DELPHI

Innovation for the Real World

2009 CONSOLIDATED FINANCIAL STATEMENTS
DELPHI AUTOMOTIVE LLP

DELPHI AUTOMOTIVE LLP

INDEX

	Page
Letter from Rodney O'Neal, Chief Executive Office and President	1
Financial Statements and Supplementary Data	3
Internal Controls and Procedures	72

Forward-Looking Statements

This annual report, as well as other presentations or statements made by Delphi Automotive LLP ("Delphi" or the "Company") may contain forward looking statements that reflect, when made, the Company's current views with respect to current events and financial performance. Such forward-looking statements are subject to many risks, uncertainties and factors relating to the Company's operations and business environment, which may cause the actual results of the Company to be materially different from any future results, express or implied, by such forward looking statements. All statements that address future operating, financial or business performance or the Company's strategies or expectations are forward looking statements. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "potential," "outlook" or "continue," and other comparable terminology. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following: global economic conditions, including conditions affecting the credit market, the cyclical nature of automotive sales and production; the potential disruptions in the supply of and changes in the competitive environment for raw material integral to our products; the Company's ability to maintain contracts that are critical to its operations; the ability of the Company to attract, motivate and/or retain key executives; the ability of the Company to avoid or continue to operate during a strike, or partial work stoppage or slow down by any of its unionized employees or those of its principal customers, and the ability of the Company to attract and retain customers. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect the Company. Delphi disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events and/or otherwise.

DELPHI

Rodney O'Neal
Chief Executive Officer and President

February 25, 2010

Dear Delphi Stakeholder:

On October 6, 2009, Delphi completed its chapter 11 reorganization when the company was acquired by its former Lenders, immediately positioning us for a successful future as a private business enterprise. Although many of the actions to complete our transformation left an enduring impact on certain of our stakeholders, the significant changes implemented have made Delphi a stronger company. Operationally, financially and culturally we are poised for a successful future, and that is a testament to the hard work and support of our employees, customers, suppliers and other stakeholders throughout our restructuring journey.

As you will see in the following consolidated financial results, Delphi is now well capitalized to invest in technology to assure we maintain a strong product portfolio and continue to provide the many industry-leading technologies and products that our customers demand and that help them deliver vehicles that are safer, greener and allow drivers to remain connected to their busy lives.

For 2010, over two thirds of our sales are projected to be outside North America with no single customer representing more than 20 percent of our business. Our five divisions-Electronics & Safety, Electrical/ Electronic Architecture, Powertrain, Thermal, and Product & Service Solutions-remain well positioned around the world, with employees and operations in 32 countries to support our customers' plans to participate in global markets.

While the industry continues to adjust to global economic and volume changes, we will continue our intense focus on meeting customer expectations for quality, cost, delivery and innovative solutions. We plan to maintain that edge.

I am excited about our prospects and the potential for Delphi to grow with both automotive and new markets customers. We continue to bring the power of innovation to a wide range of products and services and our commitment to technology leadership is unwavering. Our focus on profitable growth is resolute and our path to success is well charted by truly delivering innovation for the real world.

Hard work, intense focus and outstanding execution are trademarks of the new Delphi, and our people are the key ingredient to making a difference in a competitive market. We look forward to a bright future together.

Regards,

World Headquarters and Customer Center 5725 Delphi Drive Troy, Michigan 48098-2815 USA Tel: (1) 248-813-2557 Fax: (1) 248-813-2560

[PAGE LEFT INTENTIONALLY BLANK]

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Managers of Delphi Automotive LLP:

We have audited the accompanying consolidated balance sheets of Delphi Automotive LLP (Successor) as of December 31, 2009 and Delphi Corporation (Predecessor) as of December 31, 2008, and the related consolidated statements of operations, owners' equity/stockholders' deficit and comprehensive income (loss), and cash flows for the period from August 19, 2009 to December 31, 2009 (Successor), the period from January 1, 2009 to October 6, 2009 (Predecessor) and each of the two years in the period ended December 31, 2008 (Predecessor). 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 generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Delphi Automotive LLP (Successor) at December 31, 2009 and Delphi Corporation (Predecessor) at December 31, 2008, and the consolidated results of their operations and their cash flows for the period from August 19, 2009 to December 31, 2009 (Successor), the period from January 1, 2009 to October 6, 2009 (Predecessor) and each of the two years in the period ended December 31, 2008 (Predecessor), in conformity with U.S. generally accepted accounting principles.

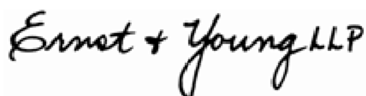
As discussed in Note 1 to the consolidated financial statements, the Successor acquired the automotive supply business (other than the global steering business and the UAW manufacturing facilities in the U.S.) of the Predecessor on October 6, 2009. Accordingly, the accompanying consolidated financial statements have been prepared in conformity with ASC 805, "Business Combinations," for the Successor as a new entity with assets, liabilities and a capital structure not comparable to prior periods.

As discussed in Note 2 to the consolidated financial statements, in 2009, the Predecessor changed its method of accounting for and presentation of consolidated net income (loss) attributed to the parent and non-controlling interests, and the Successor changed its method of presentation in the consolidated statement of cash flows related to the collection of certain accounts receivable.

As discussed in Note 14 to the consolidated financial statements, in 2008, the Predecessor changed its method of accounting for the measurement date provisions for its defined benefit pension and other postretirement benefit plans.

As discussed in Note 16 to the consolidated financial statements, in 2007, the Predecessor changed its method of accounting for uncertainties in income taxes.

We also have audited, in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), Delphi Automotive LLP's internal control over financial reporting as of December 31, 2009, 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 25, 2010 expressed an unqualified opinion thereon.



Detroit, Michigan
February 25, 2010

[PAGE LEFT INTENTIONALLY BLANK]

DELPHI AUTOMOTIVE LLP

CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)		(In millions)	
Net sales:				
General Motors and affiliates	$ 668	$ 2,197	$ 5,053	$ 6,716
Other customers	2,753	6,137	11,755	12,810
Total net sales	3,421	8,334	16,808	19,526
Operating expenses:				
Cost of sales	3,052	8,170	15,691	18,375
Depreciation and amortization	139	540	822	871
Goodwill impairment charges (Note 8)	—	—	325	—
Selling, general and administrative	240	742	1,395	1,837
Total operating expenses	3,431	9,452	18,233	21,083
Operating loss	(10)	(1,118)	(1,425)	(1,557)
Interest expense (Note 2)	(8)	—	(434)	(764)
Other income (expense), net (Note 19)	(17)	24	9	47
Reorganization items, net (Note 1)	—	10,210	5,147	(163)
Income (loss) from continuing operations before income taxes and equity income (loss)	(35)	9,116	3,297	(2,437)
Income tax (expense) benefit	27	311	(163)	547
Income (loss) from continuing operations before equity income (loss)	(8)	9,427	3,134	(1,890)
Equity income (loss), net of tax	5	(36)	29	35
Income (loss) from continuing operations	(3)	9,391	3,163	(1,855)
Loss from discontinued operations, net of tax	—	(44)	(97)	(1,142)
Net income (loss)	(3)	9,347	3,066	(2,997)
Net income attributable to noncontrolling interest	15	29	29	68
Net income (loss) attributable to Successor/Predecessor	$ (18)	$ 9,318	$ 3,037	$ (3,065)
Amounts attributable to Successor/Predecessor:				
Income (loss) from continuing operations	$ (18)	$ 9,363	$ 3,134	$ (1,918)
Discontinued operations (Note 20)	—	(45)	(97)	(1,147)
Net income (loss) attributable to Successor/Predecessor	$ (18)	$ 9,318	$ 3,037	$ (3,065)

See notes to consolidated financial statements.

DELPHI AUTOMOTIVE LLP

CONSOLIDATED BALANCE SHEETS

	Successor December 31, 2009	Predecessor December 31, 2008
	(In millions)	(In millions)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,107	$ 959
Restricted cash (Note 2)	96	403
Accounts receivable, net:		
General Motors and affiliates	354	799
Other	1,859	1,515
Inventories, net (Note 4)	876	1,227
Other current assets (Note 5)	470	609
Assets held for sale (Note 20)	—	745
Total current assets	6,762	6,257
Long-term assets:		
Property, net (Note 7)	2,129	3,299
Investments in affiliates (Note 6)	270	297
Intangible assets, net (Note 8)	750	90
Other long-term assets (Note 5)	530	363
Total long-term assets	3,679	4,049
Total assets	$10,441	$ 10,306
LIABILITIES AND OWNERS' EQUITY / STOCKHOLDERS' DEFICIT		
Current liabilities:		
Short-term debt (Note 12)	$ 302	$ 4,174
Accounts payable	1,872	1,703
Accrued liabilities (Note 9)	1,297	2,085
Liabilities held for sale (Note 20)	—	465
Total current liabilities	3,471	8,427
Long-term liabilities:		
Employee benefit obligations (Note 14)	811	552
Other long-term liabilities (Note 9)	793	1,010
Total long-term liabilities	1,604	1,562
Liabilities subject to compromise (Note 1)	—	14,583
Total liabilities	5,075	24,572
Commitments and contingencies (Note 15)		
Owners' equity / Stockholders' (deficit):		
Membership interests (Note 17)	4,914	—
Common stock, $0.01 par value, 1,350 million shares authorized, 565 million shares issued as of December 31, 2008	—	6
Treasury stock, at cost (391,000 shares as of December 31, 2008)	—	(6)
Additional paid-in capital	—	2,747
Accumulated deficit	—	(12,064)
Accumulated other comprehensive income (loss):		
Employee benefit plans (Note 14)	33	(4,867)
Other	(9)	(219)
Total accumulated other comprehensive income (loss)	24	(5,086)
Total Delphi owners' equity / Predecessor stockholders' (deficit)	4,938	(14,403)
Noncontrolling interest	428	137
Total owners' equity / stockholders' (deficit)	5,366	(14,266)
Total liabilities and owners' equity / stockholders' deficit	$10,441	$ 10,306

See notes to consolidated financial statements.

