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

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

FORM 10-K/A

Amendment No. 1

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

For the Fiscal Year Ended December 31, 2008

Commission File Number 1-9516

ICAHN ENTERPRISES L.P.

(Exact Name of Registrant as Specified in Its Charter)

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

of Incorporation or Organization) Identification No.)

767 Fifth Avenue, Suite 4700
New York, NY 10153

(Address of Principal Executive Offices) (Zip Code)

(212) 702-4300

(Registrant s Telephone Number, Including Area Code)

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

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

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

EXPLANATORY NOTE

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

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

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

ICAHN ENTERPRISES L.P.

TABLE OF CONTENTS

TABLE OF CONTENTS

PART II

Item 6. Selected Financial Data

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

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

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

1

TABLE OF CONTENTS

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

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

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

3

TABLE OF CONTENTS

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

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

4

TABLE OF CONTENTS

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

Overview

Introduction

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

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

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

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

Acquisition of Controlling Interest in Federal-Mogul Corporation

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

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

5

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

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

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

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

Divestiture

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

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

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

Declaration of Distribution on Depositary Units

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

TABLE OF CONTENTS

Results of Operations

Overview

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

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

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

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

7

TABLE OF CONTENTS

Consolidated Financial Results of Continuing Operations

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

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

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

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

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

Investment Management

Overview

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

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

TABLE OF CONTENTS

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

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

Revenues

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

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

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

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

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

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

TABLE OF CONTENTS

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

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

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

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

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

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

AUM and Fund Performance

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

TABLE OF CONTENTS

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

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

Operating Results

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

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

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

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

12

TABLE OF CONTENTS

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

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

Income attributable to Icahn Enterprises from continuing operations

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

13

TABLE OF CONTENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

14

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

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

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

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

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

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

Automotive

Our Automotive segment consists of Federal-Mogul, a leading global supplier of a broad range of components, accessories and systems to the automotive, small engine, heavy-duty, marine, railroad, agricultural, off-road, aerospace and industrial, energy and transport markets, including customers in both the OEM market and the aftermarket. Effective July 3, 2008, we acquired a majority interest in Federal-Mogul.

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

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

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

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

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

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

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

Net Sales

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

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

TABLE OF CONTENTS

Gross Margin

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

Selling, General and Administrative

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

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

Restructuring and Impairment

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

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

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

Given the complexity of the calculation and the significance of fourth quarter economic activity, Federal-Mogul has not yet completed its annual impairment assessment. Federal-Mogul evaluates its recorded goodwill and other indefinite-lived intangible assets for impairment annually as of October 1 and in accordance with Statement of Financial Accounting Standards, or SFAS, No. 142, *Accounting for Goodwill and Other Intangible Assets*, or SFAS No. 142. Based upon the draft valuations and preliminary assessment, our Automotive segment recorded impairment charges of $222 million and $130 million for goodwill and other indefinite-lived intangible assets, respectively, for the period March 1, 2008 through December 31, 2008. To the extent that the finalization of Federal-Mogul s assessment of goodwill and other indefinite-lived intangible requires adjustment to the preliminary impairment charge, such adjustment would be recorded in the first quarter of fiscal 2009. These charges were required to adjust the carrying value of goodwill and other indefinite-lived intangible assets to estimated fair value. The goodwill impairment charge is net of $17 million related to recorded goodwill resulting from our purchase of the controlling interest in Federal-Mogul. This net adjustment was recorded in conjunction with Federal-Mogul s goodwill impairment as Federal-Mogul s impairment also impacts our underlying values related to our inventory revaluation and recorded goodwill related to the acquisition. The estimated fair values were determined based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and projected future cash flows discounted at rates commensurate with the risk involved. Although the annual assessment was conducted as of October 1, 2008, Federal-Mogul incorporated general economic and company specific factors subsequent to this date into its assessment, including updated discount rates, costs of capital, market capitalization of Federal-Mogul, and financial projections, all in order to give appropriate consideration to the unprecedented economic downturn in the automotive industry that continued throughout the fourth quarter of 2008.

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

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

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

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

Metals

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

TABLE OF CONTENTS

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

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

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

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

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

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

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

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

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

19

TABLE OF CONTENTS

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

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

Real Estate

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

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

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

Home Fashion

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

adverse competitive conditions for U.S. manufacturing facilities compared to manufacturing facilities located outside of the United States;
growth of low-priced competitive imports from Asia and Latin America resulting from lifting of import quotas; and
a difficult retail market for home textiles driven by both the current economy and the slowdown in residential home sales.
Summarized statements of operations for the years ended December 31, 2008, 2007 and 2006 are as follows (in millions of dollars):

	Year Ended December 31,		
	2008	2007	2006
Net sales	$425	$ 683	$ 891
Cost of goods sold	394	681	858
Gross margin	31	2	33
Expenses:			
Selling, general and administrative	89	112	130
Restructuring and impairment	37	49	46
Total expenses	126	161	176
Loss from continuing operations before interest, income taxes, and other income, net	$(95)	$ (159)	$ (143)

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

Net sales decreased by $258 million, or 37.8%, to $425 million for fiscal 2008 as compared to fiscal 2007. Gross margin for fiscal 2008 increased by $29 million to $31 million as compared to fiscal 2007. The decrease in net sales continued to reflect lower sales due to the weak home textile retail environment and the elimination of unprofitable programs, but has been mitigated by improvements in both gross margin and operating earnings as a result of shifting manufacturing capacity from the United States to lower-cost countries, lowering selling, general and administrative expenditures and reduced restructuring and impairment charges. We shifted manufacturing capacity from the United States to lower-cost countries and closed numerous U.S. plants during fiscal 2007 and early fiscal 2008. WPI will continue to realign its manufacturing operations to optimize its cost structure, pursuing offshore sourcing arrangements that employ a combination of owned and operated facilities, joint ventures and third-party supply contracts.

Selling, general and administrative expenses for fiscal 2008 decreased by $23 million, or 20.5%, to $89 million as compared to fiscal 2007, reflecting WPI s continuing efforts to reduce its selling, warehousing, shipping and general and administrative expenses. WPI continues to lower its selling, general and administrative expenditures by consolidating its locations, reducing headcount and applying more stringent oversight of expense areas where potential savings may be realized.

Restructuring and impairment charges decreased by $12 million, or 24.5%, to $37 million in fiscal 2008 as compared to fiscal 2007. The decrease in fiscal 2008 is due to lower impairment charges, partially offset by

TABLE OF CONTENTS

higher restructuring charges. Restructuring and impairment charges include severance costs, non-cash impairment charges related to plants that have closed, and continuing costs of closed plants and transition expenses. Additionally in fiscal 2008 and fiscal 2007, in accordance with SFAS No. 142, WPI reduced the fair value of the trademarks and recorded intangible asset impairment charges of $6 million and $5 million, respectively.

WPI continues its restructuring efforts and, accordingly, anticipates that restructuring charges (particularly with respect to the carrying costs of closed facilities until such time as these locations are sold) and operating losses will continue to be incurred throughout fiscal 2009. If WPI s restructuring efforts are unsuccessful or its existing strategic manufacturing plans are amended, it may be required to record additional impairment charges related to the carrying value of long-lived assets.

WPI s business is significantly influenced by the overall economic environment, including consumer spending, at the retail level, for home textile products. Certain U.S. retailers continue to report comparable store sales that were either negative or below their stated expectations. Many of these retailers are customers of WPI. Based on prevailing difficult economic conditions, it will likely be challenging for these same retailers during fiscal 2009. WPI believes that it provides adequate reserves against its accounts receivable to mitigate exposure to known or likely bad debt situations, as well as sufficient overall reserve for reasonably estimated situations, should this arise.

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

Fiscal 2007 represented a challenging combination of efforts to reduce revenue from less profitable programs, a weaker home textile retail environment, competition from other manufacturers, repositioning WPI s manufacturing operations offshore and realigning selling, general and administrative expenditures. Net sales were $683 million, a decrease of 23.3% as compared to fiscal 2006. The decrease, which affected all lines of business, was primarily attributable to our continuing efforts to reduce revenues from less profitable programs coupled with a continued weaker retail sales environment in the United States for home textile products.

Gross margins for fiscal 2007 were $2 million, or 0.3% of net sales, compared with $33 million, or 3.7% of net sales, during fiscal 2006. Gross margins were affected by competitive pricing and a weaker retail environment, and lower manufacturing plant utilizations at our U.S. plants, which were closed in fiscal 2007.

Selling, general and administrative expenses for fiscal 2007 decreased $18 million, or 13.8% to $112 million as compared to fiscal 2006, reflecting WPI s efforts to reduce its selling, warehousing, shipping and general and administrative expenses during fiscal 2007. WPI lowered its selling, general and administrative expenditures primarily by consolidating its locations and reducing headcount during fiscal 2007.

Restructuring and impairment charges increased by $3 million, or 6.5%, to $49 million as compared to fiscal 2006. The increase in fiscal 2007 is due to higher restructuring charges, partially offset by lower impairment charges. Additionally, in accordance with SFAS No. 142, WPI reduced the carrying value of the trademarks and recorded intangible asset impairment charges of $5 million in fiscal 2007. Restructuring and impairment charges include severance costs, non-cash impairment charges related to plants that have closed, and continuing costs of closed plants and transition expenses.

WPI closed all of its 30 retail stores based on a comprehensive evaluation of the stores long-term growth prospects and their on-going value to the business. On October 18, 2007, WPI entered into an agreement to sell the inventory at all of its retail stores. The net impact of these closings during fiscal 2007 was $14 million of related closure charges and impairments (including lease terminations), which has been included as part of discontinued operations.

Holding Company

The Holding Company engages in various investment activities. The activities include those associated with investing its available liquidity, investing to earn returns from increases or decreases in the market price of securities, and investing with the prospect of acquiring operating businesses that we would control. Holding Company expenses, excluding interest expense, are principally related to payroll, legal and other professional fees.

22

Summarized operating revenues and expenses for the Holding Company for the years ended December 31, 2008, 2007 and 2006 are as follows (in millions of dollars):

	Year Ended December 31,		
	2008	2007	2006
Net gain from investment activities	$102	$ 84	$ 91
Interest and dividend income	51	129	43
Gain on debt extinguishment	146		
Other income, net		37	18
Holding Company revenues	299	250	152
Holding Company expenses	34	37	26
Income from continuing operations before interest expense and income taxes	$265	$ 213	$ 126

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

Net gain from investment activities increased by $18 million, or 21.4%, to $102 million in fiscal 2008 as compared to fiscal 2007. The increase was primarily due to higher realized gains recorded on the investment portfolio in fiscal 2008.

Interest and dividend income decreased by $78 million, or 60.5%, to $51 million for fiscal 2008 as compared to fiscal 2007. This decrease was primarily due to lower yields on lower cash balances in fiscal 2008 as compared to fiscal 2007.

During the fourth quarter of fiscal 2008, we purchased outstanding debt of entities included in our consolidated financial statements in the principal amount of $352 million and recognized an aggregate gain of $146 million.

Expenses, excluding interest expense, decreased by $3 million, or 8.1%, to $34 million in fiscal 2008 as compared to fiscal 2007. The decrease is primarily due to lower professional and legal fees.

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

Net gain from investment activities decreased by $7 million, or 7.7%, to $84 million in fiscal 2007 as compared to fiscal 2006. The decrease was primarily due to lower realized gains recorded on the investment portfolio in fiscal 2007.

Interest and dividend income increased by $86 million, or 200.0%, to $129 million in fiscal 2007 as compared to fiscal 2006. This increase was primarily due to the increase in the Holding Company s cash position relating to the sale of our Oil and Gas operations and Atlantic City gaming operations in the fourth quarter of fiscal 2006 and the proceeds from the issuance of additional 7.125% senior notes in January 2007 and variable rate notes in April 2007.

Expenses, excluding interest expense, increased by $11 million, or 42.3%, to $37 million for fiscal 2007 as compared to fiscal 2006. The increase is primarily attributable to professional fees and legal expenses related to the acquisition of the Investment Management business on August 8, 2007.

Interest Expense and Income (Loss) Attributable to Non-Controlling Interests Automotive, Holding Company and Other

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

Interest expense increased by $176 million, or 130.4%, to $311 million in fiscal 2008 as compared to fiscal 2007. The increase is primarily due to $166 million in interest expense incurred by our Automotive segment related to their Exit Facilities. Our Automotive segment results are included in our results for the period March 1, 2008 through December 31, 2008.

Loss attributable to non-controlling interests for fiscal 2008 was $132 million as compared to loss attributable to non-controlling interests of $53 million for fiscal 2007, as a result of the impact of the non-controlling interests share of losses of Federal-Mogul and WPI.

23

TABLE OF CONTENTS

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

Interest expense increased by $48 million, or 55.2%, to $135 million in fiscal 2007 as compared to fiscal 2006. This increase is a result of interest incurred on the $500 million of additional 7.125% senior notes issued in January 2007 and the $600 million of variable rate notes issued in April 2007.

Loss attributable to non-controlling interests for fiscal 2007 decreased $13 million, or 19.7%, to $53 million as compared to fiscal 2006, primarily as a result of the impact of the non-controlling interests share of the losses incurred by WPI.

Income Taxes

For fiscal 2008, we recorded an income tax provision of $47 million on pre-tax loss of $3.1 billion. For fiscal 2007, we recorded an income tax provision of $9 million on pre-tax income of $489 million. For fiscal 2006, we recorded an income tax benefit of $1 million on pre-tax income of $1.0 billion. Our effective income tax rate was (1.5)%, 1.8% and (0.1)% for the respective periods. The difference between the effective tax rate and statutory federal rate of 35% is principally due to changes in the valuation allowance and partnership income not subject to taxation, as such taxes are the responsibility of the partners.

Discontinued Operations

Gaming

On November 17, 2006, within our former Gaming segment, our indirect majority owned subsidiary, Atlantic Coast Entertainment Holdings, Inc., or Atlantic Coast, completed the sale to Pinnacle Entertainment, Inc., or Pinnacle, of the outstanding membership interests in ACE Gaming LLC, or ACE, the owner of The Sands Hotel and Casino in Atlantic City, N.J., and 100% of the equity interests in certain subsidiaries of Icahn Enterprises Holdings which owned parcels of real estate adjacent to The Sands, including the Traymore site. The aggregate purchase price was $275 million, of which approximately $201 million was paid to Atlantic Coast and $74 million was paid to affiliates of Icahn Enterprises Holdings for subsidiaries which owned the Traymore site and the adjacent properties.

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

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

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

Real Estate

Operating properties are reclassified to held for sale when subject to a contract. The operations of such properties are classified as discontinued operations. Upon entry into a contract to sell a property, the operating results and cash flows associated with the property are reclassified to discontinued operations and historical financial statements are reclassified to conform to the current classification.

Home Fashion

WPI closed all of its retail stores based on a comprehensive evaluation of the stores long-term growth prospects and their on-going value to the business. On October 18, 2007, WPI entered into an agreement to sell the inventory at all of its retail stores and subsequently ceased operations of its retail stores. Accordingly, it has reported the retail outlet stores business as discontinued operations for all periods presented. As of December 31, 2008 and December 31, 2007, the accrued lease termination liability balance was $3 million and $7 million, respectively, which is included in liabilities of discontinued operations in our consolidated balance sheets.

TABLE OF CONTENTS

Results of Discontinued Operations

The financial position and results of these operations are presented as other assets in the consolidated balance sheets and discontinued operations in the consolidated statements of operations, respectively, for all periods presented in accordance with SFAS No. 144. For further discussion, see Note 5, Discontinued Operations and Assets Held for Sale, to the consolidated financial statements.

Summarized financial information for discontinued operations for the years ended December 31, 2008, 2007 and 2006 as follows (in millions of dollars):

	Year Ended December 31,		
	2008	2007	2006
Revenues:			
Oil and Gas	$	$	$ 354
Gaming[(1)]	60	444	524
Real Estate	1	3	5
Home Fashion retail stores		47	67
Total revenues	$61	$ 494	$ 950
Income (loss) from discontinued operations:			
Oil and Gas	$	$	$ 183
Gaming	13	100	45
Real Estate	1	2	3
Home Fashion retail stores		(20)	(7)
Total income from discontinued operations before income taxes, interest and other income	14	82	224
Interest expense	(3)	(21)	(46)
Interest and other income		21	13
Income from discontinued operations before income tax expense	11	82	191
Income tax expense	(4)	(19)	(17)
	7	63	174
Gain on dispositions, net of income tax expense	478	21	676
Income from discontinued operations	485	84	850
Income (loss) from discontinued operations attributable to non-controlling interests		5	(53)
Income from discontinued operations attributable to Icahn Enterprises	$485	$ 89	$ 797

(1) Gaming segment results for fiscal 2008 are through February 20, 2008, the date of the ACEP sale.

Interest and other income for fiscal 2007 includes $8 million relating to a real estate tax refund received by Atlantic Coast and $10 million representing the net gain on settlement of litigation relating to GB Holdings Inc.

The gain on dispositions for fiscal 2008 includes $472 million, net of income taxes of $260 million, recorded on the sale of ACEP. Of the $260 million in taxes recorded on the sale of ACEP, $103 million was deferred in a Code 1031 Exchange transaction during the third quarter of fiscal 2008. The gain on sales of discontinued operations for fiscal 2007 includes $12 million of gain on sales of real estate assets and $9 million relating to a working capital adjustment to the gain recorded on the sale of the Oil and Gas business in November 2006. The gain on sales of discontinued operations in fiscal 2006 includes $599 million of gain on sale of our Oil and Gas business, $13 million of gain on sales of real estate assets and $62 million on the gain on the sale of our Atlantic City gaming operations.

TABLE OF CONTENTS

Liquidity and Capital Resources

Holding Company

As of December 31, 2008, we had cash and cash equivalents of $1.4 billion, investments of $16 million and total debt of $1.9 billion. We have made investments aggregating $950 million in the Private Funds for which no special profits interest allocations (and prior to January 1, 2008, management fees) or incentive allocations are applicable. As of December 31, 2008, the total value of this investment is $660 million, with an unrealized loss of $274 million for fiscal 2008. As of January 1, 2009, we made an additional $250 million investment in the Private Funds. These amounts are reflected in the Private Funds net assets and earnings. In addition, we also have the ability to draw down on our credit facility. In August 2006, we entered into a credit agreement with a consortium of banks pursuant to which we will be permitted to borrow up to $150 million. As of December 31, 2008, there were no borrowings under the facility. See Note 13, Debt to the consolidated financial statements for additional information concerning credit facilities for our subsidiaries.

We are a holding company. Our cash flow and our ability to meet our debt service obligations and make distributions with respect to depositary units and preferred units likely will depend on the cash flow resulting from divestitures, equity and debt financings, interest income and the payment of funds to us by our subsidiaries in the form of loans, dividends and distributions. We may pursue various means to raise cash from our subsidiaries. To date, such means include payment of dividends from subsidiaries, obtaining loans or other financings based on the asset values of subsidiaries or selling debt or equity securities of subsidiaries through capital market transactions. To the degree any distributions and transfers are impaired or prohibited, our ability to make payments on our debt or distributions on our depositary units and preferred units could be limited. The operating results of our subsidiaries may not be sufficient for them to make distributions to us. In addition, our subsidiaries are not obligated to make funds available to us, and distributions and intercompany transfers from our subsidiaries to us may be restricted by applicable law or covenants contained in debt agreements and other agreements.

Consolidated Cash Flows

Operating Activities

Net cash provided by operating activities in fiscal 2008 was $841 million as compared to net cash used in operating activities of approximately $2.9 billion in fiscal 2007. Of the $841 million in net cash provided by operating activities in fiscal 2008, $299 million was provided by continuing operations from our Investment Management segment and $549 million was provided by continuing operations from our Automotive, Holding Company and other operations.

Within our Investment Management segment, net cash provided by operating activities during fiscal 2008 of $299 million is primarily due to proceeds from securities transactions of approximately $10.3 billion offset in part by purchases relating to securities transactions of $9.8 billion. Additionally, investment losses were offset by loss attributable to non-controlling interests and changes in operating assets and liabilities. This compares to $3.0 billion used in operating activities in fiscal 2007 which was primarily the result of purchases relating to securities transactions of $11.2 billion offset in part by proceeds from securities transactions of $7.9 billion.

Within our Automotive, Holding Company and other operations, net income before non-cash charges was $277 million. Non-cash charges included $450 million in asset impairment charges for fiscal 2008. Net cash provided by continuing operations from our Holding Company and other operations for fiscal 2007 was $27 million. We acquired our Automotive segment in fiscal 2008, and accordingly, our cash flows in fiscal 2007 did not include our Automotive segment s results.

Investing Activities

Net cash provided by investing activities in fiscal 2008 was $823 million as compared to $91 million for fiscal 2007. Within continuing operations, our net cash used in investing activities was $246 million, resulting primarily from capital expenditures of $794 million offset in part by proceeds from the sale of marketable securities of $565 million. Net cash provided by investing activities from discontinued operations in fiscal 2008 was approximately $1.1 billion, primarily due to net proceeds from the sale of our gaming segment.

26

TABLE OF CONTENTS

Financing Activities

Net cash used in financing activities in fiscal 2008 was approximately $1.2 billion as compared to net cash provided by financing activities of approximately $3.1 billion in fiscal 2007. Net cash used in financing activities from our Investment Management segment in fiscal 2008 was $585 million due to capital distributions of $1.3 billion offset primarily by capital contributions of $685 million. Net cash used in financing activities from continuing operations from our Automotive, Holding Company and other operations was $337 million in fiscal 2008, resulting primarily from payments of borrowings of $302 million. Additionally, in fiscal 2008, we invested an additional $250 in the Private Funds, the effect of which has been eliminated in consolidation. Within financing activities from discontinued operations is $255 million paid for debt relating to our former gaming segment.

In fiscal 2007, net cash provided by financing activities within our Investment Management segment was approximately $2.4 billion primarily from capital contributions by non-controlling interests. Net cash provided by financing activities from continuing operations from our Holding Company and other operations was $753 million primarily from proceeds from the issuance of notes payables and other borrowings totaling approximately $1.2 billion, offset in part by the $335 million payment in connection with our acquisition of PSC Metals.

Borrowings

Long-term debt consists of the following (in millions of dollars):

	December 31, 2008	December 31, 2007
Senior unsecured variable rate convertible notes due 2013 Icahn Enterprises	$ 556	$ 600
Senior unsecured 7.125% notes due 2013 Icahn Enterprises	961	973
Senior unsecured 8.125% notes due 2012 Icahn Enterprises	352	352
Senior secured 7.85% notes due 2012 ACEP		215
Exit facilities Federal Mogul	2,474	
Borrowings under credit facility ACEP		40
Mortgages payable	123	104
Other	105	15
Total debt	4,571	2,299
Less debt related to assets held for sale		(258)
	$ 4,571	$ 2,041

See Note 13, Debt, to the consolidated financial statements for additional information concerning terms, restrictions and covenants of our debt. As of December 31, 2008 and December 31, 2007, we are in compliance with all debt covenants.

On February 20, 2008, American Entertainment Properties Corp, or AEP, our wholly owned indirect subsidiary, sold all of the issued and outstanding membership interests of ACEP. The sale of ACEP included the Stratosphere and three other Nevada gaming operations, which comprised our remaining gaming operations. As a result, we no longer have the senior secured 7.85% notes ACEP or Borrowings under credit facilities ACEP as summarized in the above table.

27

TABLE OF CONTENTS

Contractual Commitments

The following table reflects, at December 31, 2008, our contractual cash obligations, subject to certain conditions, due over the indicated periods and when they come due (in millions of dollars):

	2009	2010	2011	2012	2013	Thereafter	Total
Debt obligations	$102	$37	$62	$940	$1,015	$ 2,562	$4,718
Interest payments	256	255	251	221	142	188	1,313
Letters of credit	57						57
Payments for settlement of liabilities subject to compromise	70	23					93
Pension and other postemployment benefit plans	69	164	145	150	147	*	675
Lease obligations	53	44	34	27	25	49	232
Total	$607	$523	$492	$1,338	$1,329	$ 2,799	$7,088

* funding requirements beyond 2013 are not available.

Certain of PSC Metals and Federal-Mogul s facilities are environmentally impaired. PSC Metals and Federal-Mogul have estimated their liability to remediate these sites to be $24 million and $26 million, respectively, at December 31, 2008. Additionally, Federal-Mogul has identified sites with contractual obligations and sites that are closed or expected to be closed and sold in connection with its restructuring activities and has accrued $27 million as of December 31, 2008, primarily related to removing hazardous materials in buildings. For further discussion regarding these commitments, see Item 3, Legal Proceedings.

Obligations Related to Securities

As discussed in Note 7, Investments and Related Matters, to the consolidated financial statements, we have contractual liabilities of $2.3 billion related to securities sold, not yet purchased as of December 31, 2008. This amount has not been included in the table above as their maturity is not subject to a contract and cannot properly be estimated.

Off-Balance Sheet Arrangements

We have off-balance sheet risk related to investment activities associated with certain financial instruments, including futures, options, credit default swaps and securities sold, not yet purchased. For additional information regarding these arrangements, please see Note 9, Financial Instruments, to the consolidated financial statements.

Discussion of Segment Liquidity and Capital Resources

Investment Management

Historically, the working capital needs of the Investment Management segment have been primarily met through cash generated from management fees. The Investment Management segment s AUM and the performance of the Private Funds directly impact its liquidity. Prior to January 1, 2008, as management fees were earned and received by New Icahn Management generally at the beginning of each quarter, growth in AUM directly impacted our cash flows. As discussed above, effective January 1, 2008, the management fees were terminated and the General Partners are eligible to receive special profits interest allocations which, to the extent that they are earned, will generally be paid annually. In the event that amounts earned from special profits interest allocations are not sufficient to cover the operating expenses of the Investment Management segment in any given year, the Holding Company has and intends to continue to provide funding as needed. The General Partners may also receive incentive allocations which are generally calculated and allocated to the General Partners annually. To the extent that incentive allocations are earned as a result of redemption events during interim periods, they are made to the General Partners in such periods. Additionally, certain incentive allocations earned by the General Partners have historically remained invested in the Private Funds which may also serve as an additional source of cash.

As of January 1, 2009, we invested an additional $250 million in the Private Funds.

TABLE OF CONTENTS

The investment strategy utilized by the Investment Management segment is generally not heavily reliant on leverage. As of December 31, 2008, the ratio of the notional exposure of the Private Funds invested capital to net asset value of the Private Funds was approximately 1.36 to 1.00 on the long side and 0.67 to 1.00 on the short side. The notional principal amount of an investment instrument is the reference amount that is used to calculate profit or loss on that instrument. The Private Funds historically have had, which we expect to continue to have, access to significant amounts of cash from prime brokers, subject to customary terms and market conditions.

Investment related cash flows in the consolidated Private Funds are classified within operating activities in our consolidated statements of cash flows. Therefore, there are no cash flows attributable to investing activities presented in the consolidated statements of cash flows.

Cash inflows from and distribution to investors in the Private Funds are classified within financing activities in our consolidated statements of cash flows. These amounts are reported as contributions from and distributions to non-controlling interests in consolidated affiliated partnerships. Net cash used in financing activities was $320 million for fiscal 2008 compared to net cash provided by financing activities of $2.3 billion for fiscal 2007. The change in fiscal 2008 compared to fiscal 2007 is due to decreased net capital contributions from investors in the Private Funds of $1.5 billion as well as an increase in capital distributions to investors in the Private Funds of $1.1 billion.

