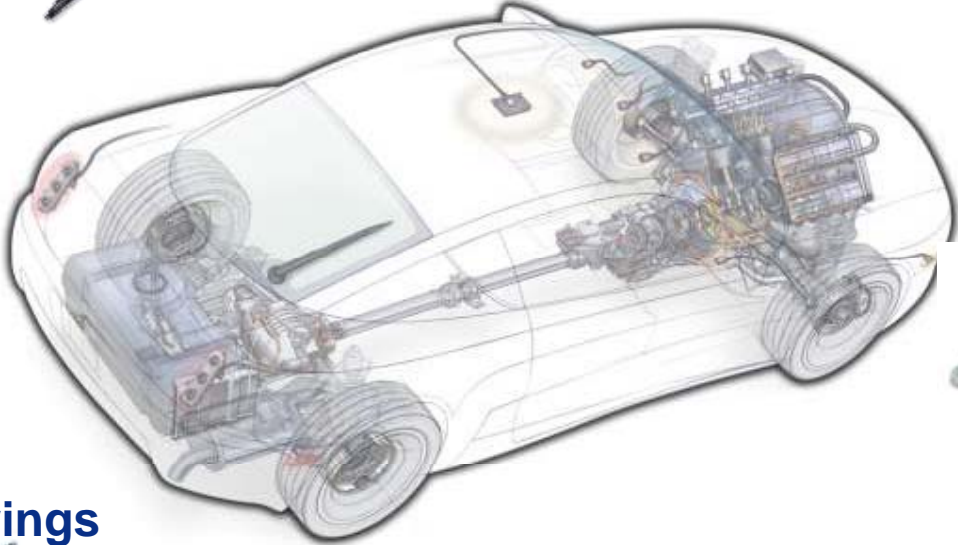

Combustion & Packaging efficiency

HTA & MLS Gaskets



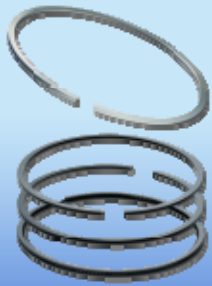

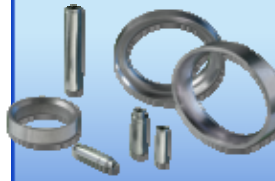
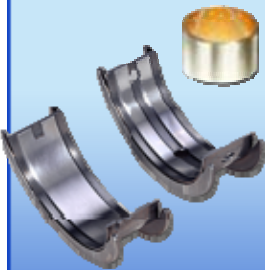


250 bars sealing

Seals & Unipistons



Strong Global OE Customers and Market Position



Rings	Pistons	Valve Seats and Guides	Bearings	Sealing	Friction
					
#1	#2	#1	#1	#2	#1

Strong Global Aftermarket and Diversified Market Position



Engine

Global #1

Gaskets

Global #1

Friction

Global #1

Chassis

#1 NA
#2 EU

Wipers

#1 NA
#3 EU

Ignition

#2 NA
#3 EU

Regulatory and Technological Change Drives Opportunity



Regulatory Environment

- Decrease Pollution
- Reduce CO₂ Emissions
- Increase Fuel Economy
- Energy Independence/ Renewable Resources
- Passenger & Pedestrian Safety



Technology Changes

- Efficiency: Reduce Friction and Weight
- Combustion: Direct Gasoline Injection, Turbocharging, EGR, Dilution
- Engine: Downsizing, High Specific Power
- Energy: Gasoline, Biofuels, Flex fuels, Electrification
- Safety: Component Protection, Accident/Injury Avoidance



Federal-Mogul Solutions

- Technologies enabling new fuels and cutting-edge combustion processes
- Advanced products and systems to minimize weight
- Low-friction / high-load coatings and materials
- High-temperature & RFI systems protection
- Innovative safety technology in friction and visibility