DELPHI AUTOMOTIVE LLP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)		(In millions)	
Cash flows from operating activities:				
Net income (loss)	$ (3)	$ 9,347	$ 3,066	$(2,997)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	139	540	822	871
Goodwill impairment charges	—	—	325	—
Deferred income taxes	(33)	(380)	(15)	(638)
Pension and other postretirement benefit expenses	23	315	598	837
Equity loss (income)	(5)	36	(29)	(35)
Reorganization items (Note 3)	—	(10,210)	(5,147)	163
GM settlement (Note 3)	—	—	(189)	—
GM warranty settlement (Note 10)	—	—	(56)	—
U.S. employee workforce transition program charges	—	—	69	199
Loss on extinguishment of debt	—	—	49	27
Securities and ERISA litigation charge	—	—	—	343
Loss (gain) on investments / assets held for sale	—	3	(8)	79
Changes in operating assets and liabilities:				
Accounts receivable, net	(85)	(48)	911	(347)
Inventories, net	40	149	416	(39)
Other current assets	138	154	230	(66)
Accounts payable	277	(95)	(425)	324
Accrued and other long-term liabilities	(117)	(296)	(498)	644
Other, net	(171)	365	10	188
U.S. employee workforce transition program payments, net of reimbursement by GM	—	(28)	(219)	(528)
Pension contributions and other postretirement benefit payments	(44)	(111)	(599)	(511)
Receipts (payments) for GM settlement and reorganization items, net	—	(70)	1,115	(142)
Other, net	—	4	11	48
Discontinued operations (Note 20)	—	68	18	1,482
Net cash provided by (used in) operating activities	159	(257)	455	(98)
Cash flows from investing activities:				
Capital expenditures	(88)	(321)	(771)	(577)
Proceeds from sale of property	—	20	53	34
Proceeds from divestitures, net	74	16	133	82
Decrease (increase) in restricted cash	28	142	(230)	(22)
Cash acquired from Delphi Corporation	862	(862)	—	—
Other, net	9	(11)	(36)	(3)
Discontinued operations	—	(36)	(107)	(44)
Net cash provided by (used in) investing activities	885	(1,052)	(958)	(530)
Cash flows from financing activities:				
(Repayments of) proceeds from amended and restated debtor-in-possession facility	—	(244)	3,528	2,691
Net repayments of borrowings from refinanced debtor-in-possession facility	—	—	(2,746)	(250)
Repayments of borrowings under prepetition term loan and revolving credit facilities	—	—	—	(2,496)
Accommodation agreement issuance costs	—	(40)	(58)	—
Net borrowings under GM liquidity support agreements	—	850	—	—
Net (repayments) borrowings under other short-term debt agreements	(21)	(244)	(202)	52
Proceeds from issuance of membership interests	2,042	—	—	—
Proceeds from issuance of five-year notes	41	—	—	—
Dividend payments of consolidated affiliates to minority shareholders	—	(13)	(47)	(50)
Discontinued operations	—	6	(10)	(5)
Net cash provided by (used in) financing activities	2,062	315	465	(58)
Effect of exchange rate fluctuations on cash and cash equivalents	1	35	(39)	114
Increase (decrease) in cash and cash equivalents	3,107	(959)	(77)	(572)
Cash and cash equivalents at beginning of period	—	959	1,036	1,608
Cash and cash equivalents at end of period	$3,107	$ —	$ 959	$ 1,036

See notes to consolidated financial statements.

DELPHI AUTOMOTIVE LLP

PREDECESSOR CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Common Stock				Accumulated Other Comprehensive Loss					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Employee Benefit Plans	Other	Total	Treasury Stock	Non-controlling Interest	Total Stockholders' Equity (Deficit)
					(In millions)					
Balance at December 31, 2006	565	6	2,769	(11,893)	(3,041)	168	(2,873)	(52)	191	(11,852)
Net income (loss)	—	—	—	(3,065)	—	—	—	—	68	(2,997)
Currency translation adjustments and other, net of tax	—	—	—	—	—	303	303	—	1	304
Net change in unrecognized gain on derivative instruments, net of tax	—	—	—	—	—	(4)	(4)	—	—	(4)
Employee benefit plans liability adjustment, net of tax	—	—	—	—	1,362(c)	—	1,362	—	—	1,362
Total comprehensive loss										(1,335)
Adoption of FASB ASC 740	—	—	—	(18)	—	—	—	—	—	(18)
Share-based compensation expense	—	—	14	—	—	—	—	—	—	14
Other	—	—	—	—	—	—	—	—	6	6
Dividends	—	—	—	—	—	—	—	—	(99)	(99)
Treasury shares issued	—	—	(27)	—	—	—	—	27		—
Balance at December 31, 2007	565	$ 6	$ 2,756	$(14,976)	$(1,679)(a)	$ 467(b)	$(1,212)	$(25)	$ 167	$(13,284)
Adoption of FASB ASC 715, net of tax	—	—	—	(125)	(12)	—	(12)	—	—	(137)
Balance at January 1, 2008	565	$ 6	$ 2,756	$(15,101)	$(1,691)	$ 467	$(1,224)	$(25)	$ 167	$(13,421)
Net income	—	—	—	3,037	—	—	—	—	29	3,066
Currency translation adjustments and other, net of tax	—	—	—	—	—	(440)	(440)	—	(1)	(441)
Net change in unrecognized loss on derivative instruments, net of tax	—	—	—	—	—	(246)	(246)	—	—	(246)
Employee benefit plans liability adjustment, net of tax	—	—	—	—	(3,176)	—	(3,176)	—	—	(3,176)
Total comprehensive loss										(797)
Share-based compensation expense	—	—	10	—	—	—	—	—	—	10
Other	—	—	—	—	—	—	—	—	(26)	(26)
Dividends	—	—	—	—	—	—	—	—	(32)	(32)
Treasury shares issued	—	—	(19)	—	—	—	—	19	—	—
Balance at December 31, 2008	565	$ 6	$ 2,747	$(12,064)	$(4,867)(a)	$(219)(b)	$(5,086)	$ (6)	$ 137	$(14,266)
Net income	—	—	—	9,318	—	—	—	—	29	9,347
Currency translation adjustments and other, net of tax	—	—	—	—	—	170	170	—	1	171
Net change in unrecognized loss on derivative instruments, net of tax	—	—	—	—	—	42	42	—	—	42
Employee benefit plans liability adjustment, net of tax	—	—	—	—	4,733	—	4,733	—	—	4,733
Total comprehensive income										14,293
Deconsolidation of noncontrolling interest	—	—	—	—	—	—	—	—	(7)	(7)
Dividends	—	—	—	—	—	—	—	—	(20)	(20)
Impact of the Acquisition	(565)	(6)	(2,747)	2,746	134	7	141	6	(140)	—
Balance at October 6, 2009	—	$—	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(a) Accumulated Other Comprehensive Loss — Employee Benefit Plans includes a loss of $4,867 million (net of a $490 million tax effect), and $1,679 million (net of a $457 million tax effect) for December 31, 2008 and 2007, respectively.

(b) Accumulated Other Comprehensive Loss — Other includes a loss of $22 million, and a gain of $415 million for December 31, 2008 and 2007, respectively, within currency translation adjustments and other; and a loss of $194 million and a gain of $52 million for December 31, 2008 and 2007, respectively, within net change in unrecognized gain on derivative instruments; and other loss of $3 million for 2008.

(c) Includes a tax benefit of $703 million related to $1.9 billion U.S. pre-tax other comprehensive income related to employee benefits. Refer to Note 16. Income Taxes for more information

See notes to consolidated financial statements.

DELPHI AUTOMOTIVE LLP

SUCCESSOR CONSOLIDATED STATEMENT OF OWNERS' EQUITY AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Membership Interests								
	Class A	Class B	Class C	Class D	Class E	Total	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Owners' Equity
					(In millions)				
Balance at August 19, 2009	$ —	$ —	$ —	$—	$—	$ —	$ —	$ —	$ —
Net income (loss)	(3)	(12)	(3)	—	—	(18)	—	15	(3)
Currency translation adjustments and other, net of tax	—	—	—	—	—	—	(14)	(2)	(16)
Net change in unrecognized income on derivative instruments, net of tax	—	—	—	—	—	—	5	—	5
Employee benefit plans liability adjustment, net of tax	—	—	—	—	—	—	33	—	33
Total comprehensive income									19
Issuance of membership interests (Note 17)	1,972	2,418	542	—	—	4,932	—	—	4,932
Impact of the Acquisition (Note 1)	—	—	—	—	—	—	—	415	415
Balance at December 31, 2009	$1,969	$2,406	$539	$—	$—	$4,914	$ 24	$428	$5,366

See notes to consolidated financial statements.

DELPHI AUTOMOTIVE LLP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND ACQUISITION OF PREDECESSOR BUSINESSES

Nature of Operations — Delphi Automotive LLP, together with its subsidiaries and affiliates ("Delphi," the "Company" or the "Successor") is a supplier of vehicle electronics, transportation components, integrated systems and modules, and other electronic technology. Delphi operates globally and has a diverse customer base, including every major vehicle manufacturer.

Bankruptcy Filing — On October 8, 2005 (the "Petition Date"), Delphi Corporation (the "Predecessor") and certain of its United States ("U.S.") subsidiaries (the "Initial Filers") filed voluntary petitions for reorganization relief under chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Court"), and on October 14, 2005, three additional U.S. subsidiaries of the Predecessor (together with the Initial Filers, collectively, the "Debtors") filed voluntary petitions for reorganization relief under chapter 11 of the Bankruptcy Code (collectively the Debtors' October 8, 2005 and October 14, 2005 filings are referred to herein as the "Chapter 11 Filings"). On July 30, 2009, the Court confirmed the First Amended Joint Plan Of Reorganization Of Delphi Corporation And Certain Affiliates, Debtors And Debtors-In-Possession (As Modified)(the "Modified Plan"), which incorporated the master disposition agreement (including all schedules and exhibits thereto, the "MDA") among the Predecessor, General Motors Company ("GM") and Delphi, for (i) the sale and purchase of substantially all of the Predecessor's businesses, and (ii) emergence from chapter 11 in accordance with the Modified Plan as DPH Holdings Corp. and its affiliates ("DPHH"). Through October 6, 2009 (the "Acquisition Date"), the Debtors operated their businesses as "debtors-in-possession" under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court. The Predecessor's non-U.S. subsidiaries were not included in the Chapter 11 Filings, continued their business operations without supervision from the Court and were not subject to the requirements of the Bankruptcy Code.

General and Basis of Presentation — Delphi is a limited liability partnership incorporated under the laws of England and Wales on August 19, 2009, for the purpose of acquiring certain assets of the Predecessor.