Automotive

We include the operating results and cash flows of Federal-Mogul in our consolidated financial statements effective February 29, 2008.

Cash flow provided from operating activities was $483 million for the period March 1, 2008 through December 31, 2008. Cash flow used in investing activities was $258 million for the period March 1, 2008 through December 31, 2008. Capital expenditures of $276 million were partially offset by proceeds from the sale of property, plant and equipment of $13 million. Cash flow used in financing activities was $86 million for the period March 1, 2008 through December 31, 2008 primarily resulting from payments on Federal Mogul s debt of $76 million. Federal-Mogul repurchased approximately 1.1 million shares of its common stock for $17 million in a single transaction with an unrelated party on September 11, 2008.

Other Liquidity and Capital Resource Items

Investing Activities

Federal-Mogul maintains investments in 14 non-consolidated affiliates, which are located in Italy, Germany, the United Kingdom, Turkey, China, Korea, India, Japan, and the United States. Federal-Mogul s direct ownership in such affiliates ranges from approximately 1% to 50%. The aggregate investment in these affiliates approximates $221 million as of December 31, 2008. Upon the adoption of fresh-start reporting, Federal-Mogul s investments in non-consolidated affiliates were adjusted to estimated fair value.

Federal-Mogul s joint ventures are businesses established and maintained in connection with its operating strategy and are not special purpose entities. In general, Federal-Mogul does not extend guarantees, loans or other instruments of a variable nature that may result in incremental risk to Federal-Mogul s liquidity position. Furthermore, Federal-Mogul does not rely on dividend payments or other cash flows from its non-consolidated affiliates to fund its operations and, accordingly, does not believe that they have a material effect on Federal-Mogul s liquidity.

Federal-Mogul holds a 50% non-controlling interest in a joint venture located in Turkey. This joint venture was established in 1995 for the purpose of manufacturing and marketing automotive parts, including pistons, piston rings, piston pins, and cylinder liners, to original equipment and aftermarket customers. Pursuant to the joint venture agreement, Federal-Mogul s partner holds an option to put its shares to a subsidiary of Federal-Mogul at the higher of the current fair value or at a guaranteed minimum amount. The term of the contingent guarantee is indefinite, consistent with the terms of the joint venture agreement. However, the contingent guarantee would not survive termination of the joint venture agreement.

The guaranteed minimum amount represents a contingent guarantee of the initial investment of the joint venture partner and can be exercised at the discretion of the partner. As of December 31, 2008, the total

29

amount of the contingent guarantee, were all triggering events to occur, approximated $59 million. Management believes that this contingent guarantee is substantially less than the estimated current fair value of the guarantees interest in the affiliate. As such, the contingent guarantee does not give rise to a contingent liability and, as a result, no amount is recorded for this guarantee. If this put option were exercised, the consideration paid and net assets acquired would be accounted for in accordance with SFAS No. 141(R), *Business Combinations*.

If this put option were exercised at its estimated current fair value, such exercise could have a material effect on Federal-Mogul s liquidity. Any value in excess of the guaranteed minimum amount of the put option would be the subject of negotiation between Federal-Mogul and its joint venture partner.

In accordance with SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, Federal-Mogul has determined that its investments in Chinese joint venture arrangements are considered to be limited-lived as such entities have specified durations ranging from 30 to 50 years pursuant to regional statutory regulations. In general, these arrangements call for extension, renewal or liquidation at the discretion of the parties to the arrangement at the end of the contractual agreement. Accordingly, a reasonable assessment cannot be made as to the impact of such contingencies on the future liquidity position of Federal-Mogul.

Financing Activities

In connection with the consummation of the Plan, on the Effective Date, Federal-Mogul entered into a Term Loan and Revolving Credit Agreement (the Exit Facilities). The Exit Facilities includes a $540 million revolving credit facility (which is subject to a borrowing base and can be increased under certain circumstances and subject to certain conditions) and a $2,960 million term loan credit facility divided into a $1,960 million tranche B loan and a $1,000 million tranche C loan. Federal-Mogul borrowed $878 million under the term loan facility on the Effective Date and the remaining $2,082 million of term loans were drawn on January 3, 2008 for the purpose of refinancing obligations under the Tranche A Term Loan Agreement (the Tranche A Facility Agreement) and the Indenture.

The obligations under the revolving credit facility mature December 27, 2013 and bear interest for the first six months at LIBOR plus 1.75% or at the alternate base rate (ABR , defined as the greater of Citibank, N.A. s announced prime rate or 0.50% over the Federal Funds Rate) plus 0.75%, and thereafter adjusted in accordance with a pricing grid based on availability under the revolving credit facility. Interest rates on the pricing grid range from LIBOR plus 1.50% to LIBOR plus 2.00% and ABR plus 0.50% to ABR plus 1.00%. The tranche B term loans mature December 27, 2014 and the tranche C term loans mature December 27, 2015; provided, however, that in each case, such maturity may be shortened to December 27, 2013 under certain circumstances. In addition, the tranche C term loans are subject to a pre-payment premium, should Federal-Mogul choose to prepay the loans prior to December 27, 2011. All Exit Facilities term loans bear interest at LIBOR plus 1.9375% or at the ABR plus 0.9375% at Federal-Mogul s election. To the extent that interest rates change by 25 basis points, Federal-Mogul s annual interest expense would show a corresponding change of approximately $5 million.

Federal-Mogul's ability to obtain cash adequate to fund its needs depends generally on the results of its operations, restructuring initiatives, and the availability of financing. Federal-Mogul s management believes that cash on hand, cash flow from operations, and available borrowings under its Exit Facilities will be sufficient to fund capital expenditures and meet its operating obligations through the end of fiscal 2009. In the longer term, Federal-Mogul believes that its base operating potential, supplemented by the benefits from its announced restructuring programs, will provide adequate long-term cash flows. However, there can be no assurance that such initiatives are achievable in this regard.

The Exit Facilities contain some affirmative and negative covenants and events of default, including, subject to certain exceptions, restrictions on incurring additional indebtedness, mandatory prepayment provisions associated with specified asset sales and dispositions, and limitations on: i) investments; ii) certain acquisitions, mergers or consolidations; iii) sale and leaseback transactions; iv) certain transactions with affiliates; and v) dividends and other payments in respect of capital stock. At December 31, 2008, Federal-Mogul

30

was in compliance with all debt covenants under its Exit Facilities, Tranche A Facility Agreement, and outstanding paid-in-kind notes. Based on current forecasts, Federal-Mogul expects to be in compliance with the covenants under the Exit Facilities through December 31, 2009.

Federal-Mogul s subsidiaries in Brazil, France, Germany, Italy and Spain are parties to accounts receivable factoring arrangements. Gross accounts receivable factored under these facilities were $222 million as of December 31, 2008. Of those gross amounts, $209 million was factored without recourse and treated as a sale under FASB 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Under terms of these factoring arrangements, Federal-Mogul is not obligated to draw cash immediately upon the factoring of accounts receivable. Thus, as of December 31, 2008, Federal-Mogul has outstanding factored amounts of $8 million, for which cash has not yet been drawn.

Metals

The primary source of cash from our Metals segment is from the operation of its properties. Historically, our Metals segment s liquidity requirements primarily pertained to the funding of acquisitions, capital expenditures and payment of dividends. Prior to our acquisition of PSC Metals on November 5, 2007, PSC Metals funded acquisitions principally from net cash provided by operating activities, from borrowings and from capital contributions from Philip Services Corporation.

As of December 31, 2008, our Metals segment had cash and cash equivalents of $52 million. During fiscal 2008, net cash generated from operating activities was $115 million, resulting primarily from earnings before non-cash charges of $87 million and $28 million from changes in working capital. This compares to net cash generated from operating activities of $19 million for fiscal 2007 primarily due to earnings before non-cash charges of $37 million, offset in part by changes in operating assets and liabilities resulting primarily from higher accounts receivable.

Net cash used in investing activities for fiscal 2008 was $39 million, primarily attributable to capital expenditures and acquisitions totaling $44 million, offset by $6 million in proceeds from the sale of assets. In fiscal 2007, net cash used in investing activities was $75 million primarily from capital expenditures of $27 million and $48 million in cash used for acquisitions, of which $42 million was related to the acquisition of WIMCO Operating Company, Inc. Due to the current economic environment, PSC Metals expects to manage its capital expenditures at maintenance level during the next twelve months.

Net cash used in financing activities during fiscal 2008 was $40 million consisting of $30 million in dividends to its shareholder and $10 million of net repayments of intercompany borrowings from Icahn Enterprises. In fiscal 2007, PSC Metals generated cash from financing activities of $50 million of which $10 million represented an intercompany loan from Icahn Enterprises. Additionally, in fiscal 2007, prior to our acquisition of PSC Metals on November 5, 2007, PSC Metals borrowed $63 million under a credit facility with UBS Securities LLC, of which they repaid $28 million during the year. The remaining balance of $35 million was repaid by Philip, PSC Metals former parent company, during fiscal 2007, which represented a capital contribution from Philip.

Our Metals segment believes that its current cash levels and cash flow from operating activities are adequate to fund its ongoing operations and capital plan for the next twelve months.

Real Estate

Our Real Estate segment generates cash through rentals, leases and asset sales (principally sales of rental and residential properties) and the operation of resorts. All of these operations generate cash flows from operations.

At December 31, 2008, the Real Estate segment had cash and cash equivalents of $167 million. During fiscal 2008, cash provided by operating activities was $43 million, primarily consisting of earnings before non-cash charges of $32 million and a decrease in property development inventory of $9 million. This compares to cash provided from operating activities of $48 million in fiscal 2007.

Cash used in investing activities for fiscal 2008 was $455 million and was primarily from capital expenditures to acquire two net leased properties. Included in investing activities during fiscal 2008, three rental properties were sold resulting in gross proceeds of $12 million. This compares with cash provided by investing activities of $15 million in fiscal 2007 primarily due to the sale of five rental properties.

Cash provided by financing activities was $407 million for fiscal 2008 primarily from a $465 million contribution from Icahn Enterprises to acquire two net leased properties pursuant to a Code Section 1031 exchange utilizing a portion of the gross proceeds from the sale of our Gaming segment, offset by $77 million of intercompany payments to Icahn Enterprises. Additionally, there were proceeds from a mortgage refinancing of $44 million which were offset in part by mortgage payments of $25 million. Cash used in financing activities was $5 million in fiscal 2007.

We expect operating cash flows to be positive from our Real Estate operations in fiscal 2009. In fiscal 2009, property development construction expenditures needed to complete specified units currently under construction are expected to be approximately $3 million, which we will fund from unit sales and, if proceeds are insufficient, from available cash reserves.

Home Fashion

At December 31, 2008, our Home Fashion segment had $131 million of unrestricted cash and cash equivalents. There were no borrowings under the WestPoint Home revolving credit agreement as of December 31, 2008, but there were outstanding letters of credit of $12 million. Based upon the eligibility and reserve calculations within the agreement, WestPoint Home had unused borrowing availability of $45 million at December 31, 2008.

During fiscal 2008, our Home Fashion segment had net cash used in operating activities of $11 million of which $4 million was from continuing operations compared to cash used in operating activities of $62 million for fiscal 2007. Such negative cash flow reduction in fiscal 2008 compared to fiscal 2007 was principally due to decreased losses and reductions in working capital. WPI anticipates that its operating losses and restructuring charges will continue to be incurred in fiscal 2009.

Cash provided by investment activities in fiscal 2008 was $16 million resulting from the proceeds from the sale of fixed assets of $28 million offset by capital expenditures of $12 million. This compares to cash provided by investing activities from continuing operations of $10 million for fiscal 2007, primarily from the sale of fixed assets of $38 million partially offset by capital expenditures of $30 million. Capital expenditures for fiscal 2009 are expected to total $5 million.

During fiscal 2008, our Home Fashion segment had net cash used in financing activities of $10 million for the repayment of their debt in full. In fiscal 2007, there was no financing activity.

Through a combination of its existing cash on hand and its borrowing availability under the WestPoint Home senior secured revolving credit facility (together, an aggregate of $176 million), WPI believes that it has adequate capital resources and liquidity to meet its anticipated requirements to continue its operational restructuring initiatives and for working capital and capital spending through the next 12 months. In its analysis with respect to the sufficiency of adequate capital resources and liquidity, WPI has considered that its retail customers may continue to face either negative or flat comparable store sales for home textile products in fiscal 2009. However, depending upon the levels of additional acquisitions and joint venture investment activity, if any, additional financing, if needed, may not be available to WPI or, if available, the financing may not be on terms favorable to WPI. WPI s estimates of its anticipated liquidity needs may not be accurate and new business opportunities or other unforeseen events could occur, resulting in the need to raise additional funds from outside sources.

Discontinued Operations

On October 18, 2007, WPI entered into an agreement to sell the inventory at all of its 30 retail outlet stores. The decision to close all of the stores was based on a comprehensive evaluation of long-term growth prospects and strategic value to the WPI business.

Distributions

Depositary Units

During fiscal 2008, we paid distributions of $0.25 per LP unit ($1.00 per LP unit in the aggregate), aggregating $71 million, to depositary unitholders.

32

TABLE OF CONTENTS

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

Preferred Units

On March 28, 2008, we distributed 595,181 preferred units to holders of record of our preferred units at the close of business on March 14, 2008. Pursuant to the terms of the preferred units, on February 23, 2009, we declared our scheduled annual preferred unit distribution payable in additional preferred units at the rate of 5% of the liquidation preference of $10.00.

Our preferred units are subject to redemption at our option on any payment date, and the preferred units must be redeemed by us on or before March 31, 2010. The redemption price is payable, at our option, subject to the indenture, either all in cash or by the issuance of depositary units, in either case, in an amount equal to the liquidation preference of the preferred units plus any accrued but unpaid distributions thereon.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements for fiscal 2008. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Among others, estimates are used when accounting for valuation of investments and estimated costs to complete land, house and condominium developments. Estimates and assumptions are evaluated on an ongoing basis and are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates.

We believe the following accounting policies are critical to our business operations and the understanding of results of operations and affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Consolidation

The consolidated financial statements include the accounts of (i) Icahn Enterprises and (ii) the wholly and majority owned subsidiaries of Icahn Enterprises in which control can be exercised, in addition to those entities in which Icahn Enterprises has a substantive controlling general partner interest or in which it is the primary beneficiary of a variable interest entity. We are considered to have control if we have a direct or indirect ability to make decisions about an entity s activities through voting or similar rights. We use the guidance set forth in Emerging Issues Task Force (EITF) Issue No. 04-05, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF No. 04-05), FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* (FIN 46R), and SFAS No. 94, *Consolidation of All Majority-Owned Subsidiaries - An Amendment of ARB No. 51, with Related Amendments of APB Opinion No. 18, and ARB No. 43 Chapter 12* (SFAS No. 94), with respect to our investments in partnerships and limited liability companies. All intercompany balances and transactions are eliminated.

Our consolidated financial statements also include the consolidated financial statements of Icahn Capital and the General Partners (and for the periods prior to January 1, 2008, New Icahn Management and Icahn Management) and certain consolidated Private Funds during the periods presented. The Investment Management segment consolidate those entities in which (i) they have an investment of more than 50% and have control over significant operating, financial and investing decisions of the entity pursuant to SFAS No. 94, (ii) they have a substantive, controlling general partner interest pursuant to EITF No. 04-05 or (iii) they are

33

the primary beneficiary of a variable interest entity pursuant to FIN 46R. With respect to the consolidated Private Funds, the limited partners and shareholders have no substantive rights to impact ongoing governance and operating activities.

The analysis as to whether to consolidate an entity is subject to a significant amount of judgment. Some of the criteria considered include the determination as to the degree of control over an entity by its various equity holders, the design of the entity, how closely related the entity is to each of its equity holders, the relation of the equity holders to each other and a determination of the primary beneficiary in entities in which we have a variable interest. These analyses involve estimates, probability weighting of subjectively determined cash flows scenarios and other estimates based on the assumptions of management.

Revenue Recognition on Special Profits Interest Allocation and Incentive Allocation

The General Partners generate income from amounts earned pursuant to contractual arrangements with the Private Funds.

Prior to January 1, 2008, such amounts typically included an annual management fee of 2.5% of the net asset value before a performance-based incentive allocation of 25% of capital appreciation (both realized and unrealized) earned by the Private Funds subject to a high water mark (whereby the General Partners did not earn incentive allocations during a particular year even though the fund had a positive return in such year until losses in prior periods are recovered). Such amounts have been (and may in the future be) modified or waived in certain circumstances. The General Partners (and New Icahn Management prior to January 1, 2008) and their affiliates may also earn income through their investments in the Private Funds. Effective January 1, 2008, the management fees were eliminated and the General Partners are eligible to receive special profits interest allocations as discussed below.

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

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

In the event that sufficient net profits are not generated by an Investment Fund with respect to a capital account to meet the full Target Special Profits Interest Amount for an Investor for a calendar year, a special profits interest allocation will be made to the extent of such net profits, if any, and the shortfall will be carried forward and added to the Target Special Profits Interest Amount determined for such Investor for the next calendar year. Adjustments, to the extent appropriate, will be made to the calculation of the special profits interest allocations for new subscriptions and withdrawals by Investors. In the event that an Investor redeems in full from a Feeder Fund or the Onshore Fund before the full targeted Target Special Profits Interest Amount determined for such Investor has been allocated to the General Partner in the form of a special profits interest allocation, the amount of the Target Special Profits Interest Amount that has not yet been allocated to the General Partner will be forfeited and the General Partner will never receive it.

The General Partners special profits interest allocations and incentive allocations earned from the Private Funds are accrued on a quarterly basis in accordance with Method 2 of EITF Topic D-96, *Accounting for Management Fees Based on a Formula*, and are allocated to the General Partners at the end of Private Funds fiscal year (or sooner on redemptions). Such accruals may be reversed as a result of subsequent investment performance prior to the conclusion of the Private Funds fiscal year.

Compensation Arrangements

The Investment Management segment has entered into agreements with certain of its employees whereby these employees have been granted rights to participate in a portion of the special profits interest allocations (in certain cases, whether or not such special profits interest is earned by the General Partners) (and prior to January 1, 2008, management fees) and incentive allocations earned by the Investment Management segment, typically net of certain expenses and generally subject to various vesting provisions. These amounts remain invested in the Private Funds and generally earn the rate of return of these funds, before the effects of any levied management fees or incentive allocations, which are waived on such deferred amounts. Accordingly, these rights are accounted for as liabilities in accordance with SFAS No. 123(R) (Revised 2004), *Share-Based Payment,* or SFAS No. 123(R), and remeasured at fair value for each reporting period until settlement.

The fair value of amounts deferred under these rights is determined at the end of each reporting period based, in part, on the (i) fair value of the underlying fee-paying net assets of the Private Funds, upon which the respective management fees are based, and (ii) performance of the funds in which the deferred amounts remain invested. The carrying value of such amounts represents the allocable management fees initially deferred and the appreciation or depreciation on any reinvested deferrals. These amounts approximate fair value because the appreciation or depreciation on the deferrals is based on the fair value of the Private Funds' investments, which are marked-to-market through earnings on a monthly basis.

Additionally, the Automotive segment accounts for stock-based compensation in accordance with SFAS No. 123(R). Estimating fair value for shared-based payments in accordance with SFAS No. 123(R) requires the Automotive segment s management to make assumptions regarding expected volatility of the underlying shares, the risk-free rate over the life of the share-based payment, and the date on which share-based payments will be settled. Any differences in actual results from management s estimates could result in fair values different from estimated fair values, which could materially impact our Automotive segment s future results of operations and financial condition.

Valuation of Investments

The fair value of our investments, including securities sold, not yet purchased, is based on observable market prices when available. Securities owned by the Private Funds that are listed on a securities exchange are valued at their last sales price on the primary securities exchange on which such securities are traded on such date. Securities that are not listed on any exchange but are traded over-the-counter are valued at the mean between the last bid and ask price for such security on such date. Securities and other instruments for which market quotes are not readily available are valued at fair value as determined in good faith by the applicable general partner. For some investments little market activity may exist; management s determination of fair value is then based on the best information available in the circumstances, and may incorporate management s own assumptions and involves a significant degree of management s judgment.

Long-Lived Assets

Long-lived assets held and used by our various operating segments and long-lived assets to be disposed of are reviewed for impairment whenever events or changes in circumstances, such as vacancies and rejected leases, indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, we estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows, undiscounted and without interest charges, is less than the carrying amount of the asset an impairment loss is recognized. Measurement of an impairment loss for long-lived assets that we expect to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

As a result of adjustments to fair value pursuant to SFAS No. 141, Federal-Mogul s long-lived assets such as property, plant and equipment have been stated at estimated replacement cost as of February 29, 2008, unless the expected future use of the assets indicated a lower value was appropriate. Long-lived assets such as definite-lived intangible assets have been stated at estimated fair value as of February 29, 2008. In addition, Federal-Mogul s indefinite-lived intangible assets, such as goodwill and trademarks, have been stated at estimated fair value as of February 29, 2008. Prior to Federal-Mogul s application of purchase accounting, long-lived assets, such as property, plant and equipment and definite-lived intangible assets, were stated at cost. Federal-Mogul s depreciation and amortization is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes.

Definite-lived assets held by our various segments are periodically reviewed for impairment indicators. If impairment indicators exist, we perform the required analysis and record an impairment charge, as required, in accordance with SFAS No. 144.

Indefinite-lived intangible assets, such as goodwill and trademarks, held by our various segments are reviewed for impairment annually, or more frequently if impairment indicators exist. In accordance with SFAS No. 142, the impairment analysis compares the estimated fair value of these assets to the related carrying value, and an impairment charge is recorded for any excess of carrying value over estimated fair value. The estimated fair value is based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and projected future cash flows discounted at rates commensurate with the risk involved.

Estimating fair value for both long-lived and indefinite-lived assets requires management to make assumptions regarding future sales volumes and pricing, capital expenditures, useful lives and salvage values of related property, plant and equipment, management s ability to develop and implement productivity improvements, discount rates, effective tax rates, market multiples and other items. Any differences in actual results from estimates could result in fair values different from estimated fair values, which could materially impact our future results of operations and financial condition.

Commitments and Contingencies Litigation

On an ongoing basis, we assess the potential liabilities related to any lawsuits or claims brought against us. While it is typically very difficult to determine the timing and ultimate outcome of such actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, we make estimates of the amount of insurance recoveries, if any. We accrue a liability when we believe a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recovery, it is possible that certain matters may be resolved for amounts materially different from any provisions or disclosures that we have previously made.

Environmental Matters

Due to the nature of the operations of our Automotive and Metals segments, we may be subject to environmental remediation claims. Our Automotive and Metals segments are subject to federal, state, local and foreign environmental laws and regulations concerning discharges to the air, soil, surface and subsurface waters and the generation, handling, storage, transportation, treatment and disposal of waste materials and hazardous substances. Our Automotive and Metals operations are also subject to other federal, state, local and foreign laws and regulations including those that require them to remove or mitigate the effects of the disposal or release of certain materials at various sites. While it is typically very difficult to determine the timing and ultimate outcome of such actions, if any, our Automotive and Metals management use their best judgment to determine if it is probable that they will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, our Automotive and Metals management make estimates of the amount of insurance recoveries, if any. Our Automotive and Metals operations accrue a liability when management believes a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recovery, it is possible that certain matters may be resolved for amounts materially different from any provisions or disclosures that have previously been made.

It is impossible to predict precisely what effect these laws and regulations will have on our Automotive and Metals operations in the future. Compliance with environmental laws and regulations may result in, among other things, capital expenditures, costs and liabilities. Management believes, based on past experience and its best assessment of future events, that these environmental liabilities and costs will be assessed and paid over an extended period of time. Our Automotive and Metals operations believe that that recorded environmental liabilities will be adequate to cover their estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded, our Automotive and Metals results of operations could be materially affected.

Use of Estimates in Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The more significant estimates include: (1) the valuation allowances of accounts receivable and inventory; (2) the valuation of long-lived assets, mortgages and notes receivable; (3) costs to complete for land, house and condominium developments; (4) deferred tax assets; (5) environmental liabilities; (6) fair value of derivatives; and (7) pension liabilities. Actual results may differ from the estimates and assumptions used in preparing the consolidated financial statements.

Pension Plans and Other Postretirement Benefit Plans

Using appropriate actuarial methods and assumptions, Federal-Mogul s defined benefit pension plans are accounted for in accordance with SFAS No. 87, *Employers Accounting for Pensions,* and SFAS No. 158*, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*. Non-pension postemployment benefits are accounted for in accordance with SFAS No. 106, *Employers Accounting for Postretirement Benefits Other Than Pensions*; and disability, early retirement and other postemployment benefits are accounted for in accordance with SFAS No. 112, *Employer Accounting for Postemployment Benefits*.

Actual results that differ from assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods. Therefore, assumptions used to calculate benefit obligations as of the end of a fiscal year directly impact the expense to be recognized in future periods. The primary assumptions affecting Federal-Mogul s accounting for employee benefits under SFAS Nos. 87, 106, 112 and 158 as of December 31, 2008 are as follows:

Long-Term Rate of Return on Plan Assets: The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. Federal-Mogul uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop an assumption of the expected long-term rate of return on plan assets. The expected long-term rate of return is used to calculate net periodic pension cost. In determining its pension obligations, Federal-Mogul used long-term rates of return on plan assets ranging from 4.0% to 10.0%.
Discount Rate: The discount rate is used to calculate future pension and postemployment obligations. Discount rate assumptions used to account for pension and non-pension postemployment benefit plans reflect the rates available on high-quality, fixed-income debt instruments on December 31 of each year. In determining its pension and other benefit obligations, Federal-Mogul used discount rates ranging from 5.25% to 8.25%.
Health Care Cost Trend: For postretirement health care plan accounting, Federal-Mogul reviews external data and specific historical trends for health care costs to determine the health care cost trend rate. The assumed health care cost trend rate used to measure next year s postemployment health care benefits is 7.5% declining to an ultimate trend

rate of 5.0% in 2014. The assumed drug cost trend rate used to measure next year s postemployment health care benefits is 9.2% declining to an ultimate trend rate of 5.0% in 2014.

The following table illustrates the sensitivity to a change in certain assumptions for projected benefits obligations (PBO), associated expense and other comprehensive loss (OCL). The changes in these assumptions have no impact on Federal-Mogul s fiscal 2009 funding requirements.

37

	Pension Benefits United States Plans			International Plans			Other Benefits	
	Change in 2009 Pension Expense	Change in PBO	Change in Accumulated OCL	Change in 2009 Pension Expense	Change in PBO	Change in Accumulated OCL	Change in 2009 Expense	Change in PBO
	(Millions of Dollars)							
25 bp decrease in discount rate	$(2)	$21	$(21)	$	$8	$(8)	$	$(10)
25 bp increase in discount rate	2	(21)	21		(8)	8		(10)
25 bp decrease in rate of return on assets	1							
25 bp increase in rate of return on assets	(1)							

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

	Total Service and Interest Cost	APBO
	(Millions of Dollars)	
100 bp increase in health care trend rate	$ 2	$ 26
100 bp decrease in health care trend rate	(1)	(24)

Conditional Asset Retirement Obligations

Federal-Mogul has accrued conditional asset retirement obligations, or CARO, of $27 million as of December 31, 2008, in accordance with FASB Financial Interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations-an interpretation of FASB Statement No. 143* (FIN 47). These liabilities result primarily from the obligation to remove hazardous materials in buildings from facilities which Federal-Mogul expects to close or sell in connection with its ongoing restructuring efforts.