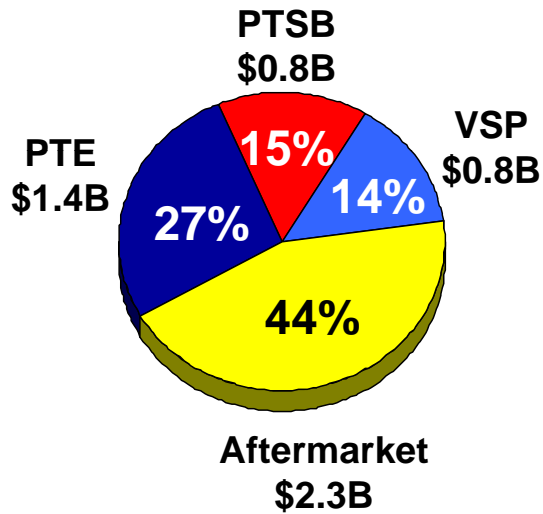


Diversified Global Business

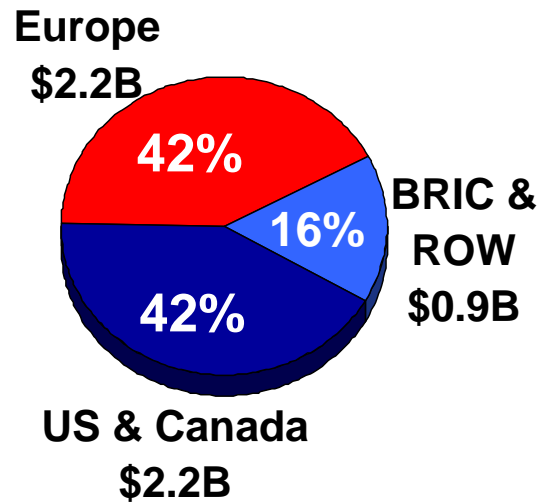


2009 Global Sales \$5.3B

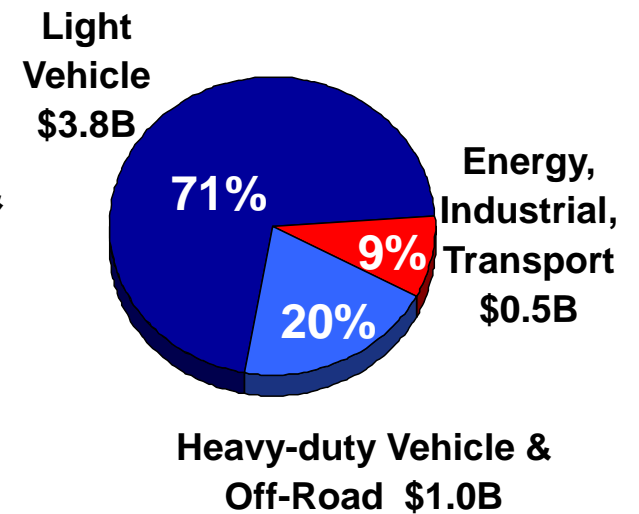
Business Segment



Region



Market



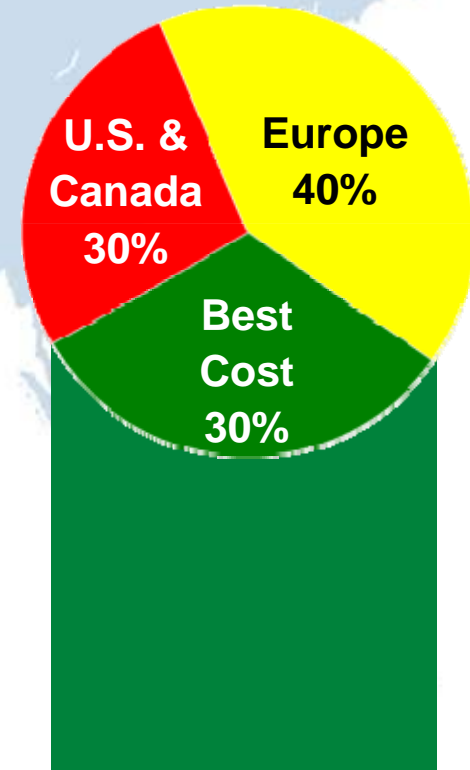
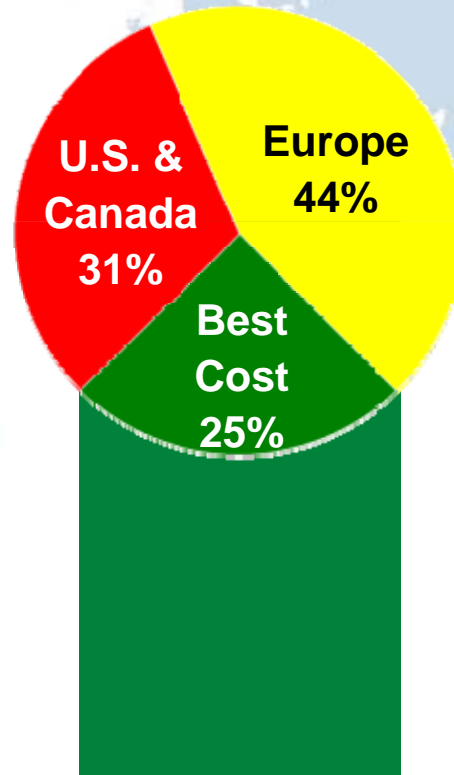
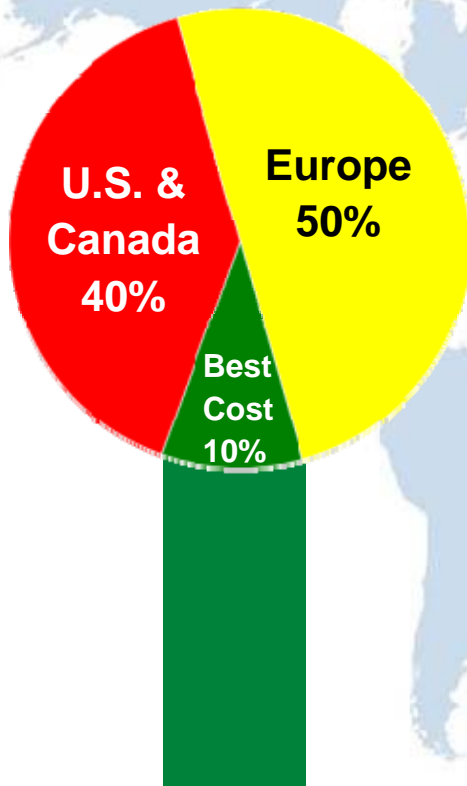
Global Manufacturing Capacity by Region