On the Acquisition Date, the Successor acquired the automotive supply business (other than the global steering business and the manufacturing facilities in the U.S. in which the hourly employees are represented by International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW")) of the Predecessor. As a result of the Acquisition, as defined below, Delphi acquired the major portion of the business of the Predecessor and this business constitutes the entirety of the operations of the Successor. Accordingly, as required, the financial information set forth herein reflects 1) the consolidated results of operations and cash flows of the Successor for the period from its incorporation on August 19, 2009 to December 31, 2009 and of the Predecessor for the period from January 1, 2009 to October 6, 2009 and the years ended December 31, 2008 and 2007, and 2) the consolidated financial position of the Successor as of December 31, 2009 and of the Predecessor as of December 31, 2008. The Successor had no material or substantive transactions from its incorporation on August 19, 2009 to the Acquisition Date. In accordance with Financial Accounting Standards Board Accounting Standard Codification ("FASB ASC") 805, *Business Combinations*, as of the Acquisition Date, the Company recognized and measured the fair value of the identifiable assets acquired and the liabilities assumed from the Predecessor.

The Predecessor adopted the accounting guidance in FASB ASC 852, *Reorganizations*, effective October 8, 2005 and has segregated in the financial statements for all reporting periods subsequent to such date and through the consummation of the transactions pursuant to the Modified Plan on October 6, 2009, transactions and events that were directly associated with the reorganization from the ongoing operations of the business. The consolidated financial statements of Delphi are not comparable to the consolidated financial statements of the Predecessor due to the effects of the consummation of the Modified Plan and the change in the basis of presentation.

Consummation of the Modified Plan — On October 6, 2009, the Predecessor (i) consummated the transactions contemplated by the Modified Plan among the Predecessor, GM and Delphi and (ii) emerged from chapter 11 in accordance with the Modified Plan as DPHH. A summary of significant terms of the Modified Plan follows:

- Delphi acquired the automotive supply business (other than the global steering business and the UAW manufacturing facilities in the U.S.) of the Predecessor pursuant to the MDA, $1,833 million from GM, of which $1,689 million was received on the Acquisition Date and the remaining balance of $144 million was received during the Successor period from August 19 to December 31, 2009, and $209 million from the DIP lenders (collectively, the "Acquisition") in consideration for which Delphi issued membership interests.
- GM acquired substantially all of the Predecessor's global steering business and the manufacturing facilities in the U.S. at which the hourly employees were represented by the UAW.
- The Predecessor's debtor-in-possession financing was settled.
- The Predecessor's liabilities subject to compromise were extinguished.
- DPHH may pay the Predecessor's unsecured creditors a pro rata share of deferred consideration under the MDA (in an amount not to exceed $300 million).
- The Predecessor's equity holders did not receive recoveries on their claims.

Disposition of the Predecessor

The accounting guidance in FASB ASC 852 requires reorganization items such as revenues, expenses such as professional fees directly related to the process of reorganizing the Debtors under chapter 11 of the Bankruptcy Code, realized gains and losses, provisions for losses, and interest income resulting from the reorganization and restructuring of the business to be separately disclosed. Professional fees directly related to the reorganization include fees associated with advisors to the Debtors, unsecured creditors, secured creditors and unions. The Predecessor's reorganization items consisted of the following:

	(Income)/Expense Predecessor		
	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
		(In millions)	
Sale / Disposition of the Predecessor	$ (794)	$ —	$ —
Extinguishment of liabilities subject to compromise	(11,159)	—	—
GM Amended GSA settlement (Note 3)	—	(5,332)	—
PBGC Termination of U.S. Pension Plans (Note 14)	2,818	—	—
Salaried OPEB settlement (Note 14)	(1,168)	—	—
Professional fees directly related to reorganization	68	107	169
Write off of previously capitalized EPCA fees and expenses	—	79	—
Other	25	(1)	(6)
Total reorganization items	$(10,210)	$(5,147)	$163

The $794 million of gain from reorganization items for the period from January 1 to October 6, 2009 related to the Sale / Disposition of the Predecessor includes:

- The acquisition by Delphi of the automotive supply business (other than the global steering business and the UAW manufacturing facilities in the U.S.) of the Predecessor.

- The acquisition by GM of substantially all of the Predecessor's global steering business and the manufacturing facilities in the U.S. at which the employees were represented by the UAW in Kokomo, Indiana; Rochester, New York; Lockport, New York; and Grand Rapids, Michigan.

- The settlement of approximately $3.3 billion of DIP financing and $850 million outstanding under GM liquidity support agreements. A summary of the debt settled upon consummation of the Modified Plan is included below:

	(In millions)
First Priority Revolving Credit Facility	$ 230
First Priority Term Loan	310
Second Priority Term Loan	2,750
DIP financing	3,290
GM liquidity support agreements	850
Total debt settled	$4,140

- The extinguishment of accrued liabilities, including $260 million in interest accruals primarily related to the Second Priority Term Loan and the recognition of the advance on working capital recovery for the global steering business of $210 million provided in connection with the Amended MRA (as defined and further discussed in Note 3. Elements of Predecessor Transformation Plan).

- The assets and liabilities of the Predecessor that were not acquired by GM or Delphi and emerged from chapter 11 as DPHH.

- The retirement of certain other long-term liabilities, such as workers' compensation and warranty obligations, that are not being assumed by GM or Delphi and did not emerge from chapter 11 as part of DPHH.

The following table summarizes the $11,159 million of gain from reorganization items related to the extinguishment of liabilities subject to compromise:

	(In millions)
Liabilities Assumed by Delphi:	
Pension and postretirement obligations	$ 68
Cure payments	18
Other	3
Total claims reinstated	89
Liabilities Extinguished:	
Pension and postretirement obligations	135
Supplemental executive retirement program obligations	117
PBGC general unsecured claim	3,000
GM allowed general unsecured and administrative claims	4,128
Allowed IUE-CWA and USW claims	129
Debt and notes payable (including junior subordinated notes due 2033)	2,375
Accounts payable	731
Securities & ERISA litigation liability	351
Other	193
Total claims extinguished	11,159
Total liabilities subject to compromise assumed by Delphi or retired	$11,248

The accounting guidance in FASB ASC 852 requires prepetition liabilities that are subject to compromise to be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts. The Predecessor's liabilities subject to compromise as of December 31, 2008 consisted of the following**:**

	(In millions)
Pension obligations	$ 5,321
Postretirement obligations other than pensions	1,201
Allowed GM general unsecured claim (Note 3)	2,500
Allowed GM administrative claim (Note 3)	1,628
Allowed IUE-CWA and USW claims (Note 3)	129
Debt and notes payable	1,984
Accounts payable	732
Junior subordinated notes due 2033	391
Securities & ERISA litigation liability (Note 15)	351
Supplemental executive retirement program obligations	118
Other	228
Total liabilities subject to compromise as of December 31, 2008	$14,583

Acquisition Accounting

Delphi has completed, with the exception of income taxes, fixed assets and intangible assets, its accounting for the Acquisition as of December 31, 2009. Final determination of the values of the assets acquired and the liabilities assumed in the Acquisition may result in adjustments to the amounts reported herein. Delphi recorded the assets acquired and the liabilities assumed from the Predecessor to reflect estimated fair values in accordance with the provisions of FASB ASC 805. The fair values were estimated in accordance with the guidance in FASB ASC 820, *Fair Value Measurements and Disclosures*, based on valuations performed by an independent valuation specialist utilizing three generally accepted business valuation approaches: the income, market, and cost approaches. A further description of each approach follows:

- *Income Approach:* The income approach recognizes the value of an investment is premised on the receipt of future economic benefits. These benefits can include earnings, cost savings, tax deductions and the proceeds from disposition. The discounted cash flow ("DCF") method is a form of the income approach commonly used to value business interests. The DCF method involves estimating future cash flows of a business and discounting them to their present value. The discount rate is selected based on consideration of the risks inherent in the investment and market rates of return available from alternative investments of similar type and quality as of the valuation date. More specifically, the DCF method bases the value of a company on the cash flow attributable to that company. This approach is based on the assumptions that: (i) a company is worth what it can generate in future cash flows to its owners; (ii) the future cash flows are reasonably predictable; and (iii) the cost of capital and investors' required rates of return on invested capital can be estimated. This approach assumes that the income derived from a company will, to a large extent, determined the value of that company.

  The DCF method was based on Company-prepared projections which included a variety of estimates and assumptions. While the Company considers such estimates and assumptions reasonable, they are inherently subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control and, therefore, may not be realized. Changes in these estimates and assumptions may have a significant effect on the determination of the fair value of the assets acquired and liabilities assumed in the Acquisition. Accordingly, there can be no assurance that the estimates,

assumptions, and values reflected in the valuations will be realized, and actual results could vary materially. The following key assumptions were utilized in applying the DCF method:

- Delphi provided its independent valuation specialist with projected net sales, expenses and cash flows, for the years ending December 31, 2010, 2011 and 2012 representing the Company's best estimates at the time the analysis was prepared.
- Discount rates to determine the present value of the future cash flows from 2010 through 2012 and the terminal values were based on the weighted average cost of capital ("WACC"). The WACCs measure the average cost per dollar of capital of an enterprise based on the individual costs of debt and equity and the business unit's target capital structure. The WACC is derived based on a set of guideline public companies for each business unit, and is an indicator of the cost of capital for a market participant in the business unit's industry. The cost of equity estimated using the capital asset pricing model was between 13.4% and 23.5%, with a median of 16.4%. The pre-tax cost of debt was estimated to be 8% based on the yield on Delphi's guideline companies' publicly traded bonds as of the Acquisition Date. The range of WACCs for the business units was between 10.3% and 18.8% with a median of 13.6%.
- Terminal value for each business unit was based on the Gordon Growth Model using a range of long-term growth rates of 0% to 5%, with a median of 3%.

- *Market Approach:* The market approach measures the value of a company through the analysis of recent sales or offerings of comparable companies. The guideline public companies method and the guideline merged or acquired company method are the most common forms of the market approach used to value business interests. Use of the market approach requires that comparable transactions be available, which may include:

  - The recent sales price of the same or similar companies or assets in an arm's-length transaction; or
  - The market price for the license of the same or similar assets to an independent third party.

  In applying the market approach, unique sets of comparable guideline public companies were identified using the Capital IQ data services. Capital IQ was used as the source of data to determine the guideline public companies' Total Invested Capital ("TIC"defined as Market value of equity + Market value of debt + Market value of preferred stock and minority interest). The TIC was then calculated as a multiple of Trailing Twelve Months ("TTM") Revenue, TTM Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA"), TTM Earning Before Interest, and Tax ("EBIT"), Next Fiscal Year ("NFY") Revenue, NFY EBITDA, NFY EBIT, and NFY+1 EBITDA. For the NFY financial data, revenue and earnings estimates were obtained from Capital IQ for the average analyst estimates for the guideline public companies. The business unit's respective multiples were selected depending on circumstances specific to each business unit within the range of the multiples provided by the comparable companies.