In determining whether the estimated fair value of CARO can reasonably be estimated in accordance with FIN 47, Federal-Mogul must determine if the obligation can be assessed in relation to the acquisition price of the related asset or if an active market exists to transfer the obligation. If the obligation cannot be assessed in connection with an acquisition price and if no market exists for the transfer of the obligation, Federal-Mogul must determine if it has sufficient information upon which to estimate the obligation using expected present value techniques. This determination requires Federal-Mogul to estimate the range of settlement dates and the potential methods of settlement, and then to assign the probabilities to the various potential settlement dates and methods.

In cases other than those included in the $27 million, where probability assessments could not reasonably be made, Federal-Mogul cannot record and has not recorded a liability for the affected CARO. If new information were to become available whereby Federal-Mogul could make reasonable probability assessments for these CARO, the amount accrued for CARO could change significantly, which could materially impact Federal-Mogul s statement of operations and/or financial position and adversely impact our Automotive segment s operations. Settlements of CARO in the near-future at amounts other than Federal-Mogul s best estimates as of December 31, 2008 also could materially impact our Automotive segment s future results of operations and financial condition.

Income Taxes

Except as described below, no provision has been made for federal, state or local income taxes on the results of operations generated by partnership activities as such taxes are the responsibility of the partners. Our corporate subsidiaries account for their income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Federal-Mogul did not record taxes on a portion of its undistributed earnings of $652 million at December 31, 2008, since these earnings are considered by Federal-Mogul to be permanently reinvested. If at some future date, these earnings cease to be permanently reinvested, Federal-Mogul may be subject to U.S. income taxes and foreign withholding taxes on such amounts. Determining the unrecognized deferred tax liability on the potential distribution of these earnings is not practicable as such liability, if any, is dependent on circumstances existing when remittance occurs.

Management periodically evaluates all evidence, both positive and negative, in determining whether a valuation allowance to reduce the carrying value of deferred tax assets is still needed. In fiscal 2008, fiscal 2007 and fiscal 2006, we concluded, based on the projections of taxable income, that certain of our corporate subsidiaries more likely than not will realize a partial benefit from their deferred tax assets and loss carry forwards. Ultimate realization of the deferred tax assets is dependent upon, among other factors, our corporate subsidiaries ability to generate sufficient taxable income within the carryforward periods and is subject to change depending on the tax laws in effect in the years in which the carryforwards are used.

Recently Issued Accounting Pronouncements

SFAS No. 141(R). In December 2007, the FASB issued SFAS No. 141(R). SFAS No. 141(R) requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition-date fair values. Certain forms of contingent consideration and certain acquired contingencies will be recorded at fair value at the acquisition date. SFAS No. 141(R) also requires that acquisition-related costs be expensed as incurred and restructuring costs be expensed in periods after the acquisition date. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption of SFAS No. 141(R) is not permitted. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009.

SFAS No. 160. In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51* (SFAS No. 160). SFAS No. 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company s equity; non-controlling interests will be presented within the statement of changes in partners equity and comprehensive income as a separate equity component. It also requires that the amount of consolidated net income attributable to the parent and to the non-controlling interests be clearly identified and presented on the face of the consolidated statement of income; income per LP unit be reported after the adjustment for non-controlling interest in income (loss); changes in ownership interest be accounted for similarly as equity transactions; and, when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. We adopted SFAS No. 160 effective January 1, 2009 and we have reflected it in on a retrospective basis for all periods presented. There was no effect from our adoption of SFAS No. 160 on the equity or net income (loss) attributable to Icahn Enterprises, or Icahn Enterprises liquidity.

SFAS No. 161. In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS No. 161), which requires enhanced disclosures about an entity s derivative and hedging activities thereby improving the transparency of financial reporting. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. Since SFAS No. 161 requires additional disclosures regarding derivative and hedging activities, the adoption of SFAS No. 161 will not affect our financial condition, results of operations or cash flows.

39

FSP No. 133-1 and FIN 45-4. In September 2008, the FASB issued FSP No. FAS 133-1 and FIN 45-4 *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161* (FSP FAS 133-1 and FIN 45-4). This FSP amends SFAS No.133, *Accounting for Derivative Instruments and Hedging Activities*, to require disclosures by entities that assume credit risk through the sale of credit derivatives including credit derivatives embedded in a hybrid instrument. The intent of these enhanced disclosures is to enable users of financial statements to assess the potential effects on its financial position, financial performance, and cash flows from these credit derivatives. This FSP also amends FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others , to require an additional disclosure about the current status of the payment /performance risk of a guarantee. FSP FAS 133-1 and FIN 45-4 are effective for financial statements issued for fiscal years and interim periods ending after November 15, 2008. For periods after the initial adoption date, comparative disclosures are required. We adopted FSP FAS 133-1 and FIN 45-4 on December 31, 2008. See Note 9, Financial Instrument to the consolidated financial statements for further discussion.

FSP FAS 140-4 and FIN 46(R)-8. In December 2008, the FASB issued FASB Staff Position FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities* (FAS 140-4 and FIN 46(R)-8). FAS 140-4 and FIN 46(R)-8 increases disclosures for public companies about securitizations, asset-backed financings and variable interest entities. The FSP is effective for reporting periods that end after December 15, 2008. Since the FSP requires only additional disclosures concerning transfers of financial assets and interests in variable interest entities, adoption of the FSP will not affect our financial condition, results of operations or cash flows.

Forward-Looking Statements

Statements included in Management s Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be, and are hereby identified as, forward-looking statements for purposes of the safe harbor provided by Section 27A of the Securities Act and Section 21E of the Exchange Act, as amended by Public Law 104-67.

Forward-looking statements regarding management s present plans or expectations involve risks and uncertainties and changing economic or competitive conditions, as well as the negotiation of agreements with third parties, which could cause actual results to differ from present plans or expectations, and such differences could be material. Readers should consider that such statements speak only as of the date hereof.

We have in the past and may in the future make forward-looking statements. Certain of the statements contained in this document involve risks and uncertainties. Our future results could differ materially from those statements. Factors that could cause or contribute to such differences include, but are not limited to those discussed in this document. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those predicted. Also, please see Item 1A., Risk Factors, contained in our annual report on Form 10-K for the fiscal year ended December 31, 2008 filed with the SEC on March 4, 2009.

TABLE OF CONTENTS

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Partners of
Icahn Enterprises L.P.

We have audited the accompanying consolidated balance sheets of Icahn Enterprises L.P. and Subsidiaries (the Partnership) (a Delaware limited partnership) as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2008. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15 (a)(2). These financial statements and financial statement schedule are the responsibility of the Partnership s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We did not audit the financial statements of Federal-Mogul Corporation, a subsidiary, whose total assets as of December 31, 2008, and whose revenues for the period from March 1, 2008 (date of consolidation) through December 31, 2008, constituted $7.2 billion and $5.7 billion, respectively, of the related consolidated totals. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Federal-Mogul Corporation, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Icahn Enterprises L.P. and Subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1, on January 1, 2009, the Partnership adopted SFAS No. 160 and retrospectively adjusted all periods presented for the adoption. In addition, the Partnership has reformatted its consolidated financial statements for all periods presented.

As discussed in Notes 2 and 7 to the consolidated financial statements, in 2007, the Partnership changed its method of accounting for its investments with the adoption of SFAS No. 157 and SFAS No. 159.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Icahn Enterprises L.P. and Subsidiaries internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report thereon dated March 4, 2009, expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

New York, New York
March 4, 2009 (except for Note 1
related to the effect of the adoption
of SFAS No. 160 and reformatted consolidated
financial statements, as to which the date is August 4, 2009)

TABLE OF CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Federal-Mogul Corporation

We have audited the consolidated balance sheets of Federal-Mogul Corporation and subsidiaries (the Company) as of December 31, 2008 and 2007 (Successor), and the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for the years ended December 31, 2008 (Successor), and 2007 and 2006 (Predecessor) (not presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Federal-Mogul Corporation and subsidiaries at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, on November 8, 2007, the U.S. Bankruptcy Court entered an order confirming the Plan of Reorganization, which became effective on December 27, 2007. Accordingly, the accompanying consolidated financial statements have been prepared in conformity with AICPA Statement of Position 90-7 *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*, for the Successor as a new entity with assets, liabilities and a capital structure having carrying values not comparable with prior periods as described in Note 3.

As discussed in Notes 14 and 15 to the consolidated financial statements, the Predecessor changed its method of accounting for pensions and other postretirement plans in 2006 and tax uncertainties in 2007, respectively.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2009, included in the Company s Annual Report (Form 10-K) for the year ended December 31, 2008 and not presented herein, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Detroit, Michigan
February 24, 2009

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2007

	December 31, 2008	2007
	(In Millions, Except Unit Amounts)	
ASSETS		
Cash and cash equivalents	$2,612	$2,113
Cash held at consolidated affiliated partnerships and restricted cash	3,947	1,147
Investments	4,515	6,432
Accounts receivable, net	1,057	179
Due from brokers	54	848
Inventories, net	1,093	266
Property, plant and equipment, net	2,878	533
Goodwill	1,086	16
Intangible assets	943	24
Other assets	630	876
Total Assets	$18,815	$12,434
LIABILITIES AND EQUITY		
Accounts payable	$679	$85
Accrued expenses and other liabilities	2,805	930
Securities sold, not yet purchased, at fair value	2,273	206
Due to brokers	713	
Postemployment benefit liability	1,302	
Debt	4,571	2,041
Preferred limited partner units	130	124
Total liabilities	12,473	3,386
Commitments and contingencies (Note 20)		
Equity:		
Limited partners:		
Depositary units: 92,400,000 authorized; issued 75,912,797 and 71,626,710 at December 31, 2008 and 2007, respectively; outstanding 74,775,597 and 70,489,510 at December 31, 2008 and 2007, respectively	2,582	3,057
General partner	(172)	(732)
Treasury units at cost	(12)	(12)
Equity attributable to Icahn Enterprises	2,398	2,313
Equity attributable to non-controlling interests	3,944	6,735
Total equity	6,342	9,048
Total Liabilities and Equity	$18,815	$12,434

See notes to consolidated financial statements.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS December 31, 2008 and

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS Years Ended December 31, 2008, 2007 and 2006

	Year Ended December 31,		
	2008[1]	2007	2006
	(In Millions, Except Per Unit Amounts)		
Revenues:			
Net sales	$7,389	$1,608	$1,720
Net (loss) gain from investment activities	(2,923)	439	1,122
Interest and dividend income	323	372	130
Gain on extinguishment of debt	146		
Other income, net	92	72	34
Total revenues	5,027	2,491	3,006
Expenses:			
Cost of goods sold	6,258	1,505	1,594
Selling, general and administrative	965	294	262
Restructuring and impairment	607	53	46
Interest expense	323	150	97
Total expenses	8,153	2,002	1,999
(Loss) income from continuing operations before income tax (expense) benefit	(3,126)	489	1,007
Income tax (expense) benefit	(47)	(9)	1
(Loss) income from continuing operations	(3,173)	480	1,008
Income from discontinued operations	485	84	850
Net (loss) income	(2,688)	564	1,858
Less: net loss (income) attributable to non-controlling interests	2,645	(256)	(750)
Net (loss) income attributable to Icahn Enterprises	$(43)	$308	$1,108
Net (loss) income attributable to Icahn Enterprises from:			
Continuing operations	$(528)	$219	$311
Discontinued operations	485	89	797
	$(43)	$308	$1,108
Net (loss) income attributable to Icahn Enterprises allocable to:			
Limited partners	$(57)	$103	$507
General partner	14	205	601
	$(43)	$308	$1,108
Basic and diluted income (loss) per LP unit:			
(Loss) income from continuing operations	$(7.84)	$0.24	$0.02
Income from discontinued operations	7.04	1.34	8.20
	$(0.80)	$1.58	$8.22
Weighted average LP units outstanding	71	65	62

Cash distributions declared per LP unit	$1.00	$0.55	$0.40

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

See notes to consolidated financial statements.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME Years Ended December 31, 2008, 2007 and 2006 (In Millions)

Accumulated other comprehensive (loss) income at December 31, 2008 and 2007 was $(752) and $9, respectively.

See notes to consolidated financial statements.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS Years Ended December 31, 2008, 2007 and 2006 (In Millions)

	Year Ended December 31,		
	2008[1]	2007	2006
Net (loss) income	$(2,688)	$564	$1,858
Cash Flows from operating activities:			
Income (loss) from continuing operations	$(3,173)	$480	$1,008
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Investment losses (gains)	3,116	(470)	(1,054)
Purchases of securities	(9,104)	(8,998)	(4,268)
Proceeds from sales of securities	6,829	6,354	5,155
Purchases to cover securities sold, not yet purchased	(654)	(2,210)	(765)
Proceeds from securities sold, not yet purchased	3,437	1,592	990
Net premiums received on derivative contracts	77		
Depreciation and amortization	332	36	46
Impairment loss on long-lived assets	450	25	32
Gain on extinguishment of debt	(146)		
Other, net	68	(14)	56
Changes in operating assets and liabilities:			
Cash held at consolidated affiliated partnerships and restricted cash	(2,800)	47	(893)
Accounts receivable, net	224	23	64
Inventories, net	219	24	6
Other assets	779	(91)	(618)
Accounts payable, accrued expenses and other liabilities	1,194	200	(8)
Net cash provided by (used in) continuing operations	848	(3,002)	(249)
Net cash (used in) provided by discontinued operations	(7)	86	231
Net cash provided by (used in) operating activities	841	(2,916)	(18)
Cash flows from investing activities:			
Capital expenditures	(794)	(60)	(30)
Purchases of marketable equity and debt securities	(2)	(155)	(244)
Proceeds from sales of marketable equity and debt securities	565	337	570
Acquisitions of businesses, net of cash acquired	(68)	(48)	(99)
Other	53	27	23
Net cash (used in) provided by investing activities from continuing operations	(246)	101	220
Net cash provided by (used in) investing activities from discontinued operations	1,069	(10)	827
Net cash provided by investing activities	823	91	1,047

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

See notes to consolidated financial statements.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS Years En

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2008, 2007 and 2006
(In Millions)

	Year Ended December 31,		
	2008[1]	2007	2006
Cash flows from financing activities:			
Investment Management:			
Capital distributions to partners		(156)	
Capital subscriptions received in advance		145	66
Capital distributions to non-controlling interests	(1,270)	(43)	
Capital contributions by non-controlling interests	685	2,404	300
Partnership distributions	(72)	(37)	(25)
General partner contributions	3	16	
PSC Metals acquisition		(335)	
Purchase of treasury shares by subsidiary	(17)		
Dividends paid to minority holders of subsidiary		(19)	
Proceeds from borrowings	44	1,155	34
Repayments of borrowings	(302)	(33)	(9)
Other	7	6	(41)
Net cash (used in) provided by financing activities from continuing operations	(922)	3,103	325
Net cash (used in) provided by financing activities from discontinued operations	(255)	(1)	15
Net cash (used in) provided by financing activities	(1,177)	3,102	340
Effect of exchange rate changes on cash	(57)	4	1
Net increase in cash and cash equivalents	430	281	1,370
Net change in cash of assets held for sale	69	(52)	147
Cash and cash equivalents, beginning of period	2,113	1,884	367
Cash and cash equivalents, end of period	$2,612	$2,113	$1,884
Supplemental information:			
Cash payments for interest	$340	$150	$112
Cash payments for income taxes, net of refunds	$239	$27	$17
Net unrealized (losses) gains on securities available for sale	$(8)	$(24)	$30
LP unit issuance	$153	$810	$
Equity received in consideration for sale of oil and gas	$	$	$231
Philip's contribution to redeem PSC Metals' debt	$	$35	$
Redemptions payable to non-controlling interests	$169	$88	$24

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

See notes to consolidated financial statements.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

1. Description of Business and Basis of Presentation

General

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

We are a diversified holding company owning subsidiaries currently engaged in the following continuing operating businesses: Investment Management, Automotive, Metals, Real Estate and Home Fashion. We also report the results of our Holding Company, which includes the unconsolidated results of Icahn Enterprises and Icahn Enterprises Holdings, and investment activity and expenses associated with the Holding Company. Further information regarding our continuing reportable segments is contained in Note 4, Operating Units, and Note 18, Segment and Geographic Reporting.

We conduct and plan to continue to conduct our activities in such a manner as not to be deemed an investment company under the Investment Company Act of 1940 (the 40 Act). Therefore, no more than 40% of our total assets will be invested in investment securities, as such term is defined in the 40 Act. In addition, we do not invest or intend to invest in securities as our primary business. We intend to structure our investments to continue to be taxed as a partnership rather than as a corporation under the applicable publicly traded partnership rules of the Internal Revenue Code, as amended (the Code).

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

Basis of Presentation

The consolidated financial statements include the accounts of (i) Icahn Enterprises and (ii) the wholly and majority owned subsidiaries of Icahn Enterprises in which control can be exercised, in addition to those entities in which Icahn Enterprises has a substantive controlling, general partner interest or in which it is the primary beneficiary of a variable interest entity in accordance with FIN 46R, as described below. Icahn Enterprises is considered to have control if it has a direct or indirect ability to make decisions about an entity s activities through voting or similar rights. All material intercompany accounts and transactions have been eliminated in consolidation.

As further described in Note 2, Summary of Significant Accounting Policies, the Investment Funds and the Offshore Fund (as each term is defined herein) are consolidated into our financial statements even though we only have a minority interest in the equity and income of these funds. The majority ownership interests in these funds, which represent the portion of the consolidated net assets and net income attributable to the limited partners and shareholders in the consolidated Private Funds (as defined below) for the periods presented, are attributable to non-controlling interests in the accompanying consolidated financial statements.

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

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

1. Description of Business and Basis of Presentation (continued)

As discussed in further detail in Note 3 Acquisitions Acquisition of Controlling Interest in Federal-Mogul Corporation, we acquired a majority interest in Federal-Mogul Corporation (Federal-Mogul), from Thornwood Associates Limited Partnership (Thornwood) and Thornwood s general partner, Barberry Corp. (Barberry). Thornwood and Barberry are wholly owned by Carl C. Icahn. The acquisition of the controlling interest in Federal-Mogul is accounted for as a combination of entities under common control and recorded at the historical basis of the assets and liabilities acquired at the effective date of control by Mr. Icahn, February 25, 2008.

Federal-Mogul is a reporting company under the Securities Exchange Act of 1934, as amended (the Exchange Act), and files annual, quarterly and current reports. Each of these reports is separately filed with the SEC and is publicly available.

Change in Presentation

On January 1, 2009, we adopted SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS No. 160). We are updating our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (the 2008 Annual Report on Form 10-K), previously filed with the SEC on March 4, 2009, to reflect the retrospective application of the presentation and disclosure requirements of SFAS No. 160.

On April 28, 2009, we received a comment letter from the Securities and Exchange Commission (the SEC) regarding certain financial matters set forth in our 2008 Annual Report on Form 10-K. In response to the comment letter, we reformatted our consolidated balance sheets, and statements of operations and cash flows for all periods presented. This reformatting of our consolidated financial statements has no effect on our consolidated financial position, results of operations or cash flows.

2. Summary of Significant Accounting Policies

As discussed in Note 1, Description of Business and Basis of Presentation, we operate in several diversified segments. The accounting policies related to the specific segments or industries are differentiated, as required, in the list of significant accounting policies set out below.

Principles of Consolidation

General

The consolidated financial statements include the accounts of (i) Icahn Enterprises and (ii) the wholly and majority owned subsidiaries of Icahn Enterprises in which control can be exercised, in addition to those entities in which Icahn Enterprises has a substantive controlling, general partner interest or in which it is the primary beneficiary of a variable interest entity. We are considered to have control if we have a direct or indirect ability to make decisions about an entity s activities through voting or similar rights. We use the guidance set forth in AICPA Statement of Position No.78-9, *Accounting for Investments in Real Estate Ventures* (SOP 78-9), Emerging Issues Task Force (EITF) Issue No. 04-05, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF No. 04-05), FASB Interpretation No. (FIN) 46R, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* (FIN 46R), and in Statement of Financial Accounting Standards (SFAS) No. 94, *Consolidation of All Majority-Owned Subsidiaries An Amendment of ARB No. 51, with Related Amendments of APB Opinion No. 18, and ARB No. 43 Chapter 12* (SFAS No. 94), with respect to our investments in partnerships and limited liability companies. All intercompany balances and transactions are eliminated.

For investments in affiliates of 50% or less but greater than 20%, our Automotive segment accounts for such investments using the equity method pursuant to Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* (APB 18), while investments in affiliates of 20% or less are accounted for under the cost method.

49

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Investment Management

The accompanying financial statements include the consolidated financial statements of Icahn Capital LP (Icahn Capital) and the General Partners and certain consolidated Private Funds during the periods presented. As defined herein, the General Partners consist of the Onshore GP and Offshore GP (as defined below). The General Partners consolidate those entities in which (i) they have an investment of more than 50% and have control over significant operating, financial and investing decisions of the entity pursuant to SFAS No. 94, (ii) they have a substantive controlling, general partner interest pursuant to EITF No. 04-05 or (iii) they are the primary beneficiary of a variable interest entity (a VIE) pursuant to FIN 46R. With respect to the consolidated Private Funds, the limited partners and shareholders have no substantive rights to impact ongoing governance and operating activities.

The Onshore GP and Offshore GP are each consolidated into Icahn Capital as Icahn Capital is the general partner of such entities. Because we own 100% of the interests in Icahn Capital, Icahn Capital is consolidated into us.

Our consolidated financial statements include the results of Icahn Management LP (Icahn Management) through August 8, 2007 (and Icahn Capital Management LP (New Icahn Management) for the period August 8, 2007 through December 31, 2007.) We consolidated each of these entities as we had a substantive controlling, general partnership interest in these entities. As of January 1, 2008, New Icahn Management distributed its net assets to Icahn Capital.

Icahn Partners LP (the Onshore Fund) is consolidated into Icahn Onshore LP (the Onshore GP) pursuant to EITF 04-05, which defines the criteria for determining whether a general partner controls a limited partnership when the limited partners have certain rights, such as kick-out rights. According to EITF 04-05, consolidation of a limited partnership by the general partner is required when these rights do not exist.

Icahn Partners Master Fund LP (Offshore Master Fund I) is consolidated into Icahn Fund Ltd. (the Offshore Fund). In addition, the Offshore Fund, Icahn Partners Master Fund II L.P. (Offshore Master Fund II), Icahn Partners Master Fund III L.P. (Offshore Master Fund III) and, through October 1, 2006, Icahn Sterling Fund Ltd. (the Sterling Fund) are consolidated into the Offshore GP, pursuant to FIN 46R. On October 1, 2006, the Sterling Fund s assets were contributed to the Offshore Fund. A VIE is defined in FIN 46R as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents, will absorb a majority of the VIE's expected losses or receive a majority of the expected residual returns as a result of holding variable interests.

Although the Private Funds are not investment companies within the meaning of the 40 Act, each of the consolidated Private Funds is, for purposes of U.S. GAAP, an investment company under the AICPA Audit and Accounting Guide Investment Companies (the AICPA Guide). The General Partners adopted Statement of Position No. 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* (SOP 07-1) as of January 1, 2007. SOP 07-1, issued in June 2007, addresses whether the accounting principles of the AICPA Guide may be applied to an entity by clarifying the definition of an investment company and whether those accounting principles may be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. Upon the adoption of SOP 07-1, (i) the Offshore GP lost its ability to retain specialized accounting pursuant to the AICPA Guide for either its equity method investment in Offshore Master Fund I or for its consolidation of the Offshore Fund, Offshore Master Fund II and Offshore Master Fund III, and (ii) the Onshore GP lost its ability to retain specialized accounting for its consolidation of the Onshore Fund, in each case, because both the Offshore GP and the Onshore GP do not meet the requirements for retention of specialized accounting under SOP 07-1, as the

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Offshore GP and Onshore GP and their affiliates acquire interests for strategic operating purposes in the same companies in which their subsidiary investment companies invest.

However, upon losing their ability to retain specialized accounting, the General Partners applied SFAS No. 115, *Accounting for Investments in Debt and Equity Securities* (SFAS No. 115), to their investments held by the consolidated Private Funds in debt securities and in those equity securities with readily determinable fair values, as defined by that statement, and classified such investments as available-for-sale securities and then elected the fair value option pursuant to SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an Amendment of FASB Statement No. 115* (SFAS No. 159), and reclassified such securities as trading securities. For those equity securities that fall outside the scope of SFAS No. 115 because they do not have readily determinable fair values as defined by that Statement, the General Partners elected the fair value option pursuant to SFAS No. 159 and measured the fair value of such securities in accordance with the requirements of SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). For those investments in which the General Partners would otherwise account for such investments under the equity method, the General Partners, in accordance with their accounting policy, elected the fair value option pursuant to SFAS No. 159 for all such investments. The election of the fair value option pursuant to SFAS No. 159 was deemed to most accurately reflect the nature of our business relating to investments.

Derivative contracts entered into by the consolidated Private Funds continue to be accounted for pursuant to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), which was amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities* (SFAS No. 138). These pronouncements require recognition of all derivatives as either assets or liabilities in the balance sheet at their fair value. All changes in the fair values of derivatives held by the consolidated Private Funds are reported in earnings.

The special profits interest allocations (effective January 1, 2008), management fees earned through December 31, 2007 from certain consolidated entities and the incentive allocations are eliminated in consolidation; however, our allocated share of the net income from the Private Funds includes the amount of these eliminated fees and allocations. Accordingly, the consolidation of the Private Funds has no material net effect on our earnings from the Private Funds.

Use of Estimates in Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The more significant estimates include: (1) the valuation allowances of accounts receivable and inventory; (2) the valuation of long-lived assets, mortgages and notes receivable; (3) costs to complete for land, house and condominium developments; (4) deferred tax assets; (5) environmental liabilities; (6) fair value of derivatives; and (7) pension liabilities. Actual results may differ from the estimates and assumptions used in preparing the consolidated financial statements.

Cash and Cash Equivalents

We consider short-term investments, which are highly liquid with original maturities of three months or less at date of purchase, to be cash equivalents.

Cash Held at Consolidated Affiliated Partnerships and Restricted Cash

Cash held at consolidated affiliated partnerships and restricted cash primarily consists of (i) cash and cash equivalents held by the Onshore Fund and Offshore Master Funds (as defined herein) that, although not legally restricted, is not available to fund the general liquidity needs of the Investment Management segment or Icahn Enterprises and (ii) restricted cash relating to derivatives held on deposit.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Investments and Related Transactions Investment Management

Investment Transactions and Related Investment Income (Loss). Investment transactions of the Private Funds are recorded on a trade date basis. Realized gains or losses on sales of investments are based on the first-in, first-out or the specific identification methods. Realized and unrealized gains or losses on investments are recorded in the consolidated statements of operations. Interest income and expenses are recorded on an accrual basis and dividends are recorded on the ex-dividend date. Premiums and discounts on fixed income securities are amortized using the effective yield method.