2004

2008

2010 Estimate



China

- Overtook U.S. as world's largest car market in 2009
- Continued rapid growth of vehicle production
– local market and export
- Growing infrastructure is among the best in the world
- Chinese auto industry receives strong government support
- Has moved from being a low-cost labor market to a global market of international standards



OE Response to Opportunity in China



Ford to bring all Ford vehicles to China

General Motors to launch new fully-electric car in China next year

Suzuki, SAIC, VW eye three-way JV in China

Chrysler to set up logistics center in Shanghai

Hyundai starts construction of third Chinese plant

Federal-Mogul Corporation China



Key Industries: Automotive, heavy-duty, aerospace, energy, industrial, marine, railroad, power generation

Facilities: Asia-Pacific HQ and Technical Center

12 operating sites, manufacturing main product segments

- ISO/TS16949 certified
- ISO14000 certified
- OSHA18000 certified

Employees: 2,000

2009 Sales: \$200 Million

Q2 2010: Year-over-year sales growth of 63%



Federal-Mogul Operations in China



12 operating sites

- Shanghai Headquarters and Tech Center opened in 2009
- Recently expanded plants in Nanchang, Qingdao, Shanghai and Wuhan
- Recently acquired Dalian plant



Asia-Pacific Headquarters and Tech Center – Shanghai



Pistons – Qingdao



Friction Products – Wuhan



Ignition, Wipers, Systems Protection – Qingdao Campus



Sealing Systems – Nanchang



Piston Rings, Cylinder Liners, Valve Seats & Guides – Anqing Campus



Materials – Shanghai



Engine Bearings – Shanghai

Asia-Pacific Headquarters & Technical Center



- **Location:** Shanghai, China
- **Capacity:** 100,000 sq. ft.
- **Product development and engineering**
- **Testing center for customer application**
 - **Powertrain and vehicle testing**
 - **Specialized rig testing**
- **Metrology lab for pre and post-test measurement and analysis**
- **Materials testing and analysis lab**