  Delphi utilized TTM Revenue multiples of 0.3x-1.0x, NFY Revenue multiples of 0.3x-0.8x, NFY EBITDA multiples of 4.0x-6.9x and NFY+1 EBITDA multiples of 3.2x-7.2x. The selected multiples were then applied to respective financial results of the business units to derive an implied value of TIC. The resulting values from TTM Revenue, NFY Revenue, NFY EBITDA, and NFY+1 EBITDA multiples were weighted according to unique characteristics of each business unit, mostly at 20%, 20%, 50%, and 10%, respectively to arrive at minority marketable value of TIC. No control premium was applied to determine the fair value of the TIC of the business units on a controlling basis in consideration of the difficult conditions within the automotive supplier industry.

- *Cost Approach:* The cost approach considers reproduction or replacement cost as an indicator of value. The cost approach is based on the assumption that a prudent investor would pay no more for an entity than the amount for which he could replace or re-create it. Historical costs are often used to estimate the current cost of replacing the entity valued. In doing so, adjustments for physical deterioration and obsolescence are taken into account. When using the cost approach to value a

business enterprise, the equity value is calculated as the appraised value of the individual assets that comprise the business less the value of the liabilities that encumber those assets.

The following table summarizes the fair value of the membership interests issued by Delphi and the fair value of the assets acquired and the liabilities assumed by Delphi as recognized at the Acquisition Date.

	(In millions)
Fair value of membership interests issued	$ 4,932
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents (a)	$ 2,801
Restricted cash	124
Accounts receivable	2,160
Inventory (b)	964
Property, plant and equipment (c)	2,255
Identifiable intangible assets (d)	766
Deferred tax assets	305
Other assets	896
Accounts payable	(1,585)
Pension liabilities (e)	(882)
Debt (f)	(419)
Deferred tax liabilities	(328)
Other liabilities	(1,710)
Noncontrolling interests	(415)
Total identifiable net assets	$ 4,932

Acquisition-related costs of $19 million were included in Other income (expense), net in the consolidated results of operations of the Successor for the period August 19 to December 31, 2009.

(a) Cash and cash equivalents acquired is as follows (in millions):

	(In millions)
Cash from issuance of Class A membership interests	$1,689
Cash from issuance of Class B membership interests	209
Cash acquired from the Predecessor	862
Proceeds from issuance of 5-Year Note	41
Total cash and cash equivalents acquired	$2,801

(b) Inventory is recorded at fair value. Raw materials were valued at current replacement costs and work-in-process was valued at the estimated selling prices of finished goods less the sum of costs to complete, costs of disposal and reasonable profit allowances for completing and selling efforts based on profits for similar finished goods. Finished goods were valued at estimated selling prices less the sum of costs of disposal and reasonable profit allowances for the selling efforts.

(c) Property, plant and equipment are recorded at fair value giving consideration to their highest and best use. Key assumptions used in the valuation of the Company's property, plant and equipment were based on a combination of the cost or market approach, depending on whether market data was available.

(d) Identifiable intangible assets are recorded at fair value and include customer relationships, trade names, patents and in-process research and development ("IPR&D"). The following approaches were considered in valuing the identifiable intangible assets:

- *Relief from Royalty ("RFR") Method:* This form of the income approach determines the value of an intangible asset by capitalizing future royalty payments (income) that are avoided (earned) since the intangible asset is owned rather than licensed. Royalty payments are estimated at the amount that a

company would be willing to pay in the form of a royalty for the use of the intangible asset, assuming an outside party owned the rights to the intangible asset. The relief from royalty method is generally used to value trademarks, trade names, and some technologies. This methodology is most reliable when there are observable royalty rates charged for the use of comparable intangible assets.

- *Excess Earnings ("EE") Method:* Similar to the DCF method described above, the EE method calculates the value of an intangible asset by discounting its future cash flows. Cash flow is calculated by first estimating after-tax income, which is adjusted for non-cash charges. A contributory asset charge is also applied to reflect the costs associated with the use of other assets to generate the cash flow. The excess earnings method is often used to value customer relationships, technologies, and IPR&D. The EE method is the best approach to use when future economic benefits of the intangible asset can be reasonably estimated but need to be segregated from one or more assets that contribute to the production of the cash flow.

The following table summarizes the estimated fair values as of the Acquisition Date of the identifiable intangible assets, the method and significant assumptions used to estimate the fair values and the weighted average amortization period of definite-lived intangible assets:

Identifiable Intangible Asset	Valuation Approach	Royalty Rate	Discount Rate	Weighted Average Amortization Period (Years)	Acquisition Date Fair Value
					(In millions)
Patents	RFR	0.7% - 1.2%	14.4% - 22.0%	13	$442
Customer relationships	EE	N/A	14.5% - 22.4%	6	140
Trade names	RFR	0.2% - 1.0%	14.5% - 21.4%	20	97
IPR&D	EE	N/A	22.4% - 39.5%	N/A	87
Total identifiable intangible assets					$766

(e) Pension obligations assumed are comprised primarily of plans outside the U.S. and were recorded at fair value as of the Acquisition Date.

(f) Debt is comprised of foreign receivables factoring and other debt assumed from the Predecessor and the issuance of a $41 million five-year note with a 12% interest rate in conjunction with the Acquisition. Debt was recorded at fair value as of the Acquisition Date, which resulted in a $2 million net reduction to the nominal value of the debt. The difference between the fair value and nominal value of debt will be accreted to nominal value over the term of the indebtedness.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies outlined below are applicable to both Delphi and the Predecessor, unless otherwise specifically indicated. Accordingly, except where otherwise indicated, references to "Delphi" within Note 2. Significant Accounting Policies should be understood to be related both to Delphi and the Predecessor.

Consolidation — The consolidated financial statements include the accounts of Delphi and domestic and non-U.S. subsidiaries in which Delphi holds a controlling financial or management interest and variable interest entities of which Delphi has determined that it is the primary beneficiary. Delphi's share of the earnings or losses of non-controlled affiliates, over which Delphi exercises significant influence (generally a 20% to 50% ownership interest), is included in the consolidated operating results using the equity method of accounting. All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. All adjustments, consisting of only normal recurring items, which are necessary for a fair presentation, have been included.

Use of Estimates — Preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires the use of estimates and assumptions that affect amounts reported therein. Generally, matters subject to estimation and judgment

include amounts related to accounts receivable realization, inventory obsolescence, asset impairments, useful lives of intangible and fixed assets, deferred tax asset valuation allowances, income taxes, pension and other postretirement benefit plan assumptions, accruals related to litigation, warranty costs, environmental remediation costs, worker's compensation accruals and healthcare accruals. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from those estimates.

Subsequent Events — Delphi evaluated the effects of all events that have occurred subsequent to December 31, 2009 through February 25, 2010, the date it issued the financial statements.

Revenue Recognition — Sales are recognized when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determinable and the collectibility of revenue is reasonably assured. Sales are generally recorded upon shipment of product to customers and transfer of title under standard commercial terms. In addition, if Delphi enters into retroactive price adjustments with its customers, these reductions to revenue are recorded when they are determined to be probable and estimable. From time to time, Delphi enters into pricing agreements with its customers that provide for price reductions, some of which are conditional upon achieving certain joint cost saving targets. In these instances, revenue is recognized based on the agreed-upon price at the time of shipment.

Sales incentives and allowances are recognized as a reduction to revenue at the time of the related sale. In addition, from time to time, Delphi makes payments to customers in conjunction with ongoing and in limited circumstances future business. These payments to customers are recognized as a reduction to revenue at the time of the commitment to make these payments.

Shipping and handling fees billed to customers are included in net sales, while costs of shipping and handling are included in cost of sales.

Membership Interests — At the Acquisition Date, the outstanding common stock of the Predecessor was cancelled and membership interests in Delphi were issued to Delphi's owners. As of December 31, 2009, Delphi's investors held membership interests of $4.9 billion. Refer to Note 17. Membership Interests for additional information.

Research and Development — Costs are incurred in connection with research and development programs that are expected to contribute to future earnings. Such costs are charged against income as incurred. Research and development expenses (including engineering) were $0.3 billion, $1.0 billion, $1.8 billion, and $1.8 billion for the periods August 19 to December 31, 2009 and January 1 to October 6, 2009 and the years ended December 31, 2008 and 2007, respectively.

Cash and Cash Equivalents — Cash and cash equivalents are defined as short-term, highly liquid investments with original maturities of 90 days or less.

Marketable Securities — Marketable securities with maturities of 90 days or less are classified as cash and cash equivalents for financial statement purposes. Debt securities with maturities greater than 90 days are classified as held-to-maturity, and accordingly are recorded at cost in the consolidated financial statements. Equity securities with maturities greater than 90 days are classified as available-for-sale and are recorded in the consolidated financial statements at market value with changes in market value included in other comprehensive income ("OCI"). Available-for-sale securities with a cost basis of $35 million and $38 million and a carrying value of $23 million and $32 million were held as of December 31, 2009 and 2008, respectively. In the event debt or equity securities experience an other-than-temporary impairment in value, such impairment is recognized as a loss in the consolidated statement of operations.

Restricted Cash — Restricted cash includes balances on deposit at financial institutions that have issued letters of credit in favor of Delphi. Additionally, at December 31, 2008, restricted cash included $323 million in cash collateral as required under the debtor-in-possession credit facility, including $123 million related to outstanding letters of credit and cash for use for the pre-retirement portion of the U.S. employee workforce transition programs, refer to Note 13. U.S. Employee Workforce Transition Programs.

Accounts Receivable — Delphi enters into agreements to sell certain of its accounts receivable, primarily in Europe. Since the agreements allow Delphi to maintain effective control over the receivables, these various accounts receivable factoring facilities were accounted for as short-term debt at December 31, 2009 and 2008. Collateral is not generally required related to these trade accounts receivable. The allowance for doubtful accounts is established based upon analysis of trade receivables for known collectibility issues and the aging of the trade receivables at the end of each period and, generally, all accounts receivable balances greater than 90 days past due are fully reserved. As of December 31, 2009 and 2008, the allowance for doubtful accounts was $6 million and $134 million, respectively.