Valuation of Investments. Securities of the Private Funds that are listed on a securities exchange are valued at their last sales price on the primary securities exchange on which such securities are traded on such date. Securities that are not listed on any exchange but are traded over-the-counter are valued at the mean between the last bid and ask price for such security on such date. Securities and other instruments for which market quotes are not readily available are valued at fair value as determined in good faith by the applicable general partner.

Foreign Currency Transactions. The books and records of the Private Funds are maintained in U.S. dollars. Assets and liabilities denominated in currencies other than U.S. dollars are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date. Transactions during the period denominated in currencies other than U.S. dollars are translated at the rate of exchange applicable on the date of the transaction. Foreign currency translation gains and losses are recorded in the consolidated statements of operations. The Private Funds do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in the market prices of securities. Such fluctuations are reflected in net gain from investment activities.

Fair Values of Financial Instruments. The fair values of the Private Funds assets and liabilities that qualify as financial instruments under SFAS No. 107, *Disclosures About Fair Value of Financial Instruments,* approximate the carrying amounts presented in the consolidated balance sheets.

Securities Sold, Not Yet Purchased. The Private Funds may sell an investment they do not own in anticipation of a decline in the fair value of that investment. When the Private Funds sell an investment short, they must borrow the investment sold short and deliver it to the broker-dealer through which they made the short sale. A gain, limited to the price at which the Private Funds sold the investment short, or a loss, unlimited in amount, will be recognized upon the cover of the short sale.

Due From Brokers. Due from brokers represents cash balances with the Private Funds clearing brokers. A portion of the cash at brokers is related to securities sold, not yet purchased; its use is therefore restricted until the securities are purchased. Securities sold, not yet purchased are collateralized by certain of the Private Funds investments in securities.

Due To Brokers. Due to brokers represents margin debit balances collateralized by certain of the Private Funds investments in securities.

Investments   Other Operations

Investments in equity and debt securities are classified as either trading or available-for-sale based upon whether we intend to hold the investment for the foreseeable future. Trading securities are valued at quoted market value at each balance sheet date with the unrealized gains or losses reflected in the consolidated statements of operations. Available-for-sale securities are carried at fair value on our balance sheet. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported as a separate component of partners equity and when sold are reclassified out of partners equity to the consolidated statements of operations. For purposes of determining gains and losses, the cost of securities is based on specific identification.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

A decline in the market value of any available-for-sale security below cost that is deemed to be other than temporary results in an impairment that is charged to earnings and the establishment of a new cost basis for the investment. Dividend income is recorded when declared and interest income is recognized when earned.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and other liabilities are deemed to be reasonable estimates of their fair values because of their short-term nature.

The fair values of investments and securities sold, not yet purchased are based on quoted market prices for those or similar investments. See Note 7, Investments and Related Matters, and Note 8, Fair Value Measurements, for further discussion.

The fair value of our long-term debt is based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities. The carrying value and estimated fair value of our long-term debt as of December 31, 2008 are approximately $4.6 billion and $2.3 billion, respectively. The carrying value and estimated fair value of our long-term debt as of December 31, 2007 are approximately $2.03 billion and $1.95 billion, respectively.

Fair Value Option for Financial Assets and Financial Liabilities

We adopted SFAS No. 159 as of January 1, 2007. SFAS No. 159 gives entities the option to measure eligible financial assets, financial liabilities and firm commitments at fair value (i.e., the fair value option), on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a firm commitment. Subsequent changes in fair value must be recorded in earnings. Except for our Automotive segment as discussed above, we apply the fair value option to our investments that would otherwise be accounted under the equity method.

Derivatives

From time to time, our subsidiaries enter into derivative contracts, including purchased and written option contracts, swap contracts, futures contracts and forward contracts entered into by our Investment Management and Automotive segments. SFAS No. 133, which was amended by SFAS No. 138, established accounting and reporting standards for derivative instruments and for hedging activities, which generally require recognition of all derivatives as either assets or liabilities in the balance sheet at their fair value. The accounting for changes in fair value depends on the intended use of the derivative and its resulting designation. For further information regarding our Investment Management and Automotive segments derivative contracts, see Note 9, Financial Instruments.

Accounts Receivable, Net

An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the consolidated financial statements, assessments of collectibility based on an evaluation of historic and anticipated trends, the financial condition of our customers, and an evaluation of the impact of economic conditions. Our allowance for doubtful accounts is an estimate based on specifically identified accounts as well as general reserves based on historical experience.

Federal-Mogul has subsidiaries in Brazil, France, Germany, Italy and Spain that are party to accounts receivable factoring arrangements. Gross accounts receivable factored under these facilities were $222 million as of December 31, 2008. Of this amount, $209 million was factored without recourse and treated as a sale under SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of*

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Liabilities. Under terms of these factoring arrangements Federal-Mogul is not obligated to draw cash immediately upon the factoring of accounts receivable. Thus, as of December 31, 2008, Federal-Mogul had outstanding factored amounts of $8 million for which cash had not yet been drawn.

Inventories, Net

Automotive Inventories. Upon our acquisition of the controlling interest in Federal-Mogul, inventories were revalued in accordance with SFAS No. 141 and resulted in an increase to inventory balances. The increase to inventory resulting from our acquisition impacted cost of goods sold as the related inventory was sold. During the period March 1, 2008 through December 31, 2008, our Automotive segment recognized $60 million as additional cost of goods sold, thereby reducing gross margin by the same amount. Cost is determined using the first-in-first-out method. The cost of manufactured goods includes material, labor and factory overhead. Federal-Mogul maintains reserves for estimated excess, slow-moving and obsolete inventory as well as inventory whose carrying value is in excess of net realizable value.

Metals Inventories. Inventories at our Metals segment are stated at the lower of cost or market. Cost is determined using the average cost method. The production and accounting process utilized by the Metals segment to record recycled metals inventory quantities relies on significant estimates. Our Metals segment relies upon perpetual inventory records that utilize estimated recoveries and yields that are based upon historical trends and periodic tests for certain unprocessed metal commodities. Over time, these estimates are reasonably good indicators of what is ultimately produced; however, actual recoveries and yields can vary depending on product quality, moisture content and source of the unprocessed metal. To assist in validating the reasonableness of the estimates, our Metals segment performs periodic physical inventories which involve the use of estimation techniques. Physical inventories may detect significant variations in volume, but because of variations in product density and production processes utilized to manufacture the product, physical inventories will not generally detect smaller variations. To help mitigate this risk, our Metals segment adjusts its physical inventories when the volume of a commodity is low and a physical inventory can more accurately estimate the remaining volume.

Home Fashion Inventories. Inventories at our Home Fashion segment are stated at the lower of cost or market. Cost is determined using the first-in-first-out method. The cost of manufactured goods includes material, labor and factory overhead. WestPoint International, Inc. (WPI) maintains reserves for estimated excess, slow-moving and obsolete inventory as well as inventory whose carrying value is in excess of net realizable value. A portion of WPI s inventories serves as collateral under West Point Home Inc. s unused senior secured revolving credit facility.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Our consolidated inventories, net consisted of the following (in millions of dollars):

	December 31, 2008	December 31, 2007
Raw materials:		
Automotive	$ 166	$
Home Fashion	12	14
	178	14
Work in process:		
Automotive	125	
Home Fashion	33	47
	158	47
Finished Goods:		
Automotive	603	
Home Fashion	87	133
	690	133
Metals:		
Ferrous	27	39
Non-ferrous	5	10
Secondary	35	23
	67	72
Total inventories, net	$ 1,093	$ 266

Property, Plant and Equipment, Net

Land and construction-in-progress costs are stated at the lower of cost or net realizable value. Interest is capitalized on expenditures for long-term projects until a salable condition is reached. The interest capitalization rate is based on the interest rate on specific borrowings to fund the projects.

Buildings, furniture and equipment are stated at cost less accumulated depreciation unless declines in the values of the fixed assets are considered other than temporary, at which time the property is written down to net realizable value. Depreciation is principally computed using the straight-line method over the estimated useful lives of the particular property or equipment, as follows: buildings and improvements, four to 40 years; furniture, fixtures and equipment, one to 25 years. Leasehold improvements are amortized over the life of the lease or the life of the improvement, whichever is shorter.

Maintenance and repairs are charged to expense as incurred. The cost of additions and improvements is capitalized and depreciated over the remaining useful lives of the assets. The cost and accumulated depreciation of assets sold or retired are removed from our consolidated balance sheet, and any gain or loss is recognized in the year of disposal.

Real estate properties held for use or investment purposes, other than those accounted for under the financing method, are carried at cost less accumulated depreciation. Where declines in the values of the properties are determined to be other than temporary, the cost basis of the property is written down to net realizable value. A property is classified as held for sale at the time management determines that the criteria in SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), have been met. Properties held for sale are carried at the lower of cost or net realizable value. Such properties are no longer depreciated and their results of operations are included in discontinued operations. As a result of the reclassification of certain real estate to properties held for sale during fiscal 2007, income and expenses of such

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

properties are reclassified to discontinued operations for all prior periods. If management determines that a property classified as held for sale no longer meets the criteria in SFAS No. 144, the property is reclassified as held for use.

Goodwill and Intangible Assets

We account for goodwill and indefinite lived intangibles in accordance with SFAS No 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). Goodwill and indefinite lived intangible assets include trademarks and tradenames acquired in acquisitions. For a complete discussion of the impairment of goodwill and indefinite intangible assets related to our various segments, see Note 4, Operating Units, and Note 10, Goodwill and Intangible Assets.

Accounting for the Impairment of Goodwill

We evaluate the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to: (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, we compare the fair value of the reporting unit to which the goodwill is assigned to the reporting unit s carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the income, or discounted cash flows approach and the market approach, which utilizes comparable companies data. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value.

Accounting for the Impairment of Intangibles

We evaluate the recoverability of identifiable indefinite lived intangible assets whenever events or changes in circumstances indicate that an indefinite lived intangible asset s carrying amount may not be recoverable. Such circumstances could include, but are not limited to: (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. We measure the carrying amount of the asset against the estimated future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value.

The fair value is measured based on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires that we make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

Accounting for the Impairment of Long-Lived Assets

We evaluate our long-lived assets in accordance with the application of SFAS No. 144. Accordingly, we evaluate the realizability of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Inherent in the reviews of the carrying amounts of the above assets are various estimates, including the expected usage of the asset. Assets must be tested at the lowest level for which identifiable cash flows exist. Future cash flow estimates are, by their nature, subjective

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

and actual results may differ materially from our estimates. If our ongoing estimates of future cash flows are not met, we may have to record impairment charges in future accounting periods. Our estimates of cash flows are based on the current regulatory, social and economic climates, recent operating information and budgets of the operating properties.

Accounting for Conditional Asset Retirement Obligations

We record conditional asset retirement obligations (CARO) in accordance with FIN 47, *Accounting for Conditional Asset Retirement Obligations an Interpretation of FASB Statement No. 143* (FIN 47). FIN 47 clarifies that the term CARO refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event. FIN 47 also clarifies that an entity is required to recognize a liability for the estimated fair value of a CARO when incurred if the fair value can be reasonably estimated. Our Automotive segment s primary asset retirement activities relate to the removal of hazardous building materials at its facilities. Our Automotive segment records the CARO liability when the amount can be reasonably estimated, typically upon the expectation that a facility may be closed or sold.

Pension and Other Postemployment Obligations

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

Allocation of Net Profits and Losses in Consolidated Affiliated Partnerships Investment Management

Net investment income and net realized and unrealized gains and losses on investments of the Private Funds are allocated to the respective partners or shareholders of the Private Funds based on their percentage ownership in such Private Funds at the beginning of each allocation period. Except for our limited partner interest, such allocations made to the limited partners or shareholders of the Private Funds are attributable to non-controlling interests in our consolidated statements of operations. The beginning of an allocation period is defined as the beginning of each fiscal year, the date of admission of any new partner or shareholder of the Private Funds, the date of any additional subscription or date that immediately follows a redemption by a partner or shareholder of the Private Funds. Upon such allocation to partners based on their respective capital balances, generally 2.5% of the capital appreciation (both realized and unrealized) allocated to the Investment Funds limited partners or lesser amounts for certain limited partners are then reallocated to the Investment Funds' General Partners. Such reallocation is referred to as the General Partners' special profits interest allocation. In addition, the General Partners may also generally be allocated 25% of the net capital appreciation (both realized and unrealized), such amounts being referred to as incentive allocations, provided, however, that an incentive allocation with respect to a Private Fund shall not be made in any year to the extent that the special profits interest allocation relating to such Private Fund equal or exceeds the net capital appreciation for such Private Fund for such year. Additionally, incentive allocations are subject to a high water mark (whereby the General Partners do not earn incentive allocations during a particular year even though the fund had a positive return in such year until losses in prior periods are recovered). The total profits and losses allocated to the respective General Partners of the Investment Funds are included in the consolidated net income of New Icahn Management and the General Partners (as either the Onshore GP or Offshore GP act as general partner to the Investment Funds) and are allocated in a manner consistent with the manner in which capital is allocated to the partners of the New Icahn Management and the General Partners as further discussed below. As of January 1, 2008, New Icahn Management distributed its net assets to Icahn Capital. Icahn Capital is the general partner of Icahn Onshore GP and Icahn Offshore GP.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Partners Capital Investment Management

Icahn Capital, New Icahn Management, and the General Partners are each organized as a limited partnership formed pursuant to the provisions of the Delaware Revised Uniform Limited Partnership Act. As discussed above, effective January 1, 2008, New Icahn Management distributed its net assets to Icahn Capital. Limited partner interests have been granted in the General Partners to allow certain employees and individuals to participate in a share of the special profits interest allocations and incentive allocations earned by the General Partners (and prior to January 1, 2008, limited partner interests had been granted in New Icahn Management to allow such employees to participate in a share of the management fees and incentive allocations.) Prior to the completion of our acquisition of the partnership interests on August 8, 2007, all limited partnership admissions to New Icahn Management and the General Partners had been determined by the respective general partner entity of New Icahn Management and the General Partners, each of which was principally owned by Mr. Icahn.

Icahn Capital, New Icahn Management, and the General Partners, individually, intend to be treated as partnerships for federal income tax purposes, and as such shall maintain a capital account for each of their partners. Each partner of the General Partners will be allocated an amount of special profits interest allocations (and prior to January 1, 2008, management fees) and incentive allocations subject to, and as determined by, the provisions of such limited partner's agreements with each of the General Partners (and prior to January 1, 2008, New Icahn Management.) Special profits interest allocations (and prior to January 1, 2008, management fees) and incentive allocations not allocated to the limited partners per their respective agreements are generally allocated to the general partners. Other partnership profits and losses of Icahn Capital (and prior to January 1, 2008, New Icahn Management) and each of the General Partners are generally allocated among the respective partners in Icahn Capital (and prior to January 1, 2008, New Icahn Management) and each of the General Partners pro rata in accordance with their capital accounts.

Income allocations to all partners in each of the General Partners (and prior to January 1, 2008, New Icahn Management), except the general partner entity, are accounted for as compensation expense as more fully described in Note 14, Compensation Arrangements. All amounts allocated to these partners' capital accounts and their respective capital contributions are included in accrued expenses and other liabilities on the consolidated balance sheets until those amounts are paid out in accordance with the terms of each respective partner's agreement. Payments made to the respective general partner and any limited partner interests held by Mr. Icahn are treated as equity distributions.

Income Taxes

Except as described below, no provision has been made for federal, state or local income taxes on the results of operations generated by partnership activities, as such taxes are the responsibility of the partners. Provision has been made for federal, state or local income taxes on the results of operations generated by our corporate subsidiaries and these are reflected within continuing and discontinued operations. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are limited to amounts considered to be realizable in future periods. A valuation allowance is recorded against deferred tax assets if management does not believe that we have met the more likely than not standard imposed by SFAS No. 109, *Accounting for Income Taxes* (SFAS No. 109), to allow recognition of such an asset.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

We adopted FIN 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement 109* (FIN 48), as of January 1, 2007. FIN 48 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. FIN 48 provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more-likely-than-not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50 percent likely to be recognized upon ultimate settlement with the taxing authority is recorded. The adoption of FIN 48 did not have a material impact on our consolidated financial statements. See Note 19, Income Taxes, for additional information.

Compensation Arrangements

In December 2004, SFAS No. 123 (Revised 2004), *Share-Based Payment* (SFAS No. 123R), was issued. This accounting standard eliminated the ability to account for share-based compensation transactions using the intrinsic value method in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and requires instead that such transactions be accounted for using a fair-value-based method. SFAS No. 123(R) requires public entities to record non-cash compensation expense related to payment for employee services by an equity award, such as stock options, in their financial statements over the requisite service period. We adopted SFAS No. 123(R) as of June 30, 2005. See Note 14, Compensation Arrangements, for further discussion regarding compensation arrangements of our Investment Management and Automotive segments.

Revenue and Expense Recognition

Investment Management

Revenue Recognition: The Investment Management segment generates income from amounts earned pursuant to contractual arrangements with the Private Funds. Such amounts include income from (1) special profits interest allocations effective January 1, 2008 (and prior to January 1, 2008, management fees); (2) incentive allocations and (3) gains and losses from our investments in the Private Funds.

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

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

Effective January 1, 2008, the Investment Fund LPAs provide that the applicable General Partner will receive a special profits interest allocation at the end of each calendar year from each capital account maintained in the Investment Funds that is attributable to: (i) in the case of the Onshore Fund, each fee-paying limited partner in the Onshore Fund and (ii) in the case of the Feeder Funds, each fee-paying investor in the Feeder Funds (that excludes certain investors that are affiliates of Mr. Icahn) (in each case, referred to herein as an Investor). This allocation is generally equal to 0.625% of the balance in each fee-paying capital account

59

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

as of the beginning of each quarter (for each Investor, the Target Special Profits Interest Amount) except that amounts are allocated to the General Partners in respect of special profits interest allocations only to the extent that net increases (i.e., net profits) are allocated to an Investor for the fiscal year. Accordingly, any special profits interest allocations allocated to the General Partners in respect of an Investor in any year cannot exceed the net profits allocated to such Investor in such year.

In the event that sufficient net profits are not generated by an Investment Fund with respect to a capital account to meet the full Target Special Profits Interest Amount for an Investor for a calendar year, a special profits interest allocation will be made to the extent of such net profits, if any, and the shortfall will be carried forward (without interest or a preferred return thereon) and added to the Target Special Profits Interest Amount determined for such Investor for the next calendar year. Appropriate adjustments will be made to the calculation of the special profits interest allocation for new subscriptions and withdrawals by Investors. In the event that an Investor redeems in full from a Feeder Fund or the Onshore Fund before the entire Target Special Profits Interest Amount determined for such Investor has been allocated to the General Partner in the form of a special profits interest allocation, the Target Special Profits Interest Amount that has not yet been allocated to the General Partner will be forfeited and the General Partner will never receive it.

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

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

Incentive allocations are generally 25% of the net profits (both realized and unrealized) generated by fee-paying investors in the Investment Funds and are subject to a high water mark (whereby the General Partners do not earn incentive allocations during a particular year even though the fund had a positive return in such year until losses in prior periods are recovered). These allocations are calculated and allocated to the capital accounts of the General Partners at the end of each year except for incentive allocations earned as a result of investor redemption events during interim periods.

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

The special profits interest allocations and incentive allocations from the Onshore Fund and Offshore Master Funds, if any, are accrued on a quarterly basis in accordance with Method 2 of EITF Topic D-96, *Accounting for Management Fees Based on a Formula* (EITF Topic D-96), and are allocated to the Onshore GP and the Offshore GP, respectively, at the end of the Onshore Fund s and each Offshore Master Funds fiscal year (or sooner on redemptions). Such quarterly accruals may be reversed as a result of subsequent investment performance prior to the conclusion of the Onshore Fund s and Offshore Master Funds fiscal year at December 31.

60

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Automotive

Revenue Recognition: Federal-Mogul records sales when products are shipped and title has transferred to the customer, the sales price is fixed and determinable, and the collectibility of revenue is reasonably assured. Accruals for sales returns and other allowances are provided at the time of shipment based upon past experience. Adjustments to such returns and allowances are made as new information becomes available.

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

Shipping and Handling Costs: Federal-Mogul recognizes shipping and handling costs as a component of cost of products sold in the statement of operations.

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

Research and Development and Advertising Costs: Federal-Mogul expenses research and development (R&D) costs and costs associated with advertising and promotion as incurred. R&D expense, including product engineering and validation costs, was $142 million for the period March 1, 2008 through December 31, 2008. As a percentage of OEM sales, R&D expense was 4% for the period March 1, 2008 through December 31, 2008. Research and development and advertising costs are included in selling, general and administrative on the consolidated statements of operations.

Restructuring: Federal-Mogul defines restructuring expense to include costs directly related to exit or disposal activities accounted for in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, employee severance costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, and SFAS No. 112, *Employers' Accounting for Postemployment Benefits*, and pension and other postemployment benefit costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS No. 87, *Employers' Accounting for Pensions*, and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.

Metals

Revenue Recognition: PSC Metals primary source of revenue is from the sale of processed ferrous and non-ferrous scrap metals. PSC Metals also generates revenues from sales of secondary plate and pipe, the brokering of scrap metals and from services performed. All sales are recognized when title passes to the customer. Revenues from services are recognized as the service is performed. Sales adjustments related to price and weight differences are reflected as a reduction of revenues when settled.

Home Fashion

Revenue Recognition: WPI records revenue when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the price to the customer is fixed and determinable and collectibility is reasonably assured. Unless otherwise agreed in writing, title and risk of loss pass from WPI to the customer when WPI delivers the merchandise to the designated point of delivery, to the designated point of destination or to the designated carrier, free on board. Provisions for certain rebates, sales incentives, product returns and discounts to customers are recorded in the same period the related revenue is recorded.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Sales Incentives: Customer incentives are provided to major WPI customers. These incentives begin to accrue when a commitment has been made to the customer and are recorded as a reduction to sales.

Real Estate

Revenue Recognition: Revenue from real estate sales and related costs are recognized at the time of closing primarily by specific identification. We follow the guidelines for profit recognition set forth by SFAS No. 66, *Accounting for Sales of Real Estate*. Substantially all of the property comprising our net lease portfolio is leased to others under long-term net leases and we account for these leases in accordance with the provisions of SFAS No. 13, *Accounting for Leases*, as amended. This statement sets forth specific criteria for determining whether a lease is to be accounted for as a financing lease or an operating lease. Under the financing method, minimum lease payments to be received plus the estimated value of the property at the end of the lease are considered the gross investment in the lease. Unearned income, representing the difference between gross investment and actual cost of the leased property, is amortized to income over the lease term so as to produce a constant periodic rate of return on the net investment in the lease. Under the operating method, revenue is recognized as rentals become due, and expenses (including depreciation) are charged to operations as incurred.

Net Income Per LP Unit

Basic income per LP unit are based on net income attributable to Icahn Enterprises allocable to limited partners after deducting preferred pay-in-kind distributions to preferred unitholders. The resulting net income available for limited partners are divided by the weighted average number of depositary limited partner units outstanding. The preferred units are considered to be equivalent units for the purpose of calculating diluted net earnings per LP unit.

For accounting purposes, earnings from the Investment Management segment prior to the acquisition of the partnership interests as described herein on August 8, 2007, earnings from PSC Metals prior to the acquisition on November 5, 2007, and earnings from Federal-Mogul prior to the acquisition on July 3, 2008 have been allocated to Icahn Enterprises GP, our general partner, for accounting purposes and therefore are excluded from the computation of basic and diluted income or loss per LP unit.

Accounting for the Acquisition and Disposition of Common Control Entities

Acquisitions of entities under common control are reflected in a manner similar to pooling of interests. The general partner s capital account is charged or credited for the difference between the consideration we pay for the entity and the related entity s basis prior to our acquisition. Net gains or losses of an acquired entity prior to the company s acquisition date are allocated to the general partner s capital account. In allocating gains and losses upon the sale of a previously acquired common control entity, we allocate a gain or loss for financial reporting purposes by first restoring the general partner s capital account for the cumulative charges or credits relating to prior periods recorded at the time of our acquisition and then allocating the remaining gain or loss among the general and limited partners in accordance with their respective percentages under the Partnership Agreement (i.e., 98.01% to the limited partners and 1.99% to the general partner).

General Partnership Interest of Icahn Enterprises

The general partner s capital account generally consists of its cumulative share of our net income less cash distributions plus capital contributions. Additionally, in acquisitions of common control companies accounted for at historical cost similar to a pooling of interests, the general partner s capital account would be charged (or credited) in a manner similar to a distribution (or contribution) for the excess (or deficit) of the fair value of consideration paid over historical basis in the business acquired.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Capital Accounts, as defined under our Amended and Restated Agreement of Limited Partnership dated as of May 12, 1987, as amended from time to time (together with the partnership agreement of Icahn Enterprises Holdings, the Partnership Agreement), are maintained for our general partner and our limited partners. The capital account provisions of our Partnership Agreement incorporate principles established for U.S. federal income tax purposes and are not comparable to the equity accounts reflected under U.S. GAAP, in our consolidated financial statements. Under our Partnership Agreement, the general partner is required to make additional capital contributions to us upon the issuance of any additional depositary units in order to maintain a capital account balance equal to 1.99% of the total capital accounts of all partners.

Generally, net income attributable to Icahn Enterprises for U.S. federal income tax purposes is allocated 1.99% and 98.01% between the general partner and the limited partners, respectively, in the same proportion as aggregate cash distributions made to the general partner and the limited partners during the period. This is generally consistent with the manner of allocating net income attributable to Icahn Enterprises under our Partnership Agreement; however, it is not comparable to the allocation of net income attributable to Icahn Enterprises reflected in our consolidated financial statements.

Pursuant to the Partnership Agreement, in the event of our dissolution, after satisfying our liabilities, our remaining assets would be divided among our limited partners and the general partner in accordance with their respective percentage interests under the Partnership Agreement (i.e., 98.01% to the limited partners and 1.99% to the general partner). If a deficit balance still remains in the general partner's capital account after all allocations are made between the partners, the general partner would not be required to make whole any such deficit.

Environmental Liabilities

We recognize environmental liabilities when a loss is probable and reasonably estimable. Such accruals are estimated based on currently available information, existing technology and enacted laws and regulations. Such estimates are based primarily upon the estimated cost of investigation and remediation required and the likelihood that other potentially responsible parties will be able to fulfill their commitments at the sites where we may be jointly and severally liable with such parties. We regularly evaluate and revise estimates for environmental obligations based on expenditures against established reserves and the availability of additional information.

Sales of Subsidiary Stock

SEC Staff Accounting Bulletin No. 51, *Accounting for Sales of Stock by a Subsidiary* (SAB 51), provides guidance on accounting for the effect of issuances on a subsidiary s stock on the parent s investment in that subsidiary. SAB 51 allows registrants to elect an accounting policy of recording such increases or decreases in a parent s investment (SAB

51 credits or charges, respectively) as either a gain or loss in the statement of operations or reflected as an equity transaction. In accordance with the election provided in SAB 51, we adopted a policy of recording such SAB 51 credits or charges directly to partners equity. SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)) as discussed below, requires such transactions be charged to partners equity. Accordingly, the adoption of SFAS No. 141(R) as of January 1, 2009 will not have any impact in our consolidated financial statements with respect to transactions involving sales of subsidiary stock.