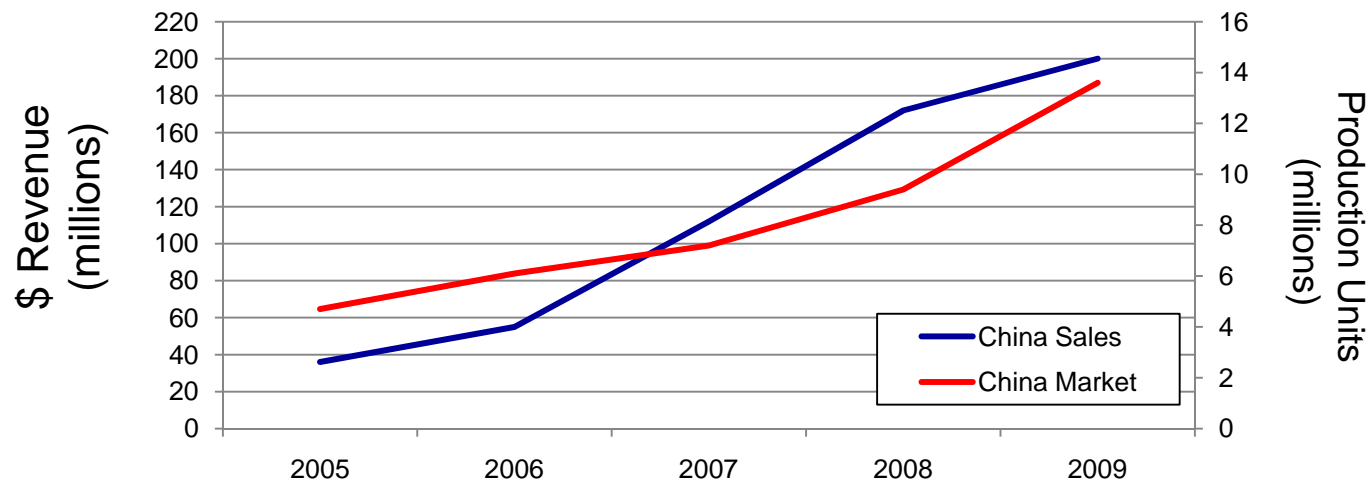


Federal-Mogul Development in the China Market



- 2005-2009 average annual growth rate
 - 2010 average year-over-year first-half growth
- | | <u>China</u> | <u>F-M</u> |
|---|--------------|------------|
| 2005-2009 average annual growth rate | 30% | 54% |
| 2010 average year-over-year first-half growth | 36% | 91% |

F-M China Sales vs. Production Rate



Federal-Mogul enterprise sales have grown faster than the market as customer technology and quality requirements have increased

Federal-Mogul China Portfolio



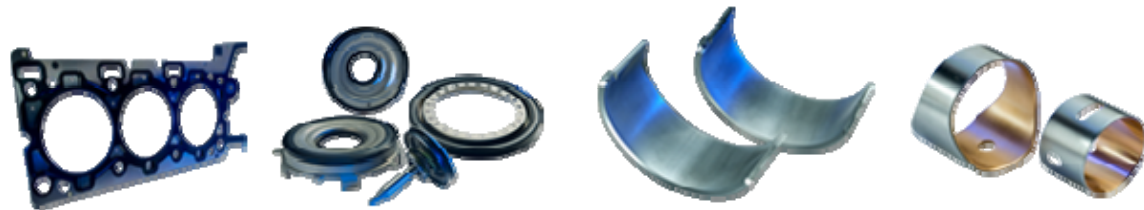
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China Summary

- China is the cornerstone of BRIC growth
 - China will expand its share of BRIC volume from 47% in 2005 to 63% in 2015*
 - Total vehicle production in China – from 4.7 million in 2005 to 15.2 million in 2010*
- Value proposition to meet customers' local and export needs
 - Consolidation of Chinese car manufacturers and development of new vehicle platforms and powertrains
 - Western OEMs bringing global platforms
- Federal-Mogul is rapidly expanding to exceed market opportunity

*J.D. Power & Associates, May 2010

Strategic Considerations

- The Challenge of Sustainable Global Profitable Growth
 - Engineering competency to develop technology and innovation as a differentiator
 - Localization of expertise, materials, components and equipment
 - Product, brand and service network expansion and diversification
 - Intellectual property enforcement issues to protect technology and branding from counterfeiting, especially in aftermarket
- What is your strategy for:
 - Capital Investment?
 - Legal Entity Organizational Structure?
 - IP Development, Technical and Engineering Support Locally?
 - Recruiting, Retention and Talent Development?
 - Customer Development?
 - Materials and Finished Goods Purchasing?
 - Location and Site Requirements?





***Driving the future as a reliable world-class,
diversified and leading global supplier***

***Generating Sustainable Global Profitable
Growth to satisfy customers, shareholders
and employees***

The logo for the Motor Business Summit (MBS) is displayed in large, bold, white letters with a slight shadow effect. The background of the entire page is a blurred, high-speed photograph of a car's front end, showing the wheel and headlight area, with a warm, golden-yellow color palette.

2010 CAR Management Briefing Seminars

August 2-5, 2010

Grand Traverse Resort & Spa, Traverse City, Michigan USA

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