The Company exchanges certain amounts of accounts receivable, primarily in the Asia/Pacific region, for bank notes with original maturities greater than 90 days. The Predecessor's policy was to reflect the collection of notes with maturities greater than 90 days in investing activities in the consolidated statement of cash flows. The Successor believes the presentation in operating cash flows is preferable based on the substance of the underlying transactions, which are operational in nature. Accordingly, the consolidated statements of cash flows of the Predecessor for the years ended December 31, 2008 and 2007, reflect a decrease in cash flows from investing activities and a corresponding increase in cash flows from operating activities of $219 million and $191 million, respectively. There was no impact on the consolidated results of operations or balance sheets of the Predecessor.

Inventories — As of December 31, 2009 and 2008, inventories are stated at the lower of cost, determined on a first-in, first-out basis ("FIFO"), or market, including direct material costs and direct and indirect manufacturing costs, refer to Note 4. Inventories, Net. Obsolete inventory is identified based on analysis of inventory for known obsolescence issues, and, generally, as of December 31, 2009, the market value of inventory on hand in excess of one year's supply is fully-reserved.

From time to time, payments may be received from suppliers. These payments from suppliers are recognized as a reduction of the cost of the material acquired during the period to which the payments relate. In some instances, supplier rebates are received in conjunction with or concurrent with the negotiation of future purchase agreements and these amounts are amortized over the prospective agreement period.

Property — Property, plant and equipment, including internally-developed internal use software and special tools, were adjusted to fair value as of October 6, 2009, which represents a new cost basis, and were adjusted for depreciation through December 31, 2009. As of December 31, 2008, property, plant and equipment are recorded at cost less accumulated depreciation. Major improvements that materially extend the useful life of property are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. For the Successor, depreciation is determined based on a straight-line method over the estimated useful lives of groups of property. For the Predecessor, depreciation was determined based on the estimated useful lives of groups of property generally using straight-line methods or using an accelerated method, which accumulates depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives. Leasehold improvements are amortized over the period of the lease or the life of the property, whichever is shorter, with the amortization applied directly to the asset account.

Special tools balances represent Delphi-owned tools, dies, jigs and other items used in the manufacture of customer components. At December 31, 2009 and 2008, the special tools balance was $258 million and $382 million, respectively, included within property, net in the consolidated balance sheet. Special tools also include unreimbursed pre-production tooling costs related to customer-owned tools for which the customer has provided a non-cancelable right to use the tool. Delphi-owned special tools balances are amortized over the expected life of the special tool or the life of the related vehicle program, whichever is shorter. The unreimbursed costs incurred related to customer-owned special tools that are not subject to reimbursement are capitalized and amortized over the expected life of the special tool or the life of the related vehicle program, whichever is shorter. Engineering, testing and other costs incurred in the design and development of production parts are expensed as incurred, unless the costs are reimbursable, as specified in a customer contract. As of December 31, 2009 and 2008, the Delphi-owned special tools balances were $240 million and

$319 million, respectively, and the customer-owned special tools balances were $18 million and $63 million, respectively.

Valuation of Long-Lived Assets — The carrying value of long-lived assets held for use including intangible assets are periodically evaluated when events or circumstances warrant such a review. The carrying value of a long-lived asset held for use is considered impaired when the anticipated separately identifiable undiscounted cash flows from the asset are less than the carrying value of the asset. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved and our review of appraisals. Impairment losses on long-lived assets held for sale are determined in a similar manner, except that fair values are reduced for the cost to dispose of the assets. Refer to Note 20. Discontinued Operations and Note 7. Property, Net for more information.

Intangible Assets and Goodwill — Intangible assets were $750 million and $28 million as of December 31, 2009 and 2008, respectively. In general, definite-lived intangible assets are being amortized over their useful lives, normally 4-20 years.

The recoverability of goodwill is reviewed at least annually (as of October 1 for the Successor and as of May 31 for the Predecessor) and any time business conditions indicate a potential change in recoverability. As of December 31, 2009 and 2008, the consolidated balance sheets included goodwill of $0 million and $62 million, respectively. Refer to Note 8. Intangible Assets and Goodwill for more information.

Warranty — Expected warranty costs for products sold are recognized at the time of sale of the product based on its estimate of the amount that eventually will be required to settle such obligations. These accruals are based on factors such as past experience, production changes, industry developments and various other considerations. These estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims. Refer to Note 10. Warranty Obligations.

Foreign Currency Translation — Assets and liabilities of non-U.S. subsidiaries are translated to U.S. dollars at end-of-period currency exchange rates. The consolidated statements of operations of non-U.S. subsidiaries are translated to U.S. dollars at average-period currency exchange rates. The effect of translation for non-U.S. subsidiaries is generally reported in OCI. The effect of remeasurement of assets and liabilities of non-U.S. subsidiaries that use the U.S. dollar as their functional currency is primarily included in cost of sales. Also included in cost of sales are gains and losses arising from transactions denominated in a currency other than the functional currency of a particular entity. Net foreign currency transaction and remeasurement losses of $2 million, $5 million and $29 million were included in the consolidated statements of operations for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008, respectively. Net foreign currency transaction and remeasurement gains of $38 million were included in the consolidated statement of operations for the year ended December 31, 2007.

Employee Termination Benefits and Other Exit Costs — Delphi continually evaluates alternatives to align the business with the changing needs of its customers and to lower the operating costs. This includes the realignment of its existing manufacturing capacity, facility closures, or similar actions in the normal course of business. These actions may result in voluntary or involuntary employee termination benefits, which are mainly pursuant to union or other contractual agreements. Voluntary termination benefits are accrued when an employee accepts the related offer. Involuntary termination benefits are accrued upon the commitment to a termination plan and the benefit arrangement is communicated to affected employees, or when liabilities are determined to be probable and estimable, depending on the circumstances of the termination plan. Contract termination costs are recorded when contracts are terminated or when Delphi ceases to use the facility and no longer derives economic benefit from the contract. All other exit costs are expensed as incurred. Refer to Note 11. Employee Termination Benefits and Other Exit Costs. Refer to Note 3. Elements of Predecessor Transformation Plan for employee termination benefits and other exit costs related to non-core product lines and refer to Note 13. U.S. Employee Workforce Transition Programs for employee termination benefits and other exit costs related to the 2007 U.S. labor agreements. Pursuant to the Amended MRA (as defined in Note 1. General and Acquisition of Predecessor Businesses), GM reimbursed the Predecessor for severance

obligations paid by the Predecessor after January 1, 2009 in relation to all current and former UAW-represented hourly active, inactive, and retired employees.

Environmental Liabilities — Environmental remediation liabilities are recognized when a loss is probable and can be reasonably estimated. Such liabilities generally are not subject to insurance coverage. The cost of each environmental remediation is estimated by engineering, financial, and legal specialists based on current law and considers the estimated cost of investigation and remediation required and the likelihood that, where applicable, other potentially responsible parties ("PRPs") will be able to fulfill their commitments at the sites where Delphi may be jointly and severally liable. The process of estimating environmental remediation liabilities is complex and dependent primarily on the nature and extent of historical information and physical data relating to a contaminated site, the complexity of the site, the uncertainty as to what remediation and technology will be required, and the outcome of discussions with regulatory agencies and other PRPs at multi-party sites. In future periods, new laws or regulations, advances in remediation technologies and additional information about the ultimate remediation methodology to be used could significantly change estimates by Delphi. Refer to Note 15. Commitments and Contingencies.

Asset Retirement Obligations — Asset retirement obligations are recognized in accordance with FASB ASC 410, *Asset Retirement and Environmental Obligations.* Conditional retirement obligations have been identified primarily related to asbestos abatement at certain sites. To a lesser extent, conditional retirement obligations also exist at certain sites related to the removal of storage tanks and polychlorinated biphenyl disposal costs. Asset retirement obligations were $3 million and $4 million at December 31, 2009 and 2008, respectively.

Customer Concentrations — GM is Delphi's largest customer and accounted for 20% and 26% of its total net sales from continuing operations during the period from August 19 to December 31, 2009 and the period from January 1 to October 6, 2009, respectively. A portion of Delphi's non-GM sales are to Tier 1 suppliers who ultimately sell their products to GM. Delphi's net sales have been and will continue to be affected by changes in GM's business or market share. GM filed for reorganization relief under chapter 11 of the Bankruptcy Code on June 1, 2009 and emerged from bankruptcy protection on July 10, 2009. Subsequent to GM's emergence from bankruptcy protection, Delphi has collected substantially all pre-petition trade accounts receivable from GM.

Delphi's other domestic customers are facing similar pressures and challenges as those that GM is facing. Global sales to Ford Motor Company were approximately 7% of total sales during both the period from August 19 to December 31, 2009 and the period from January 1 to October 6, 2009.

Recent filings for reorganization relief under chapter 11 of the Bankruptcy Code by other domestic customers and other companies in the automotive parts industry have not had a significant impact on Delphi's results of operations for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008.

Derivative Financial Instruments— All derivative instruments are recorded on the consolidated balance sheets at fair value with changes in fair value recorded currently through earnings unless the transactions qualify and are designated as normal purchases or sales or meet special hedge accounting criteria.

Exposure to fluctuations in currency exchange rates, interest rates and certain commodity prices are managed by entering into a variety of forward contracts and swaps with various counterparties. Such financial exposures are managed in accordance with the policies and procedures of Delphi. Delphi did not enter into derivative transactions for speculative or trading purposes. As part of the hedging program approval process, Delphi identifies the specific financial risk which the derivative transaction will minimize, the appropriate hedging instrument to be used to reduce the risk and the correlation between the financial risk and the hedging instrument. Purchase orders, letters of intent, capital planning forecasts and historical data are used as the basis for determining the anticipated values of the transactions to be hedged. Delphi does not enter into derivative transactions that do not have a high correlation with the underlying financial risk. Hedge positions, as well as the correlation between the transaction risks and the hedging instruments, are reviewed on an ongoing basis.

Foreign exchange forward contracts are accounted for as hedges of firm or forecasted foreign currency commitments to the extent they are designated and assessed as highly effective. All other foreign exchange contracts are marked to market on a current basis. Commodity swaps are accounted for as hedges of firm or anticipated commodity purchase contracts to the extent they are designated and assessed as effective. All other commodity derivative contracts that are not designated as hedges are either marked to market on a current basis or are exempted from mark to market accounting as normal purchases. At December 31, 2009 and 2008, the exposure to movements in interest rates was not hedged with derivative instruments. Refer to Note 18. Fair Value of Financial Instruments, Derivatives and Hedging Activities for additional information.