Foreign Currency Translation

Exchange adjustments related to international currency transactions and translation adjustments for international subsidiaries whose functional currency is the U.S. dollar (principally those located in highly inflationary economies) are reflected in the consolidated statements of operations. Translation adjustments of

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

international subsidiaries for which the local currency is the functional currency are reflected in the consolidated balance sheets as a component of equity. Deferred taxes are not provided on translation adjustments as the earnings of the subsidiaries are considered to be permanently reinvested.

New Accounting Policies

The Investment Management segment adopted Method 2 of EITF Topic D-96, *Accounting for Management Fees Based on a Formula* (EITF D-96), related to a new special profits interest allocation agreement, effective January 1, 2008 as more fully described above.

The Investment Management segment enters into various derivative contracts, such as credit default swaps, and has adopted FIN 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45), as more fully described in Note 9, Financial Instruments.

In December 2007, the FASB issued SFAS No. 160. SFAS No. 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company s equity; non-controlling interests will be presented within the statement of changes in partners equity and comprehensive income as a separate equity component. It also requires that the amount of consolidated net income attributable to the parent and to the non-controlling interests be clearly identified and presented on the face of the consolidated statement of income; income per LP unit be reported after the adjustment for non-controlling interest in income (loss); changes in ownership interest be accounted for similarly as equity transactions; and, when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. We adopted SFAS No. 160 effective January 1, 2009 and we have reflected it on a retrospective basis for all periods presented. There was no effect from our adoption of SFAS No. 160 on the equity or net income (loss) attributable to Icahn Enterprises, or Icahn Enterprises liquidity.

Recently Issued Accounting Pronouncements

SFAS No. 141(R). In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. SFAS No. 141(R) requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition-date fair values. Certain forms of contingent consideration and certain acquired contingencies will be recorded at fair value at the acquisition date. SFAS No. 141(R) also requires that acquisition-related costs be expensed as incurred and restructuring costs be expensed in periods after the acquisition date. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption of SFAS No. 141(R) is not permitted. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009.

SFAS No. 161. In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS No. 161), which requires enhanced disclosures about an entity s derivative and hedging activities thereby improving the transparency of financial reporting. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. Since SFAS No. 161 requires additional disclosures regarding derivative and hedging activities, the adoption of SFAS No. 161 will not affect our financial condition, results of operations or cash flows.

FSP No. 133-1 and FIN 45-4. In September 2008, the FASB issued FSP No. FAS 133-1 and FIN 45-4 *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161* (FSP FAS 133-1 and FIN 45-4). This FSP amends SFAS No.133, *Accounting for Derivative Instruments and*

64

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Hedging Activities, to require disclosures by entities that assume credit risk through the sale of credit derivatives including credit derivatives embedded in a hybrid instrument. The intent of these enhanced disclosures is to enable users of financial statements to assess the potential effects on its financial position, financial performance, and cash flows from these credit derivatives. This FSP also amends FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others , to require an additional disclosure about the current status of the payment/ performance risk of a guarantee. FSP FAS 133-1 and FIN 45-4 are effective for financial statements issued for fiscal years and interim periods ending after November 15, 2008. For periods after the initial adoption date, comparative disclosures are required. We adopted FSP FAS 133-1 and FIN 45-4 on December 31, 2008. See Note 9, Financial Instrument for further discussion.

FSP FAS 140-4 and FIN 46(R)-8. In December 2008, the FASB issued FASB Staff Position FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities* (FAS 140-4 and FIN 46(R)-8). FAS 140-4 and FIN 46(R)-8 increases disclosures for public companies about securitizations, asset-backed financings and variable interest entities. The FSP is effective for reporting periods that end after December 15, 2008. Since the FSP requires only additional disclosures concerning transfers of financial assets and interests in variable interest entities, adoption of the FSP will not affect our financial condition, results of operations or cash flows.

3. Acquisitions

Acquisition of Controlling Interest in Federal-Mogul Corporation

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

On December 2, 2008, we acquired an additional 24,491,924 Federal-Mogul Shares from Thornwood, which represented the remaining Federal-Mogul Shares owned by Thornwood. As a result of this transaction, we beneficially own 75,241,924 Federal-Mogul Shares, or 75.7% of the total issued and outstanding capital stock of Federal-Mogul. In consideration of the acquisition of the additional Federal-Mogul Shares, we issued to Thornwood 4,286,087 (or

$153 million based on the opening price of $35.60 on our depositary units on December 2, 2008) fully paid and non-assessable depositary units representing our limited partner interests.

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

Business Description and History of Federal-Mogul

Federal-Mogul is a leading global supplier of parts, accessories, modules and systems to customers in the automotive, small engine, heavy-duty, marine, railroad, aerospace and industrial markets. Federal-Mogul has established a global presence and conducts its operations through various manufacturing, distribution and technical centers that are wholly owned subsidiaries or partially owned joint ventures, organized into five

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

3. Acquisitions (continued)

product groups: Powertrain Energy, Powertrain Sealing and Bearings, Vehicle Safety and Protection, Automotive Products and Global Aftermarket. Federal-Mogul offers its customers a diverse array of market-leading products for original equipment manufacturers (OEM) and replacement parts (aftermarket) applications, including engine bearings, pistons, piston rings, piston pins, ignition products, fuel products, cylinder liners, valve seats and guides, sealing products, element resistant systems protection sleeving products, electrical connectors and sockets, disc pads and brake shoes, lighting, wiper and steering products. Federal-Mogul s principal customers include most of the world s OEMs of vehicles and industrial products and aftermarket retailers and wholesalers.

The predecessor to Federal-Mogul (the Predecessor Company) and all of its then-existing wholly owned U.S. subsidiaries filed voluntary petitions on October 1, 2001 for reorganization under Chapter 11 of Title 11 of the United States Code (the Bankruptcy Code) with the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court). On October 1, 2001 (the Petition Date), certain of the Predecessor Company s United Kingdom subsidiaries (together with the U.S. Subsidiaries, the Debtors) also filed voluntary petitions for reorganization under the Bankruptcy Code with the Bankruptcy Court. On November 8, 2007, the Bankruptcy Court entered an Order (the Confirmation Order) confirming the Fourth Amended Joint Plan of Reorganization for Debtors and Debtors-in-Possession (as Modified) (the Plan) and entered Findings of Fact and Conclusions of Law regarding the Plan (the Findings of Fact and Conclusions of Law). On November 14, 2007, the United States District Court for the District of Delaware (the District Court) entered an order affirming the Confirmation Order and adopting the Findings of Fact and Conclusions of Law. On December 27, 2007 (the Effective Date), the Plan became effective in accordance with its terms. On the Effective Date, the Predecessor Company merged with and into New Federal-Mogul Corporation whereupon (i) the separate corporate existence of the Predecessor Company ceased, (ii) New Federal-Mogul Corporation became the surviving corporation and continued to be governed by the laws of the State of Delaware and (iii) New Federal-Mogul Corporation was renamed Federal-Mogul Corporation (also referred herein as Federal-Mogul or the Successor Company).

In accordance with U.S. GAAP, Federal-Mogul was required to adopt fresh-start reporting effective upon emergence from bankruptcy on December 27, 2007. Upon adoption of fresh-start reporting, the recorded amounts of assets and liabilities were adjusted to reflect their estimated fair values.

The Bankruptcy Court confirmed the Plan based upon a reorganization value of Federal-Mogul between $4,369 million and $4,715 million, which was estimated using various valuation methods, including (i) a comparison of Federal-Mogul and its projected performance to the market values of comparable companies; (ii) a review and analysis of several recent transactions of companies in similar industries to Federal-Mogul; and (iii) a calculation of the present value of the future cash flows of Federal-Mogul under its projections. Based upon a reevaluation of relevant factors used in determining the range of reorganization value and updated expected cash flow projections, Federal-Mogul concluded that $4,369 million should be used for fresh-start reporting purposes as it most closely approximated fair value.

In accordance with fresh-start reporting, Federal-Mogul s reorganization value has been allocated to existing assets using the measurement guidance provided in SFAS No. 141. In addition, liabilities, other than deferred taxes, have been recorded at the present value of amounts estimated to be paid. Deferred taxes have been determined in conformity with SFAS No. 109. The excess of reorganization value over the value of net tangible and identifiable intangible assets and liabilities was recorded as goodwill.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

3. Acquisitions (continued)

Investment in Federal-Mogul

In accordance with U.S. GAAP, assets transferred between entities under common control are accounted for at historical cost similar to a pooling of interests. As of February 25, 2008 (the effective date of control by Thornwood and, indirectly, Carl C. Icahn), and thereafter, as a result of our acquisition of a majority interest in Federal-Mogul on July 3, 2008, we consolidated the financial position, results of operations and cash flows of Federal-Mogul.

We evaluated the activity between February 25, 2008 and February 29, 2008 and, based on the immateriality of such activity, concluded that the use of an accounting convenience date of February 29, 2008 was appropriate.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed of Federal-Mogul recorded on February 29, 2008. The initial fair values of the assets acquired are based on estimated fair values of Federal-Mogul upon emergence from bankruptcy on December 27, 2007, as modified by Federal-Mogul s operating results for the period January 1, 2008 through February 29, 2008. In accordance with SFAS No. 141, certain long-term assets have been increased by $20 million as a result of our required utilization of Thornwood s underlying basis in such assets. As discussed in Note 4, Operating Units Federal-Mogul, Federal-Mogul recorded impairment charges related to its goodwill in the fourth quarter of fiscal 2008. Accordingly, as of December 31, 2008, we have written off $20 million of our goodwill related to our acquisition of the controlling interest in Federal-Mogul in conjunction with Federal-Mogul s goodwill impairment charges.

	Fair Value	Fair Value Over Basis	February 29, 2008
	(Millions of Dollars)		
Cash and equivalents	$ 801	$	$ 801
Accounts receivable, net	1,187		1,187
Inventories, net	1,120		1,120
Property, plant and equipment, net	2,105		2,105
Goodwill and intangible assets	2,112	20	2,132
Other assets	840		840
Assets Acquired	8,165	20	8,185
Accounts payable, accrued expenses and other liabilities	2,073		2,073
Debt	2,934		2,934
Postemployment benefits liability	1,008		1,008
Liabilities Assumed	6,015		6,015
Net Assets Acquired	$ 2,150	$ 20	$ 2,170
Equity attributable to non-controlling interests			$ (540)

$ 1,630

67

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

3. Acquisitions (continued)

The following table summarizes unaudited pro forma financial information assuming the acquisition of the controlling interest in Federal-Mogul had occurred on January 1, 2007. This unaudited pro forma financial information does not necessarily represent what would have occurred if the transaction had taken place on the dates presented and should not be taken as representative of our future consolidated results of operations or financial position (in millions, except per unit data):

	Year Ended December 31, 2008 (Unaudited)			
	Icahn Enterprises	Federal-Mogul (January 1, 2008 to February 29, 2008)	Pro Forma Adjustments	Total
Revenues	$5,027	$1,222	$	$6,249
Loss from continuing operations	$(3,173)	$(31)	$105	$(3,099)
Net loss	$(2,688)	$(31)	$105	$(2,614)
Basic and diluted loss per LP unit continuing operations	$(7.84)			$(6.38)

	Year Ended December 31, 2007 (Unaudited)			
	Icahn Enterprises	Federal-Mogul	Pro Forma Adjustments	Total
Revenues	$2,491	$7,001	$(30)	$9,462
Income from continuing operations	$480	$1,412	$(1,357)	$535
Net income	$564	$1,412	$(1,357)	$619
Basic and diluted income per LP unit continuing operations	$0.24			$1.00

The pro forma adjustments relate to the elimination of Chapter 11 expenses, adjustments relating to the adoption of fresh-start reporting, and the 24.3% of Federal-Mogul s income attributable to the non-controlling interests.

4. Operating Units

a. Investment Management

On August 8, 2007, we entered into a Contribution and Exchange Agreement (the Contribution Agreement) with CCI Offshore Corp., CCI Onshore Corp., Icahn Management, a Delaware limited partnership, and Carl C. Icahn. Pursuant to the Contribution Agreement, we acquired the general partnership interests in Icahn Onshore LP (the Onshore GP) and Icahn Offshore LP (the Offshore GP and, together with the Onshore GP, the General Partners), acting as general partners of Icahn Partners LP (the Onshore Fund) and the Offshore Master Funds (as defined below). We also acquired the general partnership interest in New Icahn Management, a Delaware limited partnership.

Prior to January 1, 2008, the General Partners and New Icahn Management provided investment advisory and certain management services to the Private Funds (as defined below). As further discussed below, effective January 1, 2008, in addition to providing investment advisory services to the Private Funds, the General Partners provide or cause their affiliates to provide certain administrative and back office services to the Private Funds that had been previously provided by New Icahn Management. The General Partners do not provide such services to any other entities, individuals or accounts. Interests in the Private Funds are offered

68

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

4. Operating Units (continued)

only to certain sophisticated and qualified investors on the basis of exemptions from the registration requirements of the federal securities laws and are not publicly available. As referred to herein, the Offshore Master Funds consist of (i) Icahn Partners Master Fund LP, (ii) Icahn Partners Master Fund II L.P. and (iii) Icahn Partners Master Fund III L.P. The Onshore Fund and the Offshore Master Funds are collectively referred to herein as the Investment Funds. In addition, the Offshore Funds consist of (i) Icahn Fund Ltd. (referred to herein as the Offshore Fund), (ii) Icahn Fund II Ltd. and (iii) Icahn Fund III Ltd.

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

Effective January 1, 2008, the management agreements between New Icahn Management and the Private Funds were terminated, resulting in the termination of the Feeder Funds and the Onshore Fund s obligations to pay management fees thereunder. In addition, the limited partnership agreements of the Investment Funds (the Investment Fund LPAs) were amended to provide that, as of January 1, 2008, the General Partners will provide or cause their affiliates to provide to the Private Funds the administrative and back office services that were formerly provided by New Icahn Management (the Services) and, in consideration of providing the Services, the General Partners will receive special profits interest allocations from the Investment Funds. As of January 1, 2008, New Icahn Management distributed its net assets to Icahn Capital. Icahn Capital is the general partner of Onshore GP and Offshore GP. Effective January 1, 2008, we have adopted a new revenue recognition policy with respect to the special profits interest allocation as discussed in Note 2, Summary of Significant Accounting Policies Revenue and Expense Recognition Investment Management.

Our Investment Management segment s revenues are affected by the combination of fee-paying assets under management (AUM) and the investment performance of the Private Funds. The General Partners incentive allocations and special profits interest allocations earned from the Private Funds are accrued on a quarterly basis in accordance with Method 2 of EITF Topic D-96 and are allocated to the General Partners at the end of the Private Funds fiscal year (or sooner on redemptions). Such quarterly accruals may be reversed as a result of subsequent investment performance prior to the conclusion of the Private Funds fiscal year.

For fiscal 2008, the Target Special Profits Interest Amount was $70 million, net of a hypothetical loss from the Investment Funds and forfeited amounts based on redemptions in full. For detailed discussion of the Target Special Profits Interest Amount, see Note 2, Summary of Significant Accounting Policies Invest- ment Management Revenue and Expense Recognition. No accrual for special profits interest allocation was made for the twelve months ended December 31, 2008 due to losses in the Investment Funds. The Target Special Profits Interest Amount will be carried forward and will be accrued to the extent that there are sufficient net profits in the Investment

Funds during the investment period to cover such amounts. There was no special profits interest allocation for the year ended December 31, 2007 because the special profits interest allocations started effective January 1, 2008.

b. Automotive

We conduct our Automotive segment through our majority ownership in Federal-Mogul. Federal-Mogul is a leading global supplier of a broad range of parts, accessories, modules and systems to the automotive, small engine, heavy-duty, marine, railroad, agricultural, off-road, aerospace and industrial markets, including customers in both the OEM market and the aftermarket. Federal-Mogul is organized into five product groups: Powertrain Energy, Powertrain Sealing and Bearings, Vehicle Safety and Protection, Automotive Products and Global Aftermarket.

Federal-Mogul believes that its sales are well balanced between OEM and aftermarket, as well as domestic and international markets. Federal-Mogul s customers include the world s largest light and commercial

69

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

4. Operating Units (continued)

vehicle OEMs and major distributors and retailers in the independent aftermarket. Federal-Mogul has operations in established markets, such as Canada, France, Germany, Italy, Japan, Spain, the United Kingdom and the United States, and emerging markets, including Brazil, China, Czech Republic, Hungary, India, Korea, Mexico, Poland, Russia, Thailand and Turkey. The attendant risks of Federal-Mogul s international operations are primarily related to currency fluctuations, changes in local economic and political conditions and changes in laws and regulations.

Restructuring Expenses

Federal-Mogul s restructuring activities are undertaken as necessary to execute its 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 Federal-Mogul s businesses and to relocate manufacturing operations to lower cost markets. These activities generally fall into one of the following categories:

Closure of Facilities and Relocation of Production in connection with Federal-Mogul s strategy, certain operations have been closed and related production relocated to best cost countries or to other locations with available capacity.
Consolidation of Administrative Functions and Standardization of Manufacturing Processes as part of its productivity strategy, Federal-Mogul has acted to consolidate its administrative functions and change its manufacturing processes to reduce selling, general and administrative costs and improve operating efficiencies through standardization of processes.

An unprecedented downturn in the global automotive industry and global financial markets led Federal-Mogul to announce, in September 2008 and December 2008, certain restructuring actions, herein referred to as Restructuring 2009, designed to improve operating performance and respond to increasingly challenging conditions in the global automotive market. This plan, when combined with other workforce adjustments, is expected to reduce Federal-Mogul s global workforce by approximately 8,600 positions. Federal-Mogul continues to solidify certain components of this plan, and will announce those components as plans are finalized. For the period March 1, 2008 through December 31, 2008, Federal-Mogul has recorded $132 million in restructuring charges associated with Restructuring 2009 and other restructuring programs, and expects to incur additional restructuring charges up to $37 million through fiscal 2010. As the majority of the costs expected to be incurred in relation to Restructuring 2009 are related to severance, such activities are expected to yield future annual savings at least equal to the incurred costs.

Federal-Mogul expects to finance its restructuring programs over the next several years through cash generated from its ongoing operations or through cash available under the Exit Facilities, subject to the terms of applicable covenants. Federal-Mogul does not expect that the execution of these programs will have an adverse impact on its liquidity position.

As of March 1, 2008, the accrued liability balance relating to restructuring programs was $14 million. For the period March 1, 2008 through December 31, 2008, Federal-Mogul incurred $132 million of restructuring charges.

Federal-Mogul paid $36 million of restructuring charges for the period March 1, 2008 through December 31, 2008. Restructuring charges are included in restructuring and impairment within our consolidated statements of operations. As of December 31, 2008, the accrued liability balance was $113 million, which is included in accrued expenses and other liabilities in our consolidated balance sheet.

Total cumulative restructuring charges for the period March 1, 2008 through December 31, 2008 were $132 million. We report cumulative restructuring charges for Federal-Mogul effective March 1, 2008, the date on which Federal-Mogul became under common control with us.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

4. Operating Units (continued)

Adjustments of Assets to Estimated Fair Value

Our Automotive segment recorded total impairment charges of $434 million for the period March 1, 2008 through December 31, 2008 as follows:

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

Federal-Mogul s impairment of goodwill and other indefinite-lived intangible assets are discussed further in Note 10, Goodwill and Intangible Assets. Impairments of investments in unconsolidated affiliates are discussed further in Note 7, Investments and Related Matters Automotive.

Federal-Mogul recorded impairment charges of $19 million for the period March 1, 2008 through December 31, 2008 to adjust long-lived tangible assets to their estimated fair values in accordance with SFAS No. 144. Included in these impairment charges are charges related to operating facilities for which Federal-Mogul will announce the closures in fiscal 2009 as part of its ongoing Restructuring 2009 program. In recording the impairment charges, Federal-Mogul compared estimated net realizable values of property, plant and equipment to their current carrying values.

c. Metals

On November 5, 2007, we acquired all of the issued and outstanding capital stock of PSC Metals, Inc. (PSC Metals) for a total consideration of $335 million in cash. We conduct our Metals segment through our indirect wholly owned subsidiary, PSC Metals. PSC Metals collects industrial and obsolete scrap metal, processes it into reusable forms and supplies the recycled metals to its customers including electric-arc furnace mills, integrated steel mills, foundries, secondary smelters and metals brokers. PSC Metals ferrous products include shredded, sheared and bundled scrap metal and other purchased scrap metal such as turnings (steel machining fragments), cast furnace iron and broken furnace iron. PSC Metals also processes non-ferrous metals including aluminum, copper, brass, stainless steel and nickel-bearing metals. Non-ferrous products are a significant raw material in the production of aluminum and copper alloys used in manufacturing. PSC Metals also operates a secondary products business that includes the supply of secondary plate and structural grade pipe that is sold into niche markets for counterweights, piling and foundations, construction materials and infrastructure end-markets. For fiscal 2008 PSC Metals had one customer who accounted for approximately 13% of net sales. PSC Metals did not have any customers who accounted for more than 10% of net sales in fiscal 2007 or fiscal 2006.

During fiscal 2008 and fiscal 2007, PSC Metals completed the acquisitions of substantially all of the assets of four scrap metal recyclers. The aggregate purchase price for the acquisitions was $55 million, the most significant of which was $42 million relating to the September 2007 acquisition of substantially all of the assets of WIMCO Operating Company, Inc., a full service scrap metal recycler located in Ohio. A total of $10 million of goodwill was recorded related to these acquisitions based on final purchase price allocations. The results of operations for yards acquired are reflected in the consolidated results of PSC Metals from the dates of acquisition. If the acquisitions had occurred at the beginning of fiscal 2008, fiscal 2007, or fiscal 2006 our consolidated unaudited pro forma net revenue, net income and diluted earnings per unit for such years would not have been materially different than the amounts we reported, and, therefore, pro forma results are not presented.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

4. Operating Units (continued)

PSC metals evaluates the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. When evaluating whether goodwill is impaired, PSC Metals compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit s carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies data. PSC Metals evaluation of its goodwill resulted in no impairment losses during fiscal 2008 or fiscal 2007.

d. Real Estate

Our Real Estate segment consists of rental real estate, property development and associated resort activities.

As of December 31, 2008 and 2007, we owned 31 and 32 rental real estate properties, respectively. In August 2008, the Real Estate segment acquired two net leased properties for $465 million pursuant to an Internal Revenue Code (the Code) Section 1031 exchange. The acquisition of these two net leased properties was funded from a portion of the gross proceeds received from the sale of our Gaming segment. Our property development operations are run primarily through Bayswater, a real estate investment, management and development subsidiary that focuses primarily on the construction and sale of single-family and multi-family homes, lots in subdivisions and planned communities and raw land for residential development. Our New Seabury development property in Cape Cod, Massachusetts and our Grand Harbor and Oak Harbor development property in Vero Beach, Florida each include land for future residential development of approximately 335 and 870 units of residential housing, respectively. Both developments operate golf and resort operations as well. We also completed a residential community in Westchester County, New York during the third quarter of fiscal 2008.

Our Real Estate operations compares the carrying value of its real estate portfolio, which includes commercial property for rent and residential property for current and future development, to its estimated realizable value to determine if its carrying costs will be recovered. In cases where our Real Estate operations do not expect to recover its carrying cost, an impairment charge is recorded as an expense and a reduction in the carrying cost of the asset. In developing assumptions as to estimated realizable value, our Real Estate operations consider current and future house prices, construction and carrying costs and sales absorptions for its residential inventory and current and future rental rates for its commercial properties.

For each of fiscal 2008 and fiscal 2007, our Real Estate operations recorded impairment charges of $4 million. Impairment charges for fiscal 2006 were immaterial. In fiscal 2008, impairment charges of $4 million related to our development properties. In fiscal 2007, impairment charges of $3 million related to development properties and $1 million related to rental properties. These impairment charges are related to the general slowdown in residential and vacation home sales. Impairment charges are included in restructuring and impairment within our consolidated statements of operations.

The following is a summary of the anticipated future receipts of the minimum lease payments receivable under the financing and operating method at December 31, 2008 (in millions of dollars):

Year	Amount
2009	$ 51
2010	50
2011	50
2012	50
2013	50
Thereafter	312
	$ 563

72

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

4. Operating Units (continued)

As of December 31, 2008 and 2007, $94 million and $54 million, respectively, of the net investment in financing leases and net real estate leased to others, which is included in property, plant and equipment, net in the consolidated balance sheets, was pledged to collateralize the payment of nonrecourse mortgages payable.

e. Home Fashion

We conduct our Home Fashion segment through our majority ownership in WestPoint International, Inc. (WPI), a manufacturer and distributor of home fashion consumer products. WPI is engaged in the business of manufacturing, sourcing, marketing and distributing bed and bath home fashion products, including, among others, sheets, pillowcases, comforters, blankets, bedspreads, pillows, mattress pads, towels and related products. WPI recognizes revenue primarily through the sale of home fashion products to a variety of retail and institutional customers. In addition, WPI receives a small portion of its revenues through the licensing of its trademarks. During the fourth quarter of fiscal 2007, WPI sold the inventory at all of its 30 retail outlet stores and subsequently ceased operations of its retail stores. Therefore, the portion of the business related to the retail operations has been classified for all periods presented as discontinued operations.

A relatively small number of customers have historically accounted for a significant portion of WPI s net sales. For fiscal 2008 and fiscal 2007 net sales to two customers amounted to 26% and 25%, respectively, of total net sales. In fiscal 2006, sales to one customer accounted for 15% of net sales.

Acquisition History

On August 8, 2005, we acquired 13.2 million, or 67.7%, of the 19.5 million outstanding common shares of WPI. Pursuant to the asset purchase agreement between WPI and WestPoint Stevens Inc. (WPS), rights to subscribe for an additional 10.5 million shares of common stock at a price of $8.772 per share, or the rights offering, were allocated among former creditors of WPS. Depending upon the extent to which the other holders exercise certain subscription rights, we may acquire additional shares and may beneficially own between 15.7 million and 23.7 million shares of WPI common stock representing between 52.3% and 79.0% of the 30.0 million common shares that would then be outstanding.

On December 20, 2006, we acquired: (a) 1,000,000 shares of Series A-1 Preferred Stock of WPI for a purchase price of $100 per share, for an aggregate purchase price of $100.0 million, and (b) 1,000,000 shares of Series A-2 Preferred Stock of WPI for a purchase price of $100 per share, for an aggregate purchase price of $100.0 million. Each of the Series A-1 and Series A-2 Preferred Stock has a 4.50% annual dividend, which is paid quarterly. For the first two years after issuance, the dividends are to be paid in the form of additional preferred stock. Thereafter, the dividends are to be paid in cash or in additional preferred stock at the option of WPI. Each of the Series A-1 and Series A-2 Preferred Stock is convertible into common shares of WPI at a rate of $10.50 per share, subject to certain anti-dilution provisions; provided, however, that under certain circumstances, $92.1 million of the Series A-2 Preferred Stock may be converted at a rate of $8.772 per share.

As discussed in Note 20, Commitments and Contingencies, legal proceedings with respect to the acquisition are ongoing.

Restructuring and Impairment Expenses

To improve WPI s competitive position, WPI management intends to continue to reduce its cost of goods sold by restructuring its operations in the plants located in the United States, increasing production within its non-U.S. facilities and joint venture operation and sourcing goods from lower cost overseas facilities. In the second quarter of fiscal 2008, WPI entered into an agreement with a third party to manage the majority of its U.S. warehousing and distribution operations, which WPI is consolidating into its Wagram, NC facility. As of December 31, 2008, $165 million of WPI s assets are located outside of the United States, primarily in Bahrain.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

4. Operating Units (continued)

WPI incurred restructuring costs of $25 million, $19 million and $12 million for fiscal 2008, fiscal 2007 and fiscal 2006, respectively. Included in restructuring expenses are cash charges associated with the ongoing costs of closed plants, employee severance, benefits and related costs and transition expenses. Restructuring charges are included in restructuring and impairment within our consolidated statements of operations. The amount of accrued restructuring costs at December 31, 2007 was $1 million. WPI paid $25 million of restructuring charges during fiscal 2008. As of December 31, 2008, the accrued liability balance was $1 million, which is included in accrued expenses and other liabilities in our consolidated balance sheet.

Total cumulative restructuring charges from August 8, 2005 (acquisition date) through December 31, 2008 were $58 million.

WPI incurred non-cash impairment charges that were primarily related to plants that have closed of $12 million, $30 million and $34 million for fiscal 2008, fiscal 2007 and fiscal 2006, respectively. Included in these charges were impairment charges related to WPI s trademarks of $6 million and $5 million for fiscal 2008 and fiscal 2007, respectively. In recording the impairment charges related to its plants, WPI compared estimated net realizable values of property, plant and equipment to their current carrying values. In recording impairment charges related to its trademarks, WPI compared the fair value of the intangible asset with its carrying value. The estimates of fair value of trademarks are determined using a discounted cash flow valuation methodology commonly referred to as the relief from royalty methodology. Significant assumptions inherent in the relief from royalty methodology employed include estimates of appropriate marketplace royalty rates and discount rates. Impairment charges are included in restructuring and impairment within our consolidated statements of operations.

WPI anticipates that restructuring charges will continue to be incurred throughout fiscal 2009. WPI anticipates incurring restructuring costs and impairment charges in fiscal 2009 relating to the current restructuring plan between $12 million and $17 million primarily related to the continuing costs of its closed facilities, transition expenses and impairment charges. Restructuring costs could be affected by, among other things, WPI s decision to accelerate or delay its restructuring efforts. As a result, actual costs incurred could vary materially from these anticipated amounts.

5. Discontinued Operations and Assets Held for Sale

Results of Discontinued Operations and Assets and Liabilities Held for Sale

Gaming

On November 17, 2006, within our former Gaming segment, our indirect majority owned subsidiary, Atlantic Coast Entertainment Holdings, Inc. (Atlantic Coast), completed the sale to Pinnacle Entertainment, Inc. (Pinnacle) of the outstanding membership interests in ACE Gaming LLC (ACE), the owner of The Sands Hotel and Casino in Atlantic City, N.J., and 100% of the equity interests in certain subsidiaries of Icahn Enterprises Holdings which owned parcels of real estate adjacent to The Sands, including the Traymore site. The aggregate sales price was $275 million, of which approximately $201 million was paid to Atlantic Coast and approximately $74 million was paid to affiliates of Icahn Enterprises Holdings for subsidiaries which owned the Traymore site and the adjacent properties.

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

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

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

5. Discontinued Operations and Assets Held for Sale (continued)

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

Home Fashion Retail Stores

WPI closed all of its retail stores based on a comprehensive evaluation of the stores long-term growth prospects and their on-going value to the business. On October 18, 2007, WPI entered into an agreement to sell the inventory at all of its retail stores and subsequently ceased operations of its retail stores. Accordingly, it has reported the retail outlet stores business as discontinued operations for all periods presented. As a result of the sale, WPI accrued in fiscal 2007 $8 million of expense relating to the estimated liability for termination of the leases relating to its retail outlet stores facilities. As of December 31, 2008 and 2007, the accrued lease termination liability balance was $3 million and $7 million, respectively, which is included in accrued expenses and other liabilities in our consolidated balance sheets.

Real Estate

Operating properties are reclassified to held for sale when subject to a contract. The operations of such properties are classified as discontinued operations. The properties classified as discontinued operations changed during fiscal 2008 and certain amounts in the consolidated statements of operations for fiscal 2007 and fiscal 2006 and cash flows for fiscal 2007 and fiscal 2006 have been reclassified to conform to the properties that have been classified as held for sale in the current period.

Oil and Gas

On November 21, 2006, our indirect wholly owned subsidiary, AREP O & G Holdings, consummated the sale of all of the issued and outstanding membership interests of NEG Oil & Gas to SandRidge, for consideration consisting of $1.025 billion in cash, 12,842,000 shares of SandRidge s common stock, valued, at the date of closing, at $18 per share, and the repayment by SandRidge of $300.0 million of debt of NEG Oil & Gas. On April 4, 2007, we sold our entire position in SandRidge for cash consideration of $243 million.

On November 21, 2006, pursuant to an agreement dated October 25, 2006 among Icahn Enterprises Holdings, NEG Oil & Gas and National Energy Group, Inc. (NEGI), NEGI sold its membership interest in NEG Holding to NEG Oil & Gas for consideration of $261 million. Of that amount, $150 million was used to repay the principal of and accrued interest with respect to the NEGI 10.75% senior notes due 2007, all of which was held by us.

Results of Discontinued Operations

The financial position and results of operations for our former Oil and Gas, former Gaming and certain portions of the Home Fashion and Real Estate segments described below are presented as other assets in the consolidated balance sheets and discontinued operations in the consolidated statements of operations for all periods presented in accordance with SFAS No. 144.

75

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

5. Discontinued Operations and Assets Held for Sale (continued)

A summary of the results of operations for our discontinued operations for fiscal 2008, fiscal 2007 and fiscal 2006 (in millions of dollars):

	Year Ended December 31,		
	2008	2007	2006
Revenues:			
Oil and Gas	$	$	$ 354
Gaming[1]	60	444	524
Real Estate	1	3	5
Home Fashion retail stores		47	67
Total revenues	$61	$ 494	$ 950
Income (loss) from discontinued operations:			
Oil and Gas	$	$	$ 183
Gaming	13	100	45
Real Estate	1	2	3
Home Fashion retail stores		(20)	(7)
Total income from discontinued operations before income taxes, interest and other income	14	82	224
Interest expense	(3)	(21)	(46)
Interest and other income		21	13
Income from discontinued operations before income tax expense	11	82	191
Income tax expense	(4)	(19)	(17)
	7	63	174
Gain on dispositions, net of income tax expense	478	21	676
Income from discontinued operations	485	84	850
Income (loss) from discontinued operations attributable to non-controlling interests		5	(53)
Income from discontinued operations attributable to Icahn Enterprises	$485	$ 89	$ 797

(1) Gaming segment results for fiscal 2008 are through February 20, 2008, the date of the ACEP sale.

Interest and other income for fiscal 2007 includes $8 million relating to a real estate tax refund received by Atlantic Coast and $10 million representing the net gain on settlement of litigation relating to GB Holdings Inc.

The gain on sales of discontinued operations for fiscal 2008 includes $472 million, net of income taxes of $260 million, recorded on the sale of ACEP on February 20, 2008. Of the $260 million in taxes recorded on the sale of ACEP, $103 million was deferred in a Code 1031 Exchange transaction during the third quarter of fiscal 2008. The gain on sales of discontinued operations for fiscal 2007 includes $12 million of gain on sales of real estate assets and $9 million relating to a working capital adjustment to the gain recorded on the sale of our Oil and Gas business in November 2006. The gain on sales of discontinued operations in fiscal 2006 includes $599 million of gain on sale of our Oil and Gas business, $13 million of gain on sales of real estate assets and $62 million on the gain on the sale of our Atlantic City gaming operations.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

5. Discontinued Operations and Assets Held for Sale (continued)

Assets and Liabilities of Discontinued Operations

A summary of assets and liabilities of discontinued operations held for sale as of December 31, 2008 and 2007 is as follows (in millions of dollars):

	December 31, 2008	2007
Cash and cash equivalents	$	$ 107
Trade, notes and other receivables		6
Property, plant and equipment	26	459
Other assets		60
Assets of discontinued operations held for sale	$ 26	$ 632
Accounts payable and accrued expenses	$	$ 49
Debt		258
Other liabilities	3	10
Liabilities of discontinued operations held for sale	$ 3	$ 317

In our consolidated balance sheets, assets of discontinued operations are classified within other assets while liabilities of discontinued operations are classified within accrued expenses and other liabilities.

6. Related Party Transactions

From time to time, we have entered into several transactions with entities affiliated with Carl C. Icahn. The transactions include purchases by us of business and business interests, including debt, of the affiliated entities. Additionally, other transactions have occurred as described below.

All related party transactions are reviewed and approved by our Audit Committee. Our Audit Committee obtains independent legal counsel on all related party transactions and independent financial advice when appropriate.

In accordance with U.S. GAAP, assets transferred between common control entities are accounted for at historical cost similar to a pooling of interests, and the financial statements of previously separate companies for periods prior to the acquisition are restated on a consolidated basis. Additionally, prior to the acquisition, the earnings, losses, capital contributions and distributions of the acquired entities are allocated to the general partner as an adjustment to equity, and the consideration in excess of the basis of net assets acquired is shown as a reduction to the general partner s capital account.

a. Investment Management

Until August 8, 2007, Icahn Management elected to defer most of the management fees from the Offshore Funds and such amounts remain invested in the Offshore Funds. At December 31, 2008, the balance of the deferred management fees payable (included in accrued expenses and other liabilities) by the Offshore Funds to Icahn Management was $93 million. The deferred management fee payable (decreased) increased by $(51) million, $14 million and $20 million for fiscal 2008, fiscal 2007 and fiscal 2006, respectively. For fiscal 2007 and fiscal 2006, the deferred management fees from the Offshore Funds and related appreciation were eliminated in consolidation. (Prior to August 8, 2007, Icahn Management s financial results were consolidated into our consolidated financial statements).

Effective January 1, 2008, Icahn Capital and the Holding Company paid for salaries and benefits of certain employees who may also perform various functions on behalf of certain other entities beneficially owned by Carl C. Icahn (collectively, Icahn Affiliates), including accounting, administrative, investment, legal and tax services. Prior to January 1, 2008, Icahn & Co. LLC paid for such services. Under a separate

77

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

6. Related Party Transactions (continued)

expense-sharing agreement, Icahn Capital and the Holding Company have charged Icahn Affiliates $6 million for such services in fiscal 2008. Icahn Affiliates charged Icahn Management $14 million and $12 million for such services for fiscal 2007 and fiscal 2006, respectively. Management believes that all allocated amounts are reasonable based upon the nature of the services provided.

In addition, effective January 1, 2008, certain expenses borne by Icahn Capital have been reimbursed by Icahn Affiliates, as appropriate, when such expenses were incurred. The expenses included investment-specific expenses for investments acquired by both the Private Funds and Icahn Affiliates that were allocated based on the amounts invested by each party, as well as investment management-related expenses that were allocated based on estimated usage agreed upon by Icahn Capital and Icahn Affiliates.

Carl C. Icahn, along with his affiliates (other than the amounts invested by Icahn Enterprises and its affiliates), make investments in the Private Funds. These investments are not subject to special profits interest allocations effective January 1, 2008 (and, prior to January 1, 2008, management fees) or incentive allocations. As of December 31, 2008 and 2007, the total fair value of these investments was approximately $1.1 billion and $1.5 billion, respectively.

b. Automotive

On July 3, 2008, we entered into a Stock Purchase Agreement with Thornwood and Thornwood s general partner, Barberry, pursuant to which we acquired a majority interest in Federal-Mogul. For further information on this transaction, see Note 3, Acquisition.

c. Metals

For fiscal 2008, fiscal 2007 and fiscal 2006, PSC Metals sold material to Alliance Castings aggregating $19 million, $9 million and $11 million, respectively. Mr. Icahn is a major shareholder of Alliance Castings.

Philip issued $6 million in letters of credit collateralizing certain of PSC Metals obligations, which remained outstanding at December 31, 2007. During the third quarter of fiscal 2008, PSC Metals replaced the letters of credit issued through Philip and issued its own letters of credit.

d. Administrative Services

For each of fiscal 2008, fiscal 2007 and fiscal 2006, we paid an affiliate approximately $2 million for the non-exclusive use of office space.

For each of fiscal 2008, fiscal 2007 and fiscal 2006, we paid approximately $1 million to XO Holdings, Inc., an affiliate of ours, for telecommunication services.

For fiscal 2008, fiscal 2007 and fiscal 2006, we provided certain professional services to an affiliate of Icahn Enterprises GP for which we charged $3 million, $1 million, and $1 million, respectively. As of December 31, 2008, accrued expenses and other liabilities in the consolidated balance sheet included $3 million to be applied to our charges to the affiliate for services to be provided to it.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

7. Investments and Related Matters

a. Investment Management

Securities owned, and securities sold, not yet purchased consist of equities, bonds, bank debt and other corporate obligations, and derivatives, all of which are reported at fair value in our consolidated balance sheets. The following table summarizes the Private Funds securities owned, securities sold, not yet purchased and unrealized gains and losses on derivatives (in millions of dollars):

	December 31, 2008		December 31, 2007	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
Securities Owned, at fair value:				
Common stock	$5,112	$ 2,826	$4,929	$ 5,134
Convertible preferred stock	30	9	30	28
Call options	41	41	197	177
Put options			48	67
Corporate debt	1,830	1,385	558	514
Total Securities Owned, at fair value	$7,013	$ 4,261	$5,762	$ 5,920
Securities Sold, Not Yet Purchased, at fair value:				
Common stock	$2,821	$ 2,273	$177	$ 193
Put options			5	8
Corporate debt			11	5
Total Securities Sold, Not Yet Purchased, at fair value	$2,821	$ 2,273	$193	$ 206
Unrealized Gains on Derivative Contracts, at fair value(1):	$74	$ 79	$74	$ 110
Unrealized Losses on Derivative Contracts, at fair value(2):	$95	$ 440	$18	$ 16

(1) Amounts are included in other assets in our consolidated financial statements

(2) Amounts are included in accrued expenses and other liabilities in our consolidated financial statements

Upon the adoption of Statement of Position No. 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investment Companies* (SOP 07-1), the General Partners lost their ability to retain specialized accounting pursuant to the AICPA Audit and Accounting Guide Investment Companies. For those investments that (i) were deemed to be available-for-sale securities, (ii) fall outside the scope of SFAS No. 115 or (iii) the Private Funds would otherwise account for under the equity method, the Private Funds apply the fair value option pursuant to SFAS No. 159. The application of the fair value option pursuant to SFAS No. 159 is irrevocable. The Private Funds record unrealized gains and losses for the change in the fair value of these securities as a component of Investment Management revenues in the consolidated statements of operations.

79

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

7. Investments and Related Matters (continued)

The following table summarizes those investments for which the Private Funds would otherwise apply the equity method of accounting under APB 18. The Private Funds applied the fair value option pursuant to SFAS No. 159 to such investments through December 31, 2008 (in millions of dollars):

Investment	Private Funds Stock Ownership Percentage	Fair Value December 31, 2008	Gains (Losses) Year Ended December 31, 2008	2007	2006
Adventrx Pharmaceuticals Inc.	3.83 %	$ 0.3	$ (1)	$ (9)	$ (1)
Blockbuster Inc.	7.70 %	16.2	(40)	(19)	21
WCI Communities	0.00 %		(18)	(76)	5
		$ 16.5	$ (59)	$ (104)	$ 25

The Private Funds assess the applicability of APB 18 to their investments based on a combination of qualitative and quantitative factors, including overall stock ownership of the Private Funds combined with those of affiliates of Icahn Enterprises.

We believe that these investments as noted in the above table are not material, individually or in the aggregate, to our consolidated financial statements. These companies are registered SEC reporting companies and their consolidated financial statements are available at *www.sec.gov*.

Investments in Variable Interest Entities

The General Partners consolidate certain variable interest entities (VIEs) when they are determined to be their primary beneficiary, either directly or indirectly through other consolidated subsidiaries. The assets of the consolidated VIEs are primarily classified within cash and cash equivalents and investments in the consolidated balance sheets. The liabilities of the consolidated VIEs are primarily classified within securities sold, not yet purchased, at fair value, and accrued expenses and other liabilities in the consolidated balance sheets and are non-recourse to the General Partners general credit. Any creditors of VIEs do not have recourse against the general credit of the General Partners solely as a result of our including these VIEs in our consolidated financial statements.

The consolidated VIEs consist of the Offshore Fund and each of the Offshore Master Funds. The General Partners sponsored the formation of and manage each of these VIEs and, in some cases, have an investment therein.

The following table presents information regarding interests in VIEs for which the General Partners hold a variable interest as of December 31, 2008 (in millions of dollars):

	General Partners Are the Primary Beneficiary			General Partners Are Not the Primary Beneficiary	
	Net Assets	General Partners' Interests	Pledged Collateral[1]	Net Assets	General Partners' Interests
Offshore Fund and Offshore Master Funds	$2,241	$ 5 [2]	$ 919	$515	$ 0.1 [2]

(1) Includes collateral pledged in connection with securities sold, not yet purchased, derivative contracts and collateral held for securities loaned.

(2) Amount represents General Partners' maximum exposure to loss.

80

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

7. Investments and Related Matters (continued)

b. Automotive, Metals, Home Fashion and Holding Company

Investments for Automotive, Metals, Home Fashion and Holding Company consist of the following (in millions of dollars):

	December 31, 2008		December 31, 2007	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
Available for Sale				
Marketable equity and debt securities	$ 26	$ 19	$ 119	$ 119
Other investments			172	173
Total available for sale	26	19	291	292
Trading				
Investment in ImClone Systems, at fair value			122	196
Investment in Lear Corporation, at fair value			13	9
Total trading			135	205
Equity method investments and other	235	235	15	15
Total investments	$ 261	$ 254	$ 441	$ 512

Net realized and unrealized gains (losses) of our Holding Company were as follows (in millions of dollars):

	Year Ended December 31,		
	2008	2007	2006
Net realized gains on sales of marketable securities	$ 181	$ 31	$ 69
Unrealized (losses) gains on marketable securities	(79)	50	21
Net realized losses on securities sold short		(2)	(17)
Unrealized gains on securities sold short		5	18
Net gain from investment activities	$ 102	$ 84	$ 91

Proceeds from the sales of available-for-sale securities were $35 million, $281 million and $727 million for fiscal 2008, fiscal 2007 and fiscal 2006, respectively. The gross realized gains (losses) on available-for-sale securities sold for fiscal 2008, fiscal 2007 and fiscal 2006 were $(20) million, $3 million and $48 million, respectively. The net unrealized (losses) gains for trading securities for fiscal 2008 and fiscal 2007 were $(71) million and $71 million, respectively. There were no unrealized gains or losses for trading securities for fiscal 2006. There were no trading securities still held at December 31, 2008. For purposes of determining gains and losses, the cost of securities is based on specific identification. Net unrealized holding gains (losses) on available-for-sale securities in the amount of $(6) million, $(24) million and $30 million for fiscal 2008, fiscal 2007 and fiscal 2006, respectively, have been included in accumulated other comprehensive income.

Investment in Lear Corporation

In the third quarter of fiscal 2007, we adopted the fair value option pursuant to SFAS No. 159 for Lear Corporation (Lear) common stock which became eligible for the fair value option at the time we first recognized them in our consolidated financial statements. We have adopted SFAS No. 159 to our investment in Lear common stock to be consistent with the Private Funds accounting for its investment in Lear common

81

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

7. Investments and Related Matters (continued)

stock. We record unrealized gains and losses for the change in fair value of such shares as a component of Holding Company revenues in the consolidated statements of operations. In the fourth quarter of fiscal 2008, we sold all of our Lear common stock and realized a net loss of $12 million. For fiscal 2007, we recorded $3 million in unrealized losses resulting from the change in market value of Lear common stock.

Investment in ImClone Systems Incorporated

We adopted SFAS No. 159 as of January 1, 2007 and elected to apply the fair value option to our investment in ImClone Systems Incorporated (ImClone). It is our policy to apply the fair value option to all of our investments that would be subject to the equity method of accounting pursuant to APB 18. In the fourth quarter of fiscal 2006, we first applied the equity method of accounting to our investment in ImClone due to changes in ImClone s board, resulting in our having the ability to exercise significant influence over ImClone.

As of the date of adoption, the carrying value of our investment in ImClone was approximately $164 million and the fair value of our investment was $122 million. In accordance with the transition requirements of SFAS No. 159, we recorded a cumulative effect adjustment to beginning partners equity for the difference between the fair value and carrying value on the date of adoption, which reduced partners equity by $42 million.

In the fourth quarter of fiscal 2008, we received $319 million pursuant to a tender offer from Bristol-Myers Squibb Company as consideration for their purchase of all of the ImClone shares held by us. For fiscal 2008, we recorded a realized gain of $197 million in the sale of all of the ImClone shares. In fiscal 2007, we recorded $74 million of unrealized gains resulting from the change in the market value of ImClone s stock. Such gains are reflected as a component of Holding Company revenues in the consolidated statements of operations.

c. Automotive

Investments in Non-Consolidated Affiliates

Federal-Mogul maintains investments in 14 non-consolidated affiliates, which are located in China, Germany, Italy, Japan, Korea, Turkey, the United Kingdom and the United States. Federal-Mogul s direct ownership in such affiliates ranges from approximately 1% to 50%. The aggregate investment in these affiliates approximates $221 million at December 31, 2008 and is included in our consolidated balance sheets as a component of investments. Upon our purchase of the controlling interest in Federal-Mogul, Federal-Mogul s investments in non-consolidated affiliates were adjusted to estimated fair value. These estimated fair values were determined based upon internal and external valuations considering various relevant market rates and transactions, and discounted cash flow valuation methods, among other factors, as further described in Note 3, Acquisitions.

As of December 31, 2008, Federal-Mogul evaluated the recorded value of its investments in non-consolidated affiliates for potential impairment. Given the economic downturn in the global automotive industry and the related declines in anticipated production volumes, Federal-Mogul concluded that its investments in non-consolidated affiliates were impaired, and an impairment charge of $63 million was recorded for the period March 1, 2008 through December 31, 2008.

Equity in the earnings of non-consolidated affiliates amounted to approximately $19 million for the period March 1, 2008 through December 31, 2008. For the period March 1, 2008 through December 31, 2008, these entities generated sales of approximately $516 million, net income of approximately $54 million and distributed dividends to Federal-Mogul of approximately $28 million. As of December 31, 2008, these entities had total net assets of approximately $482 million.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

7. Investments and Related Matters (continued)

Federal-Mogul 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, Federal-Mogul s joint ventures are businesses established and maintained in connection with its operating strategy and are not special purpose entities.

Federal-Mogul holds a 50% non-controlling interest in a joint venture located in Turkey. This joint venture was established in 1995 for the purpose of manufacturing and marketing automotive parts, including pistons, piston rings, piston pins and cylinder liners, to original equipment and aftermarket customers. Pursuant to the joint venture agreement, Federal-Mogul s partner holds an option to put its shares to a subsidiary of Federal-Mogul at the higher of the current fair value and a guaranteed minimum amount. The term of the contingent guarantee is indefinite, consistent with the terms of the joint venture agreement. However, the contingent guarantee would not survive termination of the joint venture agreement.

The guaranteed minimum amount represents a contingent guarantee of the initial investment of the joint venture partner and can be exercised at the discretion of the partner. As of December 31, 2008, the total amount of the contingent guarantee, were all triggering events to occur, approximated $59 million. Federal-Mogul believes that this contingent guarantee is substantially less than the estimated current fair value of the guarantees interest in the affiliate. As such, the contingent guarantee does not give rise to a contingent liability and, as a result, no amount is recorded for this guarantee. If this put option were exercised, the consideration paid and net assets acquired would be accounted for in accordance with SFAS No. 141(R).

If this put option were exercised at its estimated current fair value, such exercise could have a material effect on Federal-Mogul s liquidity. Any value in excess of the guaranteed minimum amount of the put option would be the subject of negotiation between Federal-Mogul and its joint venture partner.

In accordance with SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (SFAS No. 150), Federal-Mogul has determined that its investments in Chinese joint venture arrangements are considered to be limited-lived as such entities have specified durations ranging from 30 to 50 years pursuant to regional statutory regulations. In general, these arrangements call for extension, renewal or liquidation at the discretion of the parties to the arrangement at the end of the contractual agreement. Accordingly, a reasonable assessment cannot be made as to the impact of such arrangements on the future liquidity position of Federal-Mogul.

8. Fair Value Measurements

We adopted SFAS No. 157 as of January 1, 2007, which, among other things, requires enhanced disclosures about investments that are measured and reported at fair value. SFAS No. 157 establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 include listed equities and listed derivatives. As required by SFAS No. 157, we do not adjust the quoted price for these investments, even in situations where we hold a large position.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

8. Fair Value Measurements (continued)

Level 2 Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following table summarizes the valuation of our investments by the above SFAS No. 157 fair value hierarchy levels as of December 31, 2008 (in millions of dollars).

Investment Management

	Level 1	Level 2	Level 3	Total
Assets				
Securities owned	$ 2,842	$ 1,363	$ 56	$ 4,261
Unrealized gains on derivative contracts[(1)]		79		79
	$ 2,842	$ 1,442	$ 56	$ 4,340
Liabilities				
Securities sold, not yet purchased	$ 2,273	$	$	$ 2,273
Unrealized losses on derivative contracts[(2)]	1	439		440
	$ 2,274	$ 439	$	$ 2,713

The changes in investments measured at fair value for which the Investment Management operations has used Level 3 input to determine fair value are as follows:

Balance at December 31, 2007	$
Realized and unrealized losses, net	(67)
Purchases, net	123
Balance at December 31, 2008	$ 56

Changes in unrealized losses included in earnings related to investments still held at reporting date	$ (67)

Total realized and unrealized gains and losses recorded for Level 3 investments are reported in net gain from investment activities in the consolidated statements of operations.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

8. Fair Value Measurements (continued)

Automotive, Holding Company and Other

	Level 1	Level 2	Total
Assets			
Available for sale investments:			
Marketable equity and debt securities	$ 19	$	$ 19
Unrealized gains on derivative contracts(1)		1	1
	$ 19	$ 1	$ 20
Liabilities(2)			
Derivative financial instruments	$	$ 99	$ 99
Unrealized losses on derivative contracts		10	10
	$	$ 109	$ 109

(1) Amounts are classified within other assets in our consolidated balance sheets.
(2) Amounts are classified within accrued expenses and other liabilities in our consolidated balance sheets.

9. Financial Instruments

a. Investment Management and Holding Company

The Private Funds currently maintain cash deposits and cash equivalents with major financial institutions. Certain account balances may not be covered by the Federal Deposit Insurance Corporation, while other accounts, may exceed federally insured limits. The Onshore Fund and the Offshore Master Funds have prime broker arrangements in place with multiple prime brokers as well as a custodian bank. These financial institutions are members of major securities exchanges. The Onshore Fund and Offshore Master Funds also have relationships with several financial institutions with whom they trade derivative and other financial instruments.

In the normal course of business, the Private Funds trade various financial instruments and enter into certain investment activities, which may give rise to off-balance-sheet risk. Currently, the Private Funds investments include futures, options, credit default swaps and securities sold, not yet purchased. These financial instruments represent future commitments to purchase or sell other financial instruments or to exchange an amount of cash based on the change in an underlying instrument at specific terms at specified future dates. Risks arise with these financial instruments from potential counterparty non-performance and from changes in the market values of underlying instruments.