Extended Disability Benefits — Costs associated with extended disability benefits provided to inactive employees are accrued throughout the duration of their active employment. Workforce demographic data and historical experience are utilized to develop projections of time frames and related expense for postemployment benefits. Pursuant to the Amended MRA (as defined in Note 1. General and Acquisition of Predecessor Businesses), GM reimbursed the Predecessor for extended disability benefits paid by the Predecessor after January 1, 2009 in relation to all current and former UAW-represented hourly active, inactive, and retired employees. Refer to Note 3. Elements of Predecessor Transformation Plan for more information.

Workers' Compensation Benefits — Workers' compensation benefit accruals are actuarially determined and are subject to the existing workers' compensation laws that vary by state. Accruals for workers' compensation benefits represent the discounted future cash expenditures expected during the period between the incidents necessitating the employees to be idled and the time when such employees return to work, are eligible for retirement or otherwise terminate their employment. Delphi assumed only workers' compensation liabilities associated with claims incurred after the Petition Date for the employees it hired. The remaining workers' compensation liabilities of the Predecessor were discharged as part of the bankruptcy process, assumed by GM as part of its acquisition of substantially all of the Predecessor's global steering business and the manufacturing facilities in the U.S. at which the employees were represented by the UAW, or emerged from chapter 11 as part of DPHH. Pursuant to the Amended MRA (as defined in Note 1. General and Acquisition of Predecessor Businesses), GM reimbursed the Predecessor for workers compensation benefits paid by the Predecessor after January 1, 2009 in relation to all current and former UAW-represented hourly active, inactive, and retired employees. Refer to Note 3. Elements of Predecessor Transformation Plan for more information.

Discontinued Operations — In accordance with FASB ASC 360-10, *Property, Plant, and Equipment,* the general accounting principles applicable to the impairment or disposal of long-lived assets, a business component that is disposed of or classified as held for sale is reported as discontinued operations if the cash flows of the component have been or will be eliminated from the ongoing operations of an entity and that entity will no longer have any significant continuing involvement in the business component. The results of discontinued operations are aggregated and presented separately in the consolidated statements of operations and consolidated statements of cash flows. Assets and liabilities of the discontinued operations are aggregated and reported separately as assets and liabilities held for sale in the consolidated balance sheet. Amounts presented for prior years are required to be reclassified to effect their classification as discontinued operations.

For periods ended October 6, 2009 and prior, amounts have been derived from the consolidated financial statements and accounting records of the Predecessor using the historical basis of assets and liabilities held for sale and historical results of operations related to the Predecessor's global steering and halfshaft businesses (the "Steering Business") and the Automotive Holdings Group ("AHG"), which includes various non-core product lines and plant sites that did not fit the Predecessor's strategic framework. At the Acquisition Date, substantially all of the Steering Business was acquired from the Predecessor by GM. While the historical results of operations of the Steering Business and the Automotive Holdings Group include general corporate allocations of certain functions historically provided by the Predecessor, such as accounting, treasury, tax, human resources, facility maintenance, and other services, no amounts for these general corporate retained functions have been allocated to discontinued operations in the statements of operations. Expenses related to the service cost of employee pension and other postretirement benefit plans were allocated to discontinued

operations in the statements of operations. Allocations have been made based upon a reasonable allocation method. Refer to Note 20. Discontinued Operations for more information.

Contractual Interest Expense and Interest Expense on Unsecured Claims — Contractual interest expense represents amounts due under the contractual terms of outstanding debt, including debt subject to compromise for which interest expense is not recognized in accordance with the provisions of FASB ASC 852. Contractual interest expense was $8 million, $494 million, $558 million, and $486 million, for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009, and the years ended December 31, 2008 and 2007, respectively. In September 2007, the Predecessor began recording prior contractual interest expense related to certain prepetition debt because it became probable that the interest would become an allowed claim based on the provisions of the plan of reorganization filed with the Court in September 2007 and confirmed, as amended, on January 25, 2008. The plan of reorganization confirmed on January 25, 2008 also provided that certain holders of allowed unsecured claims against the Predecessor would be paid postpetition interest on their claims, calculated at the contractual non-default rate from the petition date through January 25, 2008, when the Predecessor ceased accruing interest on these claims. At December 31, 2008, the Predecessor had accrued interest of $415 million included in accrued liabilities in the accompanying balance sheet related to prepetition claims. As discussed in Note 3. Elements of Predecessor Transformation Plan, on July 30, 2009, the Court confirmed the Modified Plan, eliminating postpetition interest on prepetition debt and allowed unsecured claims. Therefore, the reversal of the $415 million of accrued interest was included as a reduction of interest expense in the consolidated statement of operations of the Predecessor for the period from January 1 to October 6, 2009.

Recently Issued Accounting Pronouncements — In September 2006, FASB ASC 820, *Fair Value Measurements and Disclosures*, was issued. In February 2008, the FASB issued an update to FASB ASC 820, which partially deferred the effective date of FASB ASC 820 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. This update did not defer recognition and disclosure requirements for financial assets and liabilities or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually. Delphi adopted the provisions of FASB ASC 820 as of January 1, 2009 for nonfinancial assets and liabilities that were subject to the deferral (including long-lived assets and goodwill, asset retirement obligations and liabilities for exit or disposal activities measured at fair value upon initial recognition) and the adoption did not have a significant impact on Delphi's financial statements. Refer to Note 18. Fair Value of Financial Instruments, Derivatives and Hedging Activities for the disclosures required by FASB ASC 820.

In December 2007, the FASB issued FASB ASC 805, which requires an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Additionally, in April 2009, the FASB issued certain amendments to FASB ASC 805, which require 1) assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated and 2) contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination be treated as contingent consideration of the acquirer and initially and subsequently measured at fair value. As indicated in Note 1. General and Acquisition of Predecessor Businesses, FASB ASC 805 was applied to the Acquisition.

In December 2007, the FASB issued certain amendments to FASB ASC 810, *Consolidation*, which establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Delphi adopted these amendments to FASB ASC 810 as of January 1, 2009 and the accompanying financial statements reflect these amendments for all periods presented.

In December 2008, the FASB issued certain amendments to FASB ASC 715, *Compensation — Retirement Benefits*. These amendments provide guidance on disclosures about plan assets of a defined benefit pension or other postretirement plan. Specifically, these amendments require enhanced disclosures of how investment allocation decisions are made, including pertinent factors to further understand investment policies and strategies, the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period, and significant concentrations of risk within plan assets. Delphi adopted these

amendments effective December 31, 2009 and the adoption did not have a significant impact on Delphi's financial statements. Refer to Note 14. Pensions and Other Postretirement Benefits for the disclosures required by these amendments.

In May 2009, the FASB issued FASB ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Delphi adopted FASB ASC 855 as of June 30, 2009. The adoption of FASB ASC 855 did not have a significant impact on Delphi's financial statements.

In June 2009, the FASB issued guidance which establishes the FASB ASC as the sole source of authoritative generally accepted accounting principles ("GAAP"). Rules and interpretative releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. Delphi has updated references to GAAP in these consolidated financial statements and related notes thereto. The adoption of the FASB ASC did not impact the Company's financial position or results of operations.

In June 2009, the FASB issued guidance related to accounting for transfers of financial assets which changes the way entities account for securitizations and special-purpose entities, codified in FASB ASC 810 and FASB ASC 860, *Transfers and Servicing*. This guidance will be effective for fiscal years beginning after November 15, 2009. Delphi is currently evaluating the requirements of this guidance, and has not yet determined the impact on its financial statements.

3. ELEMENTS OF PREDECESSOR TRANSFORMATION PLAN

GM — The Predecessor and GM entered into comprehensive settlement agreements consisting of the Global Settlement Agreement, as amended (the "GSA"), and the Master Restructuring Agreement, as amended (the "MRA"). The GSA and the MRA, as amended through January 25, 2008, were approved in the order confirming the Predecessor's initial plan of reorganization on January 25, 2008. The GSA and the MRA were not effective until and unless the Predecessor emerged from chapter 11. However, as part of the Predecessor's overall negotiations with its stakeholders to further amend the initial plan of reorganization and emerge from chapter 11 as soon as practicable, the Predecessors agreed with GM and filed further amendments to the GSA (the "Amended GSA") and MRA (the "Amended MRA") with the Court. The Court approved such amendments on September 26, 2008 and the Amended GSA and Amended MRA became effective on September 29, 2008. These amended agreements include provisions related to the transfer of certain legacy pension and other postretirement benefit obligations and became effective independent of and effective in advance of substantial consummation of an amended plan of reorganization. The effectiveness of these agreements resulted in a material reduction in the Predecessor's liabilities and future expenses related to U.S. hourly workforce benefit programs. Upon the Acquisition Date, the Amended MRA was terminated and the MDA and certain ancillary agreements govern the relationship among GM and Delphi, as purchaser of the major portion of the Predecessor's businesses.

Global Settlement Agreement — The Amended GSA resolved outstanding issues between the Predecessor and GM, including: litigation commenced in March 2006 by the Predecessor to terminate certain supply agreements with GM; all potential claims and disputes with GM arising out of the separation of the Predecessor from GM in 1999, including certain post-separation claims and disputes; the proofs of claim filed by GM against the Predecessor in the Predecessor's chapter 11 cases; GM's treatment under the Predecessor's plan of reorganization; and various other legacy U.S. hourly workforce benefit issues.

The Amended GSA addressed commitments by the Predecessor and GM regarding other U.S. hourly workforce postretirement health care benefits and employer-paid postretirement basic life insurance benefits ("OPEB"), pension obligations, and other GM contributions with respect to labor matters and releases. In 2008, the Predecessor recorded a net reorganization gain of $5.3 billion. In addition, under the Amended GSA, the Predecessor received net cash from GM totaling $641 million on September 30, 2008, principally related to reimbursement of hourly OPEB benefit payments since January 1, 2007 and amounts paid by the Predecessor under special attrition programs.