Securities sold, not yet purchased represent obligations of the Private Funds to deliver the specified security, thereby creating a liability to repurchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk, as the Private Funds satisfaction of the obligations may exceed the amount recognized in the consolidated balance sheets. The Private Funds investments in securities and amounts due from broker are partially restricted until the Private Funds satisfy the obligation to deliver the securities sold, not yet purchased.

The Private Funds and the Holding Company have entered into various types of swap contracts with other counterparties. These agreements provide that we are entitled to receive or are obligated to pay in cash an amount equal to the increase or decrease, respectively, in the value of the underlying shares, debt and other instruments that are the subject of the contracts, during the period from inception of the applicable agreement to its expiration. In addition, pursuant to the terms of such agreements, we are entitled to receive other payments,

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

9. Financial Instruments (continued)

including interest, dividends and other distributions made in respect of the underlying shares, debt and other instruments during the specified time frame. We are also required to pay to our counterparty a floating interest rate equal to the product of the notional amount multiplied by an agreed-upon rate, and we receive interest on any cash collateral that we post to the counterparty at the federal funds or LIBOR rate in effect for such period.

The Private Funds trade futures contracts. A futures contract is a firm commitment to buy or sell a specified quantity of a standardized amount of a deliverable grade commodity, security, currency or cash at a specified price and specified future date unless the contract is closed before the delivery date. Payments (or variation margin) are made or received by the Private Funds each day, depending on the daily fluctuations in the value of the contract, and the whole value change is recorded as an unrealized gain or loss by the Private Funds. When the contract is closed, the Private Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The Private Funds utilize forward contracts to seek to protect their assets denominated in foreign currencies from losses due to fluctuations in foreign exchange rates. The Private Funds exposure to credit risk associated with non-performance of forward foreign currency contracts is limited to the unrealized gains or losses inherent in such contracts, which are recognized in unrealized gains or losses on derivative, futures and foreign currency contracts, at fair value in the consolidated balance sheets.

From time to time, the Private Funds also purchase and write option contracts. As a writer of option contracts, the Private Funds receive a premium at the outset and then bear the market risk of unfavorable changes in the price of the underlying financial instrument. As a result of writing option contracts, the Private Funds are obligated to purchase or sell, at the holder s option, the underlying financial instrument. Accordingly, these transactions result in off-balance-sheet risk, as the Private Funds satisfaction of the obligations may exceed the amount recognized in the consolidated balance sheets. The maximum payout amount relating to written put options was $461 million as of December 31, 2007. The Private Funds did not have any written put options at December 31, 2008. As of December 31, 2007, the carrying amount of the liability under written put options recorded within securities sold, not yet purchased, at fair value was $9 million.

FIN 45 requires the disclosure of information about obligations under certain guarantee arrangements. FIN 45 defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity s failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

The Private Funds have entered into certain derivative contracts, in the form of credit default swaps, that meet the accounting definition of a guarantee under FIN 45, whereby the occurrence of a credit event with respect to the issuer of the underlying financial instrument may obligate the Private Funds to make a payment to the swap counterparties. As of December 31, 2008 and 2007, the Private Funds have entered into such credit default swaps with a maximum notional amount of approximately $604 million and $252 million, respectively, with terms ranging from one to five years. We estimate that our potential exposure related to these credit default swaps approximates 16.4% of such notional amounts.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

9. Financial Instruments (continued)

The following table presents the notional amount, fair value, underlying referenced credit obligation type and credit ratings for derivative contracts in which the Private Funds is assuming risk as of December 31, 2008:

Credit Derivative Type by Derivative Risk Exposure	Notional Amount	Fair Value	Underlying Reference Obligation
	(In Millions of Dollars)		
Single name credit default swaps:			
Investment grade risk exposure	$ 408	$ 7	Corporate Credit
Below investment grade risk exposure	196	(106)	Corporate Credit
	$ 604	$ (99)	

b. Automotive

Federal-Mogul manufactures and sells its products in North America, South America, Asia, Europe and Africa. As a result, Federal-Mogul 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 Federal-Mogul manufactures and sells its products. Federal-Mogul's operating results are primarily exposed to changes in exchange rates between the U.S. dollar and European currencies.

Federal-Mogul 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, Federal-Mogul 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, Japanese yen and Canadian dollar. These hedges were highly effective and their impact on earnings was not significant for the period March 1, 2008 through December 31, 2008. Federal-Mogul had notional values of approximately $5 million of foreign currency hedge contracts outstanding at December 31, 2008 that were designated as hedging instruments for accounting purposes. Unrealized net gains of $1 million were recorded in accumulated other comprehensive loss as of December 31, 2008.

As of December 31, 2008, Federal-Mogul was party to a series of five-year interest rate swap agreements with a total notional value of $1,190 million to hedge the variability of interest payments associated with its variable-rate term loans under the Exit Facilities. Through these swap agreements, Federal-Mogul has fixed its base interest and premium rate at a combined average interest rate of approximately 5.37% on the hedged principal amount of $1,190 million. Since the interest rate swaps hedge the variability of interest payments on variable rate debt with the same terms, they qualify for cash flow hedge accounting treatment. As of December 31, 2008, unrealized net losses of $67 million were recorded in accumulated other comprehensive loss as a result of these hedges. Hedge ineffectiveness, determined using the hypothetical derivative method, was not material for the period March 1, 2008 through December 31, 2008.

These interest rate swaps reduce Federal-Mogul s overall interest rate risk. However, due to the remaining outstanding borrowings on Federal-Mogul s Exit Facilities and other borrowing facilities that continue to have variable interest rates, management believes that interest rate risk to Federal-Mogul could be material if there are significant adverse changes in interest rates.

Federal-Mogul 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 Federal-Mogul s commodity price forward contract activity is to manage the volatility associated with these forecasted purchases. Federal-Mogul monitors its commodity price risk exposures regularly to maximize the overall effectiveness of its commodity forward contracts. Principal raw materials hedged include natural gas, copper, nickel, lead, 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.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

9. Financial Instruments (continued)

Federal-Mogul had 302 commodity price hedge contracts outstanding with a combined notional value of $91 million at December 31, 2008, substantially all of which were designated as hedging instruments for accounting purposes. As such, unrealized net losses of $33 million were recorded to accumulated other comprehensive loss as of December 31, 2008. Hedge ineffectiveness of $2 million, determined using the hypothetical derivative method, and loss in fair value of certain contracts not meeting hedge accounting requirements of $3 million were recorded within revenues for the period March 1, 2008 through December 31, 2008.

For derivatives designated either as fair value or cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness. Hedge ineffectiveness, determined in accordance with SFAS No. 133, did not have a material effect on operations for the period March 1, 2008 through December 31, 2008. No fair value hedges or cash flow hedges were re-designated or discontinued for the period March 1, 2008 through December 31, 2008. Derivative gains and losses included in other comprehensive income for the effective hedges were reclassified into operations at the time forecasted transactions are recognized. Such amounts were not material for the period March 1, 2008 through December 31, 2008.

Financial instruments, which potentially subject Federal-Mogul to concentrations of credit risk, consist primarily of accounts receivable and cash investments. Federal-Mogul's customer base includes virtually every significant global light and commercial vehicle manufacturer and a large number of distributors and installers of automotive aftermarket parts. Federal-Mogul's credit evaluation process and the geographical dispersion of sales transactions help to mitigate credit risk concentration. Federal-Mogul requires placement of cash in financial institutions evaluated as highly creditworthy.

10. Goodwill and Intangible Assets

At December 31, 2008 and 2007, goodwill and other intangible assets consist of the following (in millions of dollars):

Description	Amortization Periods	December 31, 2008 Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	December 31, 2007 Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Definite lived intangible assets:							
Automotive	1 22 years	$640	$ (76)	$564	$	$	$
Metals	5 15 years	11	(2)	9	7	(1)	6
		651	(78)	573	7	(1)	6
Indefinite lived intangible assets:							

Automotive	354	
Metals	3	
Home Fashion	13	18
	370	18
Total intangible assets	$943	$ 24
Goodwill:		
Automotive	$1,076	$
Metals	10	16
	$1,086	$ 16

88

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

10. Goodwill and Intangible Assets (continued)

Automotive

As of February 29, 2008, we adjusted the net carrying amount of intangible assets of Federal-Mogul based upon preliminary valuations as a result of applying purchase accounting pursuant to SFAS No. 141. During fiscal 2008, Federal-Mogul received valuation estimates for intangible assets other than goodwill that were more detailed and comprehensive than those used for its initial application of purchase accounting. Based upon the revised valuations, Federal-Mogul recorded adjustments to the initially recorded fresh-start reporting amounts.

Federal-Mogul has assigned $115 million to technology, including value for patented and unpatented proprietary know-how and expertise as embodied in the processes, specifications and testing of products. The value assigned is based on the relief-from-royalty method which applies a fair royalty rate for the technology group to forecasted revenue. Royalty rates were determined based on discussions with management and a review of royalty data for similar or comparable technologies. The amortization periods between 10 and 14 years are based on the expected useful lives of the products or product families for which the technology relate.

Aftermarket products are sold to a wide range of wholesalers, retailers and installers as replacement parts for vehicles in current production and for older vehicles. For its aftermarket customers, Federal-Mogul generally establishes product line arrangements that encompass all products offered within a particular product line. These are typically open-ended arrangements that are subject to termination by either Federal-Mogul or the customer at any time. The generation of repeat business from any one aftermarket customer depends upon numerous factors, including but not limited to the speed and accuracy of order fulfillment, the availability of a full range of product, brand recognition, and market responsive pricing adjustments. Predictable recurring revenue is generally not heavily based upon prior relationship experience. As such, distinguishing revenue between that attributable to customer relationships as opposed to revenue attributable to recognized customer brands is difficult.

During 2008, Federal-Mogul completed its analysis of its various Aftermarket revenue streams and bifurcated those streams between revenues associated with brand recognition and revenues associated with customer relationships. Valuations for brand names and customer relationships were then determined based upon the estimated revenue streams. As a result of the valuations, Federal-Mogul recorded $484 million for its trademarks and brand names. As part of fresh-start reporting, value was assigned to trademarks or brand names based on its earnings potential or relief from costs associated with licensing the trademarks or brand names. As Federal-Mogul expects to continue using each trademark or brand name indefinitely with respect to the related product lines, the trademarks or brand names have been assigned indefinite lives and will be tested annually for impairment.

Federal-Mogul has assigned $519 million to its customer relationships, of which $62 million relates to original equipment (OE) customer relationships and $457 million relates to aftermarket customer relationships. The values assigned to customer relationships are based on the propensity of these customers to continue to generate predictable future recurring revenue and income. The value was based on the present value of the future earnings attributable to the intangible assets after recognition of required returns to other contributory assets. The amortization periods of between 1 and 16 years are based on the expected cash flows and historical attrition rates, as determined within each of the separate product groups.

Given the complexity of the calculation and significance of fourth quarter economic activity, Federal-Mogul has not yet completed its annual impairment assessment. Based upon the draft valuations and preliminary assessment, our Automotive segment recorded estimated impairment charges of $222 million and $130 million for goodwill and other indefinite-lived intangible assets, respectively, for the period March 1, 2008 through December 31, 2008. To the extent that the finalization of Federal-Mogul s assessment of goodwill and other indefinite-lived intangible assets requires adjustment to the preliminary impairment charge, such

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

10. Goodwill and Intangible Assets (continued)

adjustment would be recorded in the first quarter of fiscal 2009. These charges were required to adjust the carrying value of goodwill and other indefinite-lived intangible assets to estimated fair value. The estimated fair values were determined based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and projected future cash flows discounted at rates commensurate with the risk involved. Although the annual assessment was conducted as of October 1, 2008, Federal-Mogul incorporated general economic and company specific factors subsequent to this date into its assessment, including updated discount rates, costs of capital, market capitalization of Federal-Mogul, and financial projections, all in order to give appropriate consideration to the unprecedented economic downturn in the automotive industry that continued throughout the fourth quarter of 2008.

The 2008 impairment charge is primarily attributable to significant decreases in forecasted future cash flows as Federal-Mogul adjusts to known and anticipated changes in industry production volumes.

For the period March 1, 2008 through December 31, 2008, Federal-Mogul recorded amortization expense of $65 million associated with definite-lived intangible assets. Federal-Mogul utilizes the straight line method of amortization, recognized over the estimated useful lives of the assets. Federal Mogul s estimated future amortization expense for its definite-lived intangible assets is as follows (in millions of dollars):

Year	Amount
2009	$ 49
2010	49
2011	47
2012	47
2013	45
Thereafter	327
	$ 564

Federal-Mogul evaluated the criteria defined by the American Institute of Certified Public Accounts practice aid entitled Assets Acquired in a Business Combination to be Used in Research and Development Activities. The criteria included control, economic benefit, measurability, no alternative future use and substance. As a result of this evaluation, Federal-Mogul concluded that there were no significant research and development activities to which value should be assigned in connection with fresh-start reporting.

11. Property, Plant and Equipment, Net

Property, plant and equipment consists of the following (in millions of dollars):

	December 31, 2008	December 31, 2007
Land	$ 307	$ 52
Buildings and improvements	492	140
Machinery, equipment and furniture	1,605	223
Assets leased to others	590	128
Construction in progress	275	102
	3,269	645
Less accumulated depreciation and amortization	(391)	(112)
Property, plant and equipment, net	$ 2,878	$ 533

90

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

11. Property, Plant and Equipment, Net (continued)

Depreciation and amortization expense from continuing operations related to property, plant and equipment for fiscal 2008, fiscal 2007 and fiscal 2006 was $237 million, $30 million and $45 million, respectively.

Total rental expense for continuing operations under operating leases for fiscal 2008, fiscal 2007 and fiscal 2006 was $64 million, $16 million and $4 million, respectively.

12. Equity Attributable to Non-Controlling Interests

Equity attributable to non-controlling interests consist of the following (in millions of dollars):

	December 31, 2008	December 31, 2007
Investment Management	$ 3,560	$ 6,594
Automotive	276	
Home Fashion and other	108	141
Total equity attributable to non-controlling interests	$ 3,944	$ 6,735

Investment Management

The Investment Management segment consolidates those entities in which it (i) has an investment of more than 50% and have control over significant operating, financial and investing decisions of the entity, (ii) has a controlling general partner interest pursuant to EITF Issue No. 04-05, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-05), or (iii) is the primary beneficiary of a VIE pursuant to FIN 46R. The Investment Funds and the Offshore Fund are consolidated into our financial statements even though we have only a minority interest in the equity and income of these funds. As a result, our consolidated financial statements reflect the assets, liabilities, revenues, expenses and cash flows of these funds on a gross basis, rather than reflecting only the value of our investments in such funds. As of December 31, 2008, the net asset value of the Investment Management segment on our consolidated balance sheet was $4.3 billion, while the net asset value of our investments in these consolidated funds was $712 million. The majority ownership interests in these funds, which represent the portion of the consolidated Private Funds net assets and net income attributable to the limited partners and shareholders in the consolidated Private Funds for the periods presented, are attributable to non-controlling interests in the consolidated financial statements.

13. Debt

Debt consists of the following (in millions of dollars):

	December 31, 2008	December 31, 2007
Senior unsecured variable rate convertible notes due 2013 Icahn Enterprises	$ 556	$ 600
Senior unsecured 7.125% notes due 2013 Icahn Enterprises	961	973
Senior unsecured 8.125% notes due 2012 Icahn Enterprises	352	352
Senior secured 7.85% notes due 2012 ACEP		215
Exit facilities Federal-Mogul	2,474	
Borrowings under credit facility ACEP		40
Mortgages payable	123	104
Other	105	15
Total debt	4,571	2,299
Less debt related to assets held for sale		(258)
	$ 4,571	$ 2,041

91

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

13. Debt (continued)

Senior Unsecured Variable Rate Convertible Notes Due 2013 Icahn Enterprises

In April 2007, we issued an aggregate of $600.0 million of variable rate senior convertible notes due 2013 (the variable rate notes). The variable rate notes were sold in a private placement pursuant to Section 4(2) of the Securities Act of 1933, as amended (the Securities Act), and issued pursuant to an indenture dated as of April 5, 2007, by and among us, as issuer, Icahn Enterprises Finance Corp. (Icahn Enterprises Finance), as co-issuer, and Wilmington Trust Company, as trustee. Icahn Enterprises Finance, our wholly owned subsidiary, was formed solely for the purpose of serving as a co-issuer of our debt securities in order to facilitate offerings of the debt securities. Other than Icahn Enterprises Holdings, no other subsidiaries guarantee payment on the variable rate notes. The variable rate notes bear interest at a rate of three-month LIBOR minus 125 basis points, but the all-in-rate can be no less than 4.0% nor more than 5.5%, and are convertible into our depositary units at a conversion price of $132.595 per depositary unit per $1,000 principal amount, subject to adjustments in certain circumstances. Pursuant to the indenture governing the variable rate notes, on October 5, 2008, the conversion price was adjusted downward to $105.00 per depositary unit per $1,000 principal amount. As of December 31, 2008, the interest rate was 4.0%. The interest on the variable rate notes is payable quarterly on each January 15, April 15, July 15 and October 15. The variable rate notes mature on August 15, 2013, assuming they have not been converted to depositary units before their maturity date.

In the event that we declare a cash distribution in any calendar quarter with respect to our depositary units in an amount in excess of $0.10 per depositary unit (as adjusted for splits, reverse splits and/or stock dividends), the indenture governing the variable rate notes requires that we simultaneously make such distribution to holders of the variable rate notes in accordance with a formula set forth in the indenture. During fiscal 2008 and fiscal 2007, we paid cash distributions aggregating $3 million and $1 million, respectively, to holders of our variable rate notes in respect to our distributions payment to our depositary unitholders. Such amounts have been classified as interest expense.

Senior Unsecured Notes Icahn Enterprises

Senior Unsecured 7.125% Notes Due 2013

On February 7, 2005, we issued $480 million aggregate principal amount of 7.125% senior unsecured notes due 2013 (the 7.125% notes), priced at 100% of principal amount. The 7.125% notes were issued pursuant to an indenture dated February 7, 2005 among us, as issuer, Icahn Enterprises Finance, as co-issuer, Icahn Enterprises Holdings, as guarantor, and Wilmington Trust Company, as trustee (referred to herein as the 2005 Indenture). Other than Icahn Enterprises Holdings, no other subsidiaries guarantee payment on the notes.

On January 16, 2007, we issued an additional $500 million aggregate principal amount of 7.125% notes (the additional 7.125% notes and, together with the 7.125% notes, the notes), priced at 98.4% of par, or at a discount of 1.6%, pursuant to the 2005 Indenture. The notes have a fixed annual interest rate of 7.125%, which is paid every six months on February 15 and August 15, and will mature on February 15, 2013.

As described below, the 2005 Indenture restricts the ability of Icahn Enterprises and Icahn Enterprises Holdings, subject to certain exceptions, to, among other things: incur additional debt; pay dividends or make distributions; repurchase units; create liens; and enter into transactions with affiliates.

Senior Unsecured 8.125% Notes Due 2012

On May 12, 2004, Icahn Enterprises and Icahn Enterprises Finance co-issued senior unsecured 8.125% notes due 2012 (8.125% notes) in the aggregate principal amount of $353 million. The 8.125% notes were issued pursuant to an indenture, dated as of May 12, 2004, among Icahn Enterprises, Icahn Enterprises Finance, Icahn Enterprises Holdings, as guarantor, and Wilmington Trust Company, as trustee. The 8.125% notes were priced at 99.266% of principal amount and have a fixed annual interest rate of 8.125%, which is

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

13. Debt (continued)

paid every six months on June 1 and December 1. The 8.125% notes will mature on June 1, 2012. Other than Icahn Enterprises Holdings, no other subsidiaries guarantee payment on the notes.

As described below, the indenture governing the 8.125% notes restricts the ability of Icahn Enterprises and Icahn Enterprises Holdings, subject to certain exceptions, to, among other, things: incur additional debt; pay dividends or make distributions; repurchase units; create liens and enter into transactions with affiliates.

Senior Unsecured Notes Restrictions and Covenants

The 2005 Indenture governing our senior unsecured 7.125% notes and the indenture governing our senior unsecured 8.125% notes restrict the payment of cash distributions, the purchase of equity interests or the purchase, redemption, defeasance or acquisition of debt subordinated to the senior unsecured notes. The indentures also restrict the incurrence of debt or the issuance of disqualified stock, as defined in the indentures, with certain exceptions. In addition, the indentures governing our senior unsecured notes require that on each quarterly determination date that we and the guarantor of the notes (currently only Icahn Enterprises Holdings) maintain certain minimum financial ratios, as defined in the applicable indenture. The indentures also restrict the creation of liens, mergers, consolidations and sales of substantially all of our assets, and transactions with affiliates.

As of December 31, 2008 and December 31, 2007, we are in compliance with all covenants, including maintaining certain minimum financial ratios, as defined in the applicable indentures. Additionally, as of December 31, 2008, based on certain minimum financial ratios, we and Icahn Enterprises Holdings could not incur additional indebtedness. However, our subsidiaries, other than Icahn Enterprises Holdings, are not subject to any of the covenants contained in the indentures with respect to our senior notes, including the covenant restricting debt incurrence.

Senior Secured Revolving Credit Facility Icahn Enterprises

On August 21, 2006, we and Icahn Enterprises Finance as the borrowers, and certain of our subsidiaries, as guarantors, entered into a credit agreement with Bear Stearns Corporate Lending Inc., as administrative agent, and certain other lender parties. Under the credit agreement, we are permitted to borrow up to $150 million, including a $50 million sub-limit that may be used for letters of credit. Borrowings under the agreement, which are based on our credit rating, bear interest at LIBOR plus 1.0% to 2.0%. We pay an unused line fee of 0.25% to 0.5%. As of December 31, 2008, there were no borrowings under the facility.

Obligations under the credit agreement are guaranteed and secured by liens on substantially all of the assets of certain of our indirect wholly owned holding company subsidiaries. The credit agreement has a term of four years and all amounts are due and payable on August 21, 2010. The credit agreement includes covenants that, among other things, restrict the creation of liens and certain dispositions of property by holding company subsidiaries that are guarantors. Obligations under the credit agreement are immediately due and payable upon the occurrence of certain events of default.

Exit Facilities   Federal-Mogul

On the Effective Date, Federal-Mogul entered into a Term Loan and Revolving Credit Agreement (the   Exit Facilities   ) with Citicorp U.S.A. Inc. as Administrative Agent, JPMorgan Chase Bank, N.A. as Syndication Agent and certain lenders. The Exit Facilities include a $540 million revolving credit facility (which is subject to a borrowing base and can be increased under certain circumstances and subject to certain conditions) and a $2,960 million term loan credit facility divided into a $1,960 million tranche B loan and a $1,000 million tranche C loan. Federal-Mogul borrowed $878 million under the term loan facility on the Effective Date and the remaining $2,082 million of term loans, which were available for up to 60 days after the Effective Date, have been fully drawn.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

13. Debt (continued)

The obligations under the revolving credit facility mature December 27, 2013 and bear interest for the six months at LIBOR plus 1.75% or at the alternate base rate (ABR, defined as the greater of Citibank, N.A. s announced prime rate or 0.50% over the Federal Funds Rate) plus 0.75%, and thereafter will be adjusted in accordance with a pricing grid based on availability under the revolving credit facility. Interest rates on the pricing grid range from LIBOR plus 1.50% to LIBOR plus 2.00% and ABR plus 0.50% to ABR plus 1.00%. The tranche B term loans mature December 27, 2014 and the tranche C term loans mature December 27, 2015. In addition, the tranche C term loans are subject to a pre-payment premium should Federal-Mogul choose to prepay the loans prior to December 27, 2011. All Exit Facilities term loans bear interest at LIBOR plus 1.9375% or at ABR plus 0.9375% at Federal-Mogul s election.

As of December 31, 2008, Federal-Mogul was party to a series of five-year interest rate swap agreements with a total notional value of $1,190 million to hedge the variability of interest payments associated with its variable rate term loans under the Exit Facilities. Through these swap agreements, Federal-Mogul has fixed its base interest and premium rate at a combined average interest rate of approximately 5.37% on the notional value of $1,190 million. Since the interest rate swaps hedge the variability of interest payments on variable rate debt with the same terms, they qualify for cash flow hedge accounting treatment.

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

Under the Exit Facilities, Federal-Mogul had $57 million of letters of credit outstanding at December 31, 2008, of which $47 million pertain to the revolving credit facility and $10 million pertain to the term loan credit facility. To the extent letters of credit associated with the Exit Facilities are issued, there is a corresponding decrease in borrowings available under this facility.

The weighted average interest for short-term debt was approximately 8.7% as of December 31, 2008.

The Exit Facilities contain certain affirmative and negative covenants and events of default, including, subject to certain exceptions, restrictions on incurring additional indebtedness, mandatory prepayment provisions associated with specified asset sales and dispositions, and limitations on (i) investments; (ii) certain acquisitions, mergers or consolidations; (iii) sale and leaseback transactions; (iv) certain transactions with affiliates; and (v) dividends and other payments in respect of capital stock. As of December 31, 2008, Federal-Mogul was in compliance with all debt covenants under the Exit Facilities.

Senior Secured 7.85% Notes Due 2012 and Senior Secured Revolving Credit Facility ACEP

As described in Note 5, Discontinued Operations and Assets Held for Sale, on February 20, 2008, American Entertainment Properties Corp (AEP), sold all of the issued and outstanding membership interests of ACEP. Pursuant to the terms of the agreement, AEP repaid the principal and ACEP repaid the interest, prepayment penalty or premiums due on ACEP s 7.85% senior secured notes due 2012 and ACEP s senior secured credit facility.

Mortgages Payable

Mortgages payable, all of which are non-recourse to us, bear interest at rates between 4.97% and 7.99% and have maturities between July 1, 2009 and October 1, 2018.

In September 2008, we repaid a $20 million mortgage on a net leased property, which we refinanced in October 2008 for $44 million.

94

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

13. Debt (continued)

Secured Revolving Credit Agreement WestPoint Home, Inc.

On June 16, 2006, WestPoint Home, Inc. an indirect wholly owned subsidiary of WPI, entered into a $250 million loan and security agreement with Bank of America, N.A., as administrative agent and lender. On September 18, 2006, The CIT Group/Commercial Services, Inc., General Electric Capital Corporation and Wells Fargo Foothill, LLC were added as lenders under this credit agreement. Under the five-year agreement, borrowings are subject to a monthly borrowing base calculation and include a $75 million sub-limit that may be used for letters of credit. Borrowings under the agreement bear interest, at the election of WestPoint Home, either at the prime rate adjusted by an applicable margin ranging from minus 0.25% to plus 0.50% or LIBOR adjusted by an applicable margin ranging from plus 1.25% to 2.00%. WestPoint Home pays an unused line fee of 0.25% to 0.275%. Obligations under the agreement are secured by WestPoint Home s receivables, inventory and certain machinery and equipment.

The agreement contains covenants including, among others, restrictions on the incurrence of indebtedness, investments, redemption payments, distributions, acquisition of stock, securities or assets of any other entity and capital expenditures. However, WestPoint Home is not precluded from effecting any of these transactions if excess availability, after giving effect to such transaction, meets a minimum threshold.

As of December 31, 2008, there were no borrowings under the agreement, but there were outstanding letters of credit of $12 million. Based upon the eligibility and reserve calculations within the agreement, WestPoint Home had unused borrowing availability of $45 million at December 31, 2008.

Debt Extinguishment

During the fourth quarter of fiscal 2008, we purchased outstanding debt of entities included in our consolidated financial statements in the principal amount of $352 million and recognized an aggregate gain of $146 million representing the difference between the fair value of the consideration issued in the settlement transaction.

Maturities

The following is a summary of the maturities of our debt obligations (in millions of dollars):

Year	Amount
2009	$ 102
2010	37
2011	62

2012	940
2013	1,015
Thereafter	2,562
	$ 4,718

14. Compensation Arrangements

Investment Management

Prior to January 1, 2008, the General Partners, Icahn Management (for periods through August 8, 2007) and New Icahn Management (for the period August 8, 2007 through December 31, 2007) had agreements with certain of their employees whereby these employees had been granted rights to participate in a portion of the management fees and incentive allocations earned by the General Partners, Icahn Management and New Icahn Management. As discussed below, effective January 1, 2008, these employee rights to receive a portion of the management fees were terminated.

As discussed further in Note 4, Operating Units Investment Management, effective January 1, 2008, (i) the management agreements and the management fees payable thereunder

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

14. Compensation Arrangements (continued)

were terminated and (ii) the partnership agreements of the Offshore Master Funds and the Onshore Fund were amended to provide that the General Partners will provide, or direct their affiliates to provide, the Services to the Private Funds and in consideration thereof the General Partners will receive special profits interest allocations from the Onshore Fund and the Offshore Master Funds. In addition, we amended the Contribution Agreement and the employment agreements of certain employees to accommodate the termination of the management agreements.

Effective January 1, 2008, the General Partners and Icahn Capital amended employment agreements with certain of their employees whereby such employees have been granted rights by the General Partners and Icahn Capital to participate in a portion of the special profits interest allocations (in certain cases, whether or not such special profits interest is earned by the General Partners) and incentive allocations earned by the General Partners, typically net of certain expenses and generally subject to various vesting provisions. The vesting period of these rights is generally between two and seven years, and such rights expire at the end of the contractual term of each respective employment agreement. The unvested and vested amounts that have not been withdrawn by the employee generally remain invested in the Investment Funds and earn the rate of return of these funds, before the effects of any special profits interest allocations or incentive allocations, which are waived on such amounts. Accordingly, these rights are accounted for as liabilities in accordance with SFAS No. 123(R), and remeasured at fair value each reporting period until settlement.

Prior to January 1, 2008, certain employees were granted rights to participate in a portion of the management fees and incentive allocations earned by the General Partners, Icahn Management (for periods through August 8, 2007) and New Icahn Management (for the period August 8, 2007 through December 31, 2007). The vesting period of such rights was generally between two and seven years and expired at the end of the contractual term of each respective employment agreement. Up to 100% of the amounts earned annually under such rights in respect of management fees were eligible to be deferred for a period not to exceed ten years from the date of deferral, based on an annual election made by the employee. Effective January 1, 2008, the employees rights to receive a portion of the management fees were terminated.

The fair value of unvested and vested amounts that have not been withdrawn by the employee in respect of special profits interest allocations (and prior to January 1, 2008, management fees) is determined at the end of each reporting period based, in part, on the (i) fair value of the underlying net assets of the Private Funds, upon which the respective special profits interest allocations (and prior to January 1, 2008, management fees) are based and (ii) performance of the funds in which such amounts are reinvested. The carrying value of such amounts represents the allocable special profits interest allocation (and prior to January 1, 2008, management fees) and the appreciation or depreciation thereon. These amounts approximate fair value because the appreciation or depreciation on such amounts is based on the fair value of the Private Funds investments, which are marked-to-market through earnings on a quarterly basis.

The General Partners, Icahn Capital, Icahn Management (for periods through August 8, 2007) and New Icahn Management (for the period August 8, 2007 through December 31, 2007) recorded compensation expense of $2 million, $22 million and $17 million related to these rights for fiscal 2008, fiscal 2007 and fiscal 2006, respectively. Compensation expense is included in selling, general and administrative in the consolidated statements of operations. Compensation expense arising from grants in special profits interest allocations is recognized in the consolidated financial statements over the vesting period. Accordingly, unvested balances of special profits interest allocations effective January 1, 2008, if any, (and prior to January 1, 2008, management fees) allocated to certain employees are not reflected in the consolidated financial statements. Unvested amounts not yet recognized as compensation expense within the consolidated statements of operations were $4 million and $10 million as of December 31, 2008 and December 31, 2007, respectively. That cost is expected to be recognized over a weighted average of 3.0 years. Cash paid to settle rights that were withdrawn for fiscal 2008, fiscal 2007 and fiscal 2006 was $6 million, $14 million and $6 million, respectively.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

14. Compensation Arrangements (continued)

The liabilities incurred by Icahn Management related to the rights granted to certain employees to participate in a portion of the management fees earned by Icahn Management remained with Icahn Management upon the execution of the Contribution Agreement on August 8, 2007. However, because the employees to whom these rights were granted became employees of New Icahn Management on August 8, 2007, New Icahn Management recognized the future compensation expense associated with the unvested portion of rights granted by Icahn Management through December 31, 2007, even though such liability will be settled by Icahn Management, with a corresponding increase to partners equity.

As of January 1, 2008, New Icahn Management distributed its net assets to Icahn Capital. Accordingly, effective January 1, 2008, employees of New Icahn Management became employees of Icahn Capital and such future compensation expense associated with the unvested portion of rights granted by Icahn Management were recognized by Icahn Capital.

Automotive

Stock-Based Compensation

On February 2, 2005, the Predecessor Company entered into a five-year employment agreement with José Maria Alapont, effective March 23, 2005, whereby Mr. Alapont was appointed as the Predecessor Company s president and chief executive officer. Mr. Alapont served as chairman of the board of the directors of the Predecessor Company from June 2005 to December 2007. In connection with this agreement, the Predecessor Company, the Administrators of the U.K. debtors and co-proponents of the Plan, agreed to amend the Plan to provide that the Successor Company would grant to Mr. Alapont stock options equal to at least 4% of the value of the Successor Company at the reorganization date (the Employment Agreement Options). The Employment Agreement Options vest ratably over the life of the employment agreement, such that one-fifth of the Employment Agreement Options vest on each anniversary of the employment agreement s effective date. For purposes of estimating fair value, the Employment Agreement Options are deemed to expire on December 27, 2014.

Additionally, one-half of the Employment Agreement Options had an additional feature allowing for the exchange of one-half of the options for Federal-Mogul Shares, at the exchange equivalent of four options for one share of Common Stock. The Employment Agreement Options without the exchange feature are referred to herein as plain vanilla options and those Employment Agreement Options with the exchange feature are referred to as options with exchange.

On the Effective Date and in accordance with the Plan, Federal-Mogul granted to Mr. Alapont stock options to purchase four million shares of Successor Company Common Stock at an exercise price of $19.50 (the Granted Options). Pursuant to the Stock Option Agreement dated as of December 27, 2007 between Federal-Mogul and Mr.

Alapont (the Initial CEO Stock Option Agreement), the Granted Options do not have an exchange feature. In lieu of options with exchange under the Employment Agreement Options, the Successor Company entered into a deferred compensation agreement with Mr. Alapont intended to be the economic equivalent of the options with exchange. Under the terms of this deferred compensation agreement, Mr. Alapont is entitled to certain distributions of Common Stock, or, at the election of Mr. Alapont, certain distributions of cash upon certain events as set forth in the Deferred Compensation Agreement dated as of December 27, 2007 between Federal-Mogul and Mr. Alapont (the Deferred Compensation Agreement). The amount of the distributions shall be equal to the fair value of 500,000 shares of Common Stock, subject to certain adjustments and offsets, determined as of the first to occur of (1) the date on which Mr. Alapont s employment with Federal-Mogul terminates, (2) March 23, 2010, the date on which Mr. Alapont s employment agreement with Federal-Mogul expires, (3) Mr. Alapont s death, (4) the date Mr. Alapont becomes disabled (as defined for purposes of Section 409A of the Code), (5) at the election of Mr. Alapont, a change in control (as defined for purposes of Section 409A of the Code) and (6) the occurrence of an unforeseeable emergency (as defined for purposes of Section 409A of the Code).

97

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

14. Compensation Arrangements (continued)

On February 14, 2008, Federal-Mogul entered into Amendment No. 1 to the Initial CEO Stock Option Agreement, dated as of February 14, 2008 (the Amendment). Pursuant to the Amendment, the exercise price for the option was increased to $29.75 per share. On February 15, 2008, the Initial CEO Stock Option Agreement as amended was cancelled by mutual written agreement of Federal-Mogul and Mr. Alapont. On February 15, 2008, subject to obtaining the approval of Federal-Mogul s stockholders, Federal-Mogul entered into a new Stock Option Agreement with Mr. Alapont dated as of February 15, 2008 (the New CEO Stock Option Agreement). Subject to stockholder approval, the New CEO Stock Option Agreement grants Mr. Alapont a non-transferable, non-qualified option (the CEO Option) to purchase up to 4,000,000 shares of Federal-Mogul s Common Stock subject to the terms and conditions described below. The exercise price for the CEO Option is $19.50 per share, which is at least equal to the fair market value of a share of Federal-Mogul s Common Stock on the date of grant of the CEO Option. In no event may the CEO Option be exercised, in whole or in part, after December 27, 2014. The New CEO Stock Option Agreement provides for vesting as follows: 40% of the shares of Common Stock subject to the Option were vested on the date of grant, and an additional 20% of the shares of Common Stock subject to the Option vest on each of March 23, 2008, March 23, 2009 and March 23, 2010.

Federal-Mogul revalued the CEO Option at December 31, 2008, resulting in a lower revised fair value of $4 million. During the period March 1, 2008 through December 31, 2008, Federal-Mogul recognized $17 million in income associated with these options. Since the Deferred Compensation Agreement provides for net cash settlement at the option of Mr. Alapont, the CEO Option is treated as a liability award under SFAS No. 123(R), and the vested portion of the awards, aggregating $3 million, has been recorded as a liability as of December 31, 2008. The remaining $1 million of total unrecognized compensation cost as of December 31, 2008 related to non-vested stock options is expected to be recognized ratably over the remaining term of Mr. Alapont s employment agreement. Key assumptions and related option-pricing models used by Federal-Mogul are summarized in the following table:

	December 31, 2008 Valuation		
Valuation Model	Plain Vanilla Options Black-Scholes	Options Connected to Deferred Compensation Monte Carlo	Deferred Compensation Monte Carlo
Expected volatility	69 %	69 %	69 %
Expected dividend yield	0 %	0 %	0 %
Risk-free rate over the estimated expected option life	1.05 %	1.19 %	1.19 %
Expected option life (in years)	3.14	3.61	3.61

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

15. Pensions, Other Postemployment Benefits and Employee Benefit Plans

Automotive

Pensions and Other Postemployment Benefits

Federal-Mogul sponsors several defined benefit pension plans (Pension Benefits) and health care and life insurance benefits (Other Benefits) for certain employees and retirees around the world. The measurement date for all defined benefit plans is December 31. The year end status of the plans is as follows:

	Pension Benefits United States Plans 2008	International Plans 2008	Other Benefits 2008
	(Millions of Dollars)		
Change in benefit obligation:			
Benefit obligation, beginning of year	$1,006	$ 348	$ 523
Service cost	24	7	2
Interest cost	62	19	30
Employee contributions			2
Benefits paid	(75)	(23)	(51)
Medicare subsidies received			4
Curtailment		(1)	
Plan amendments	1		(8)
Actuarial losses (gains) and changes in actuarial assumptions	(32)	1	(3)
Currency translation		(17)	(5)
Benefit obligation, end of year	$986	$ 334	$ 494
Change in plan assets:			
Fair value of plan assets, beginning of year	$907	$ 42	$
Actual return on plan assets	(295)	1	
Company contributions	4	23	45
Benefits paid	(75)	(23)	(51)
Medicare subsidies received			4
Employee contributions			2
Currency translation		(3)	

Fair value of plan assets at end of year	$541	$ 40	$
Funded status of the plan	$(445)	$ (294)	$ (494)
Amounts recognized in the consolidated balance sheets:			
Net amount recognized	$(445)	$ (294)	$ (494)
Amounts recognized in other comprehensive loss (income), net of tax impacts:			
Net actuarial loss (gain)	$350	$ 2	$ (2)
Prior service cost (credit)	(1)		(8)
Total	$349	$ 2	$ (10)

99

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

15. Pensions, Other Postemployment Benefits and Employee Benefit Plans (continued)

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

	Pension Benefits			
	United States Plans 2008	International Plans 2008		Other Benefits 2008
Discount rate	6.45 %	5.25	8.25%	6.40 %
Expected return on plan assets	8.50 %	4.00	0.00%	
Rate of compensation increase	3.50 %	2.50	5.00%	

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

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

Information for defined benefit plans with projected benefit obligations in excess of plan assets as of December 31, 2008 is as follows (in millions of dollars):

	Pension Benefit		
	United States Plans	International Plans	Other Benefits
Projected benefit obligation	$ 986	$ 331	$ 494
Fair value of plan assets	541	35	

Information for pension plans with accumulated benefit obligations in excess of plan assets as of December 31, 2008 is as follows (in million dollars):

Pension Benefits

	United States Plans	International Plans
Projected benefit obligation	$ 986	$ 311
Accumulated benefit obligation	972	297
Fair value of plan assets	541	18

The accumulated benefit obligation for all pension plans is $1,289 million as of December 31, 2008.

Components of net periodic benefit cost for the period March 1, 2008 through December 31, 2008 (in millions of dollars):

	Pension Benefits		
	United States Plans 2008	International Plans 2008	Other Benefits
Service cost	$ 20	$ 6	$ 1
Interest cost	51	16	25
Expected return on plan assets	(62)	(3)	
Net periodic cost	$ 9	$ 19	$ 26

100

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

15. Pensions, Other Postemployment Benefits and Employee Benefit Plans (continued)

Weighted-average assumptions used to determine net periodic benefit cost as of December 31, 2008 is as follows:

	Pension Benefits		Other Benefits
	United States Plans	International Plans	
Discount rate	6.25 %	5.50 8.25 %	6.2 %
Expected return on plan assets	8.50 %	4.00 10.00%	
Rate of compensation increase	3.70 %	2.00 5.00 %	

Amounts in accumulated other comprehensive (loss) income expected to be recognized as components of net periodic benefit cost over the next fiscal year:

	Pension Benefits		Other Benefits
	United States	International	
	(Millions of Dollars)		
Amortization of actuarial gains	$ 30	$	$
Amortization of prior service cost (credit)			(1)
Total	$ 30	$	$ (1)

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

	2008
Health care cost trend rate	7.5 %
Ultimate health care cost trend rate	5.0 %
Year ultimate health care cost trend rate reached	2014
Drug cost trend rate	9.2 %
Ultimate drug cost trend rate	5.0 %
Year ultimate health care trend rate reached	2014

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

	Total Service and Interest Cost	APBO
	(Millions of Dollars)	
100 basis point (bp) increase in health care cost trend rate.	$ 2	$ 26
100 bp decrease in health care cost trend rate	(1)	(24)

101

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

15. Pensions, Other Postemployment Benefits and Employee Benefit Plans (continued)

The following table illustrates the sensitivity to a change in certain assumptions for projected benefits obligations (PBO), associated expense and other comprehensive loss (OCL). The changes in these assumptions have no impact on Federal-Mogul s fiscal 2009 funding requirements.

	Pension Benefits						Other Benefits	
	United States Plans			International Plans				
	Change in 2009 Pension Expense	Change in PBO	Change in Accumulated OCL	Change in Fiscal 2009 Pension Expense	Change in PBO	Change in Accumulated OCL	Change in 2009 Expense	Change in PBO
	(Millions of Dollars)							
25 bp decrease in discount rate	$(2)	$21	$ (21)	$	$8	$ (8)	$	$(10)
25 bp increase in discount rate	2	(21)	21		(8)	8		10
25 bp decrease in rate of return on assets	1							
25 bp increase in rate of return on assets	(1)							

Federal-Mogul s pension plan weighted-average asset allocations at the measurement dates of December 31, 2008, by asset category are as follows:

	United States Plan Assets December 31,		International Plan Assets December 31,	
	Actual 2008	Target 2009	Actual 2008	Target 2009
Asset Category				
Equity securities	71 %	75 %	4 %	4 %
Debt securities	29 %	25 %	8 %	8 %
Insurance contracts	%	%	88 %	88 %
	100 %	100 %	100 %	100 %

Federal-Mogul invests in a diversified portfolio of assets consisting of global equity and fixed-income investments.

Federal-Mogul expects to contribute approximately $25 million to its pension plans in fiscal 2009.

Projected benefit payments from the plans are estimated as follows (in millions of dollars):

	Pension Benefits		Other Benefits
	United States	International	
2009	$ 75	$ 21	$ 44
2010	77	21	45
2011	82	22	45
2012	79	22	44
2013	82	24	43
Years 2014 2018	457	127	204

Federal-Mogul also maintains certain defined contribution pension plans for eligible employees. The total expense attributable to Federal-Mogul s defined contribution savings plan was $21 million for the period March 1, 2008 through December 31, 2008.

102

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

15. Pensions, Other Postemployment Benefits and Employee Benefit Plans (continued)

Other Postemployment Benefits

Federal-Mogul accounts for benefits to former or inactive employees paid after employment but before retirement pursuant to SFAS No. 112, *Employers Accounting for Postemployment Benefits*. The liabilities for such U.S. and European postemployment benefits for the years ended December 31, 2008 were $42 million.

Holding Company and Other

We and certain of our subsidiaries have retirement savings plans under Section 401(k) of the Code covering our non-union employees. Under the plans, employees are entitled to defer, within prescribed limits, a portion of their income on a pre-tax basis through contributions to the plans. We currently match the deferrals based upon certain criteria, including levels of participation by our employees. We recorded charges for matching contributions of $1 million, $3 million and $2 million for fiscal 2008, fiscal 2007 and fiscal 2006, respectively.

16. Preferred Limited Partner Units

Pursuant to certain rights offerings consummated in 1995 and 1997, preferred units were issued. Each preferred unit has a liquidation preference of $10.00 and entitles the holder to receive distributions, payable solely in additional preferred units, at the rate of $0.50 per preferred unit per annum (which is equal to a rate of 5% of the liquidation preference thereof), payable annually at the end of March (each referred to herein as a Payment Date). On any Payment Date, we, with the approval of the Audit Committee, may opt to redeem all of the preferred units for a price, payable either in all cash or by issuance of additional depositary units, equal to the liquidation preference of the preferred units, plus any accrued but unpaid distributions thereon. On March 31, 2010, we must redeem all of the preferred units on the same terms as any optional redemption. In accordance with SFAS No. 150, these preferred units are classified as a liability in the accompanying consolidated balance sheets.

Pursuant to the terms of the preferred units, on February 29, 2008, we declared our scheduled annual preferred unit distribution payable in additional preferred units at the rate of 5% of the liquidation preference per preferred unit of $10.00. The distribution was paid on March 28, 2008 to holders of record as of March 14, 2008. A total of 595,181 additional preferred units were issued. As of December 31, 2008, the number of authorized preferred units was 13,000,000. As of December 31, 2008 and 2007, 12,502,254 and 11,907,073 preferred units were issued and outstanding, respectively.

We recorded approximately $6 million of interest expense in each of fiscal 2008, fiscal 2007 and fiscal 2006 in connection with the preferred units distribution.

See Note 21, Subsequent Events, for further information regarding preferred unit distributions for fiscal 2009.

17. Income per LP Unit

Basic income per LP unit are based on net income attributable to Icahn Enterprises allocable to limited partners after deducting preferred pay-in-kind distributions to preferred unitholders. Net income allocable to limited partners is divided by the weighted-average number of LP units outstanding. Diluted earnings per LP unit are based on basic earnings adjusted for interest charges applicable to the variable rate notes and earnings before the preferred pay-in-kind distributions as well as the weighted-average number of units and equivalent units outstanding. The preferred units are considered to be equivalent units for the purpose of calculating net income per LP unit. All equivalent units have been excluded from the calculation of diluted income per LP unit for fiscal 2008, fiscal 2007 and fiscal 2006 as the effect of including them would have been anti-dilutive.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

17. Income per LP Unit (continued)

The following table sets forth the allocation of net income (loss) attributable to Icahn Enterprises from continuing operations allocable to limited partners and the computation of basic and diluted income per LP unit for the periods indicated:

	Year Ended December 31,		
	2008	2007	2006
	(In Millions, Except Per Unit Amounts)		
(Loss) income attributable to Icahn Enterprises from continuing operations	$(528)	$219	$311
Less: Income from common control acquisitions allocated to general partner	(40)	(203)	(310)
	(568)	16	1
Basic and diluted (loss) income attributable to Icahn Enterprises from continuing operations allocable to limited partners[1]	$(557)	$16	$1
Basic and diluted income attributable to Icahn Enterprises from discontinued operations allocable to limited partners	$500 [2]	$87	$506 [3]
Weighted average LP units outstanding	71	65	62
Income from continuing operations per LP unit (basic and diluted)	$(7.84)	$0.24	$0.02
Income from discontinued operations per LP unit (basic and diluted)	7.04	1.34	8.20
Basic and diluted income per LP Unit	$(0.80)	$1.58	$8.22

(1) Limited partners' 98.01% share of (loss) income

(2) Includes a charge of $25 allocated to the general partner relating to the sale of ACEP for fiscal 2008.

(3) Includes $280 in fiscal 2006 allocated to Icahn Enterprises GP relating to dispositions of common control entities accounted for on an as-if-pooling basis when acquired.

As their effect would have been anti-dilutive, the following equivalent units have been excluded from the weighted-average LP units outstanding for fiscal 2008, fiscal 2007 and fiscal 2006 (in millions):

	2008	2007	2006
Redemption of preferred LP units	2	1	2
Variable rate notes	5	3	

18. Segment and Geographic Reporting

As of December 31, 2008, our five reportable segments are: (1) Investment Management; (2) Automotive; (3) Metals; (4) Real Estate; and (5) Home Fashion. Our Investment Management segment provides investment advisory and certain management services to the Private Funds, but does not provide such services to any other entities, individuals or accounts. Our Automotive segment consists of Federal-Mogul. Our Metals segment consists of PSC Metals. Our Real Estate segment consists of rental real estate, residential property development and the operation of resort properties associated with our residential developments. Our Home Fashion segment consists of WPI. In addition to our five reportable segments, we present the results of the Holding Company, which includes the unconsolidated results of Icahn Enterprises and Icahn Enterprises Holdings, and investment activity and expenses associated with the activities of the Holding Company.

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

18. Segment and Geographic Reporting (continued)

We assess and measure segment operating results based on segment earnings as disclosed below. Segment earnings from operations are not necessarily indicative of cash available to fund cash requirements, nor synonymous with cash flow from operations. Certain terms of financings for our segments impose restrictions on the segments ability to transfer funds to us, including restrictions on dividends, distributions, loans and other transactions.

In the table below, the Investment Management segment is represented by the first four columns. The first column, entitled Icahn Enterprises Interests, represents our interests in the results of operations of the Investment Management segment without the impact of eliminations arising from the consolidation of the Private Funds. This includes the gross amount of any special profits interest allocations (and, prior to January 1, 2008, management fees), incentive allocations and returns on investments in the Private Funds that are attributable to us only. This also includes gains and losses on our direct investments in the Private Funds. The second column represents the total consolidated income and expenses of the Private Funds for all investors, including us, before eliminations. The third column represents the eliminations required in order to arrive at our consolidated U.S. GAAP reported income for the segment.

The following tables are in millions of dollars:

	Year Ended December 31, 2008									
	Investment Management									
	Icahn Enterprises Interests	Consolidated Private Funds	Eliminations	U.S. GAAP Investment Management	Automotive	Metals[2]	Real Estate	Home Fashion	Holding Company	Consolidated Results
Revenues:										
Net sales	$	$	$	$	$5,652	$1,239	$73	$425	$	$7,389
Net (loss) gain from investment activities	(303)[1]	(3,025)	303	(3,025)					102	(2,923)
Interest and dividend income		242		242	19		9	2	51	323
Gain on extinguishment of debt									146	146
Other income, net					56	4	21	11		92
	(303)	(2,783)	303	(2,783)	5,727	1,243	103	438	299	5,027
Expenses:										
Cost of goods sold					4,730	1,102	32	394		6,258
	32	21		53	709	34	46	89	34	965

Selling, general and administrative										
Restructuring and impairment					566		4	37		607
Interest expense		12		12	166	1	7	2	135	323
	32	33		65	6,171	1,137	89	522	169	8,153
Income (loss) from continuing operations before income tax (expense) benefit	(335)	(2,816)	303	(2,848)	(444)	106	14	(84)	130	(3,126)
Income tax (expense) benefit					(9)	(40)			2	(47)
Income (loss) from continuing operations	(335)	(2,816)	303	(2,848)	(453)	66	14	(84)	132	(3,173)
Less: loss attributable to non-controlling interests from continuing operations		2,787	(274)	2,513	103			29		2,645
Income (loss) attributable to Icahn Enterprises from continuing operations	$(335)	$(29)	$29	$(335)	$(350)	$66	$14	$(55)	$132	$(528)

105

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

18. Segment and Geographic Reporting (continued)

	Year Ended December 31, 2007								
	Investment Management								
	Icahn Enterprises Interests	Consolidated Private Funds	Eliminations	U.S. GAAP Investment Management	Metals	Real Estate	Home Fashion	Holding Company	Consolidated Results
Revenues:									
Net sales	$	$	$	$	$ 834	$ 91	$ 683	$	$ 1,608
Management fees	128		(117)	11					11
Incentive allocations	71		(71)						
Net gain from investment activities	21 (1)	355	(21)	355				84	439
Interest and dividend income	1	221		222	1	13	7	129	372
Other income, net					(1)	9	16	37	61
	221	576	(209)	588	834	113	706	250	2,491
Expenses:									
Cost of goods sold					778	46	681		1,505
Selling, general and administrative	47	38		85	18	42	112	37	294
Restructuring and impairment						4	49		53
Interest expense		15		15	1	7	2	125	150
	47	53		100	797	99	844	162	2,002
Income (loss) from continuing operations before income tax (expense) benefit	174	523	(209)	488	37	14	(138)	88	489
Income tax (expense) benefit	(4)			(4)	5			(10)	(9)
Income (loss) from continuing operations	170	523	(209)	484	42	14	(138)	78	480
Less: (income) loss attributable to non-controlling interests from continuing operations		(298)	(16)	(314)			54	(1)	(261)
Income (loss) attributable to Ichan Enterprises from continuing operations	$ 170	$ 225	$ (225)	$ 170	$ 42	$ 14	$ (84)	$ 77	$ 219

TABLE OF CONTENTS

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008, 2007 and 2006

18. Segment and Geographic Reporting (continued)

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

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

Total capital expenditures, depreciation and amortization, and assets by reportable segment were as follows for the periods indicated:

	Capital Expenditures			Depreciation and Amortization			Assets	
	Year Ended December 31,			Year Ended December 31,			December 31,	
	2008	2007	2006	2008	2007	2006	2008	2007
	(In Millions)							
Investment Management	$	$	$	$	$	$	$ 8,364	$ 8,050
Automotive	276			290				