The following table provides each component of the net reorganization gain recorded for the elements of the Amended GSA that were implemented during the third quarter of 2008 and which are described in more detail below. The table also reflects the net cash received on September 30, 2008 attributable to each of the elements of the Amended GSA:

	Reorganization Gain (Loss)	Cash Received from GM
	(In millions)	
Hourly Pension Plan Settlement:		
Hourly Plan Partial Pension Transfer to GM	$ 2,083	$ —
Recognition of Hourly Plan related OCI amounts	(494)	—
Hourly OPEB Settlement:		
GM assumption of OPEB obligation	6,821	—
Recognition of OPEB related OCI amounts	266	—
Allowed Claims and Other:		
Allowed GM administrative claim	(1,628)	—
Allowed GM general unsecured claim	(2,500)	—
Allowed IUE-CWA and USW claims	(129)	—
OPEB reimbursement from GM	353	350
Special attrition programs	491	230
Other, net	69	61
Total, net	$ 5,332	$641

Hourly Pension Plan — Partial Pension Transfer to GM — On September 26, 2008, the Predecessor received the consent of its labor unions and approval from the Court to transfer certain assets and liabilities of the Delphi Hourly-Rate Employees Pension Plan (the "Hourly Plan") to the GM Hourly-Rate Employees Pension Plan. On September 29, 2008, the Predecessor transferred liabilities of approximately $2.6 billion and assets of approximately $0.5 billion of the Hourly Plan to the GM Hourly-Rate Employees Pension Plan, representing 30% and 10% of the projected benefit obligation and plan assets, respectively, as of September 29, 2008. The transfer was sufficient to avoid an accumulated funding deficiency for the Hourly Plan for plan year ended September 30, 2008. In consideration, GM received an allowed administrative bankruptcy claim equivalent to 77.5% of the net unfunded liabilities transferred, or $1.6 billion. The transfer was accounted for as a partial settlement of the Hourly Plan under the accounting guidance related to employer's accounting for settlements and curtailments of defined benefit pension plans and for termination benefits in 2008. The Predecessor recognized a settlement loss of $494 million included in reorganization items in the consolidated statements of operations for the year ended December 31, 2008, which reflects the recognition of $494 million of previously unrecognized actuarial losses included in accumulated other comprehensive income. The amount of actuarial losses recognized represents the proportion of the projected benefit obligation transferred to GM relative to the total projected benefit obligation of the Hourly Plan.

Hourly OPEB Settlement and OPEB Reimbursement from GM — On September 23, 2008, the Predecessor received approval from the Court and on September 26, 2008 received the consent of its labor unions to cease providing traditional U.S. hourly OPEB. In addition, upon effectiveness of the Amended GSA, GM assumed financial responsibility for all of the Predecessor's traditional hourly OPEB liabilities from and after January 1, 2007. GM assumed approximately $6.8 billion of postretirement benefit liabilities for certain of the Predecessor's active and retired hourly employees. The assumption of the traditional hourly OPEB liability by GM and GM's agreement to reimburse postretirement benefit expenses through the administrative transfer date of February 1, 2009 was accounted for as a settlement under the guidance related to employer's accounting for postretirement benefits other than pensions, in the third quarter of 2008. The Predecessor recognized $266 million of previously unrecognized actuarial gains recorded in accumulated other comprehensive income during the year ended December 31, 2008. Additionally, on September 30, 2008, GM reimbursed the Predecessor approximately $350 million for previous OPEB payments made to the hourly workforce from and after January 1, 2007. During the Predecessor period from January 1 to October 6, 2009, GM funded an

additional $41 million of OPEB payments made to the hourly workforce. Refer to Note 14. Pensions and Other Postretirement Benefits for further information.

GM General Unsecured Claim — With respect to GM's claims in the Predecessor's chapter 11 cases, GM under the Amended GSA had agreed to a general unsecured claim of $2.5 billion, primarily for OPEB and special attrition programs for the U.S. hourly workforce. However, under the Modified Plan and the MDA, GM has agreed to waive its general unsecured claim in the Predecessor's chapter 11 cases. GM and certain related parties and the Predecessor and certain related parties have exchanged broad, global releases, effective as of the effective date of the Amended GSA (which releases do not apply to certain surviving claims as set forth in the Amended GSA). In addition to providing a release to GM, the Predecessor agreed to withdraw with prejudice the sealed complaint (the "GM Complaint") filed against GM in the Court on October 5, 2007. In addition, the Modified Plan contains additional mutual releases between GM and the Predecessor.

Allowed IUE-CWA and USW Claims — General unsecured claims in the amounts of $126 million and $3 million were granted to the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers-Communication Workers of America ("IUE-CWA") and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union and its Local Union 87L (the "USW"), respectively, under the respective labor settlement agreements.

Special Attrition Programs — The reorganization gain recorded during the third quarter of 2008 included $491 million related to the 2006 and 2007 special attrition programs because these programs were directly related to the chapter 11 cases. On September 30, 2008, GM reimbursed the Predecessor $230 million related to the funding of various 2007 U.S. hourly workforce special attrition programs, consistent with the provisions of the U.S. labor union settlement agreements. Additionally, previously recognized GM general unsecured claims of $333 million primarily related to the 2006 U.S. hourly workforce attrition programs previously reimbursed by GM have been forgiven and subsumed in the overall $2.5 billion allowed general unsecured claim granted to GM, as discussed above. As of December 31, 2008, the Predecessor's receivable from GM related to the funding of the UAW buydown arrangements under the 2007 U.S. hourly workforce special attrition programs was $68 million. Refer to Note 13. U.S. Employee Workforce Transition Programs for more information.

Other, Net — Other, net of $69 million recognized during the third quarter of 2008 includes a $51 million reimbursement from GM related to the U.S. labor settlement agreement with the IUE-CWA, dated August 5, 2007, of which $25 million was reimbursement of costs and expenses incurred by the Predecessor in connection with the execution and performance of the IUE-CWA labor agreement and $26 million was reimbursement to the Predecessor a portion of the allowed claim under the IUE-CWA labor agreement.

Master Restructuring Agreement — The Amended MRA was intended to govern certain aspects of the commercial relationship between the Predecessor and GM since the Predecessor's filing for chapter 11 and following the Predecessor's emergence from chapter 11. The Amended MRA addressed the scope of GM's existing and future business awards to the Predecessor and related pricing and sourcing arrangements, GM commitments with respect to reimbursement of specified ongoing U.S. hourly workforce labor costs, the disposition of certain of the Predecessor's facilities, and the treatment of existing commercial agreements between the Predecessor and GM. The MDA superseded the Amended MRA, and the Amended MRA was terminated as of the Acquisition Date (except as set forth in the MDA).

Upon effectiveness of the Amended MRA in 2008, the Predecessor received net cash from GM totaling $559 million and recognized related pre-tax earnings of $355 million during the three and nine months ended September 30, 2008, of which $189 million was recorded in GM settlement in operating expenses and $166 million was recorded in discontinued operations.

The following table shows each component of the pre-tax earnings recorded upon effectiveness of the Amended MRA in the third quarter of 2008 and the cash received on September 30, 2008:

	GM Settlement Gain in Pre-Tax Earnings	Cash Received from GM
	(In millions)	
Reimbursement of hourly labor costs	$272	$273
Production cash burn breakeven reimbursement	81	74
Working capital backstop — Steering Business	—	210
Other	2	2
Total, net	$355	$559
Continuing operations	*$189*	
Discontinued operations	*$166*	

Existing and Future Business Awards and Related Matters — The Amended MRA (1) addressed the scope of existing business awards, related pricing agreements, and extensions of certain existing supply agreements, including GM's ability to move production to alternative suppliers, and the reorganized Predecessor's rights to bid and qualify for new business awards; (2) eliminated the requirement to implement price-downs with respect to certain businesses since the Predecessor filed for chapter 11 and restricted GM's ability to re-source products manufactured at core U.S. operations through at least December 31, 2011 and Mexican operations through December 31, 2010; (3) contained a commitment by GM to provide the Predecessor with an annual keep site facilitation fee of $110 million in 2009 and 2010 which was not contingent on the Predecessor's emergence from chapter 11, payable in quarterly installments during these periods, which, consistent with the Predecessor's policy, was recognized in earnings over the applicable, future production periods; and (4) contained commitments by GM concerning the sale of certain of the Predecessor's non-core businesses and additional commitments by GM if certain of the Predecessor's businesses and facilities were not sold or wound down by specified future dates. On March 31, 2009, June 30, 2009 and September 30, 2009, Delphi received quarterly installments of the annual keep site facilitation fee of $27.5 million, of which approximately $75 million was recorded as net sales during the Predecessor period from January 1 to October 6, 2009.

Reimbursement of Hourly Labor Costs — GM agreed to reimburse the Predecessor for hourly workforce labor costs in excess of $26 per hour, excluding certain costs, including hourly pension and OPEB contributions provided under the supplemental wage agreement, at specified UAW manufacturing facilities retained by the Predecessor. On September 30, 2008, the Predecessor received payment from GM of $273 million for labor costs retroactive to October 1, 2006. Of the total received, $182 million was included in GM settlement as a reduction of operating expenses and $90 million was included in discontinued operations as it related to the Steering Business and the Automotive Holdings Group. The economic substance of this provision of the Amended MRA was to lower the Predecessor's labor costs at specified UAW-represented manufacturing facilities to $26 per hour, excluding certain costs, in order to maintain competitive operations in the U.S. Consistent with the economic substance of this provision, the labor subsidy amounts received by the Predecessor were recorded as a reduction of cost of sales in the period receivable from GM. During the period from January 1 to October 6, 2009, the Predecessor received $106 million of reimbursement from GM of hourly labor costs in excess of $26 per hour. The Predecessor recorded $50 million and $25 million as a reduction to cost of sales during the period from January 1 to October 6, 2009 and the year ended December 31, 2008, respectively.

Production Cash Burn Breakeven Reimbursement — The Predecessor had agreed to continue manufacturing at certain non-core sites to meet GM's production requirements. In consideration for which, GM was providing the Predecessor with operating cash flow breakeven support, or production cash burn breakeven ("PCBB"), from January 1, 2008 through site-specified time periods to compensate the Predecessor for keeping these sites in production. Additionally, GM had agreed to reimburse capital spending in excess of $500,000 at the PCBB sites from January 1, 2008 through site-specified time periods. GM reimbursed the Predecessor $74 million on September 30, 2008 for the retroactive portion of the PCBB payments through

August 2008. For the year ended December 31, 2008, the Predecessor recognized $11 million related to the retroactive portion of the PCBB payments as a reduction of operating expenses included in GM settlement. Ongoing PCBB reimbursement, including capital spending, from GM is recognized contemporaneously as incurred, and is treated as a reduction to cost of sales, fixed assets or discontinued operations, as appropriate. During the period from January 1 to October 6, 2009, the Predecessor received $150 million of PCBB reimbursement from GM, of which $86 million was recorded as income from discontinued operations and $2 million was recorded as a reduction to the Predecessor's cost of sales.

Working Capital Backstop — Steering Business — GM agreed to provide payments to the Predecessor for the Steering Business if the sales value is less than defined estimated working capital amounts of the businesses. In addition, GM agreed to provide payments to the Predecessor related to the Steering Business if it is not sold prior to the effectiveness of the MRA. GM provided a $210 million advance on working capital recovery to the Predecessor related to the Steering Business on September 30, 2008. As further discussed above, under the terms of the Modified Plan, GM acquired the Steering Business from the Predecessor on the Acquisition Date. The Steering Business is reported as discontinued operations, refer to Note 20. Discontinued Operations for further information.

Reimbursement of Hourly Workers' Compensation and Other Benefits — GM agreed to reimburse the Predecessor for all current and future workers compensation, disability, supplemental unemployment benefits, and severance obligations paid by the Predecessor after January 1, 2009 in relation to all current and former UAW-represented hourly active, inactive, and retired employees. Consistent with the substance of the provision, the Predecessor recognized anticipated, future reimbursements from GM contemporaneously with the Predecessor's incurrence of related cash payments. During the period from January 1 to October 6, 2009, the Predecessor received related reimbursements from GM of $28 million. The Predecessor recorded $35 million as a reduction to cost of sales during the period from January 1 to October 6, 2009.

The following table details the GM obligations recognized by the Predecessor during the period from January 1 to October 6, 2009:

	Period from January 1 to October 6, 2009
	(In millions)
Pre-tax earnings	$162
Discontinued operations	86
Pass-through hourly severance and OPEB reimbursement	110
Buydown and hourly severance true-up	(20)
Deferred liability	8
Total	$346

Pensions — Since entering chapter 11, the Predecessor had generally limited its contributions to the Hourly Plan, the Delphi Retirement Program for Salaried Employees (the "Salaried Plan"), the ASEC Manufacturing Retirement Program, the Delphi Mechatronics Retirement Program, the PHI Bargaining Retirement Plan and the PHI Non-Bargaining Retirement Plan (collectively, the "U.S. Pension Plans") to "normal cost" contributions, which are less than the minimum funding requirements established by the Internal Revenue Code (the "IRC") and the Employee Retirement Income Security Act ("ERISA"). Following the Court's approval of the Hourly and Salaried Pension Program Modification Motion on September 23, 2008, the Salaried Plan, the Mechatronic Plan, the ASEC Plan, and the PHI Non-Bargaining Plan were frozen effective September 30, 2008. The Hourly Plan was frozen on November 30, 2008. By freezing the U.S. Pension Plans, the Predecessor halted the accrual of normal cost payments going forward, thereby preserving liquidity.

On July 21, 2009, the Predecessor announced that the Pension Benefit Guaranty Corporation (the "PBGC") was expected to make a determination whether to initiate the termination process for the U.S. Pension Plans. Also on July 21, 2009, the Predecessor reached agreement with the PBGC to settle the

PBGC's various claims against the Predecessor and its global affiliates (the "Predecessor-PBGC Settlement Agreement"). Pursuant to that settlement agreement, the PBGC received a $3 billion allowed general unsecured non-priority claim which received the same treatment given to holders of general unsecured claims as set forth in the Modified Plan. The PBGC received additional consideration from GM which, together with the PBGC's allowed unsecured claim, is in consideration for, among other things, a full release of all causes of action, claims, and liens; the liability to be assumed by the PBGC related to the possible termination of the U.S. Pension Plans; and the withdrawal of all notices of liens filed by the PBGC against the Predecessor's global non-U.S. affiliates. The Predecessor-PBGC Settlement Agreement, which was subject to Court approval, was filed with the Court on July 21, 2009. In connection with seeking Court approval of the Predecessor-PBGC Settlement Agreement, the Predecessor sought a finding by the Court that such termination is not a violation of the Labor MOUs, the Union 1113/1114 Settlement Approval Orders, or the Local Agreement Between Delphi Connection Systems (formerly Packard-Hughes Interconnect) And Electronic And Space Technicians Local 1553, and any modifications thereto. On July 30, 2009, the Court approved the Predecessor-PBGC Settlement Agreement and made the finding that such agreement did not violate the Predecessor's collective bargaining agreements. On August 10, 2009, the PBGC and the Predecessor executed a termination and trusteeship agreement, retroactive to July 31, 2009, with respect to the U.S. Pension Plans.

Labor — During the second quarter of 2007, the Predecessor signed an agreement with the UAW, and during the third quarter of 2007, the Predecessor signed agreements with the remainder of its principal U.S. labor unions, which were ratified by the respective unions and approved by the Court in the third quarter of 2007. Among other things, as approved and confirmed by the Court, this series of settlement agreements or memoranda of understanding among the Predecessor, its unions, and GM settled the Debtors' motion under sections 1113 and 1114 of the Bankruptcy Code seeking authority to reject their U.S. labor agreements and to modify retiree benefits (the "1113/1114 Motion"). As applicable, these agreements also, among other things, modify, extend or terminate provisions of the existing collective bargaining agreements among the Predecessor and its unions and cover issues such as site plans, workforce transition and legacy pension and other postretirement benefits obligations as well as other comprehensive transformational issues. Portions of these agreements became effective in 2007, and the remaining portions were tied to the effectiveness of the GSA and the MRA, and substantial consummation of a plan of reorganization approved by the Court. However, as noted above, the Predecessor filed amendments to the GSA and the MRA, which were approved by the Court and became effective on September 29, 2008.

Among other things, these agreements generally provided certain members of the union labor workforce options to either retire, accept a voluntary severance package or accept lump sum payments in return for lower hourly wages. Refer to Note 13. U.S. Employee Workforce Transition Programs for more information.

Portfolio — In March 2006, the Predecessor identified non-core product lines and manufacturing sites that did not fit into its future, strategic framework, including brake and chassis systems, catalysts, cockpits and instrument panels, door modules and latches, ride dynamics, steering, halfshafts, wheel bearings and power products. With the exception of the catalyst and global exhaust product lines, included in the Powertrain Systems segment, the Company's non-core product lines are included in discontinued operations, refer to Note 20. Discontinued Operations.

Costs recorded by the Predecessor in the period from January 1 to October 6, 2009 related to the transformation plan for non-core product lines include employee termination benefits and other exit costs and U.S. employee workforce transition program charges and are further described in Note 11. Employee Termination Benefits and Other Exit Costs, Note 13. U.S. Employee Workforce Transition Programs and Note 20. Discontinued Operations.

Cost Structure — The Predecessor implemented restructuring initiatives in pursuit of its transformation objective to reduce selling, general and administrative expenses. These initiatives included changing the model for delivery of financial services, information technology and certain sales administration activities; as well as the reduction of the global salaried workforce by leveraging attrition and using salaried separation plans, and the realignment of certain salaried benefit programs with business conditions. While the continually challenging economic environment persists, further restructuring initiatives continue to be required. The

Predecessor implemented and Delphi has continued a number of cash conservation measures, including a short-term salaried layoff plan, the suspension of 2009 pay increases and annual incentive payments for eligible employees, the cessation of health care and life insurance benefits in retirement to salaried employees and retirees effective March 31, 2009 and the PBGC termination of the U.S. Pension Plans effective July 31, 2009 (refer to Note 14. Pension and Other Postretirement Benefits), a decrease in salaried severance payments and the elimination of salaried flex payments in 2009. Delphi continues to reduce other structural costs to further align itself with the current and projected volume outlook.

4. INVENTORIES, NET

A summary of inventories, net is shown below:

	Successor	Predecessor
	December 31,	
	2009	2008
	(In millions)	
Productive material	$494	$ 635
Work-in-process (a)	133	247
Finished goods	249	345
Total	$876	$1,227

(a) As of the Acquisition Date, the Successor expenses supplies when purchased.

5. ASSETS

Other current assets consisted of the following:

	Successor	Predecessor
	December 31,	
	2009	2008
	(In millions)	
Income and other taxes receivable	$184	$239
Prepaid insurance and other expenses	95	119
Deferred income taxes (Note 16)	123	96
Deposits to vendors	25	46
Notes receivable	21	28
Debt issuance costs	—	56
Other	22	25
Total	$470	$609

Other long-term assets consisted of the following:

	Successor	Predecessor
	December 31,	
	2009	2008
	(In millions)	
Deferred income taxes (Note 16)	$314	$ 85
Spare parts (a)	—	88
Notes receivable	33	21
Income and other taxes receivable	110	91
Deferred charges	5	14
Other investments	19	25
Other	49	39
Total	$530	$363

(a) As of the Acquisition Date, the Successor expenses spare parts when purchased.

6. INVESTMENTS IN AFFILIATES

As part of Delphi's operations, it has investments in 13 non-consolidated affiliates. These affiliates are not publicly traded companies and are located primarily in Korea, China and Mexico. Delphi's ownership percentages vary generally from approximately 20% to 50%, with the most significant investments in Korea Delphi Automotive Systems Corporation (of which Delphi owns approximately 50%), Daesung Electric Co. Ltd (of which Delphi owns approximately 50%), Delphi-TVS Diesel Systems Ltd (of which Delphi owns approximately 50%), and Promotora de Partes Electricas Automotrices, S.A. de C.V. (of which Delphi owns approximately 40%). The aggregate investment in non-consolidated affiliates was $270 million and $297 million at December 31, 2009 and 2008, respectively. Dividends of $0 million, $8 million, $11 million and $45 million for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the years ended December 31, 2008 and 2007, respectively, have been received from non-consolidated affiliates.

The following is a summary of the combined financial information of significant affiliates accounted for under the equity method as of December 31, 2009 and 2008 and for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the years ended December 31, 2008 and 2007 (unaudited):

	Successor	Predecessor
	December 31,	
	2009	2008
	(In millions)	
Current assets	$ 711	$ 818
Non-current assets	490	501
Total assets	$1,201	$1,319
Current liabilities	$ 376	$ 504
Non-current liabilities	271	197
Stockholders' equity	554	618
Total liabilities and stockholders' equity	$1,201	$1,319

	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)		(In millions)	
Net sales	$369	$866	$2,477	$2,926
Gross profit	$ 53	$ 56	$ 273	$ 390
Net income	$ 5	$ (44)	$ 53	$ 99

A summary of transactions with affiliates is shown below:

	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)		(In millions)	
Sales to affiliates	$ 7	$ 8	$ 48	$ 72
Purchases from affiliates	$51	$90	$267	$323

7. PROPERTY, NET

Property, net consisted of:

		Successor	Predecessor
	Estimated Useful Lives (Years)	December 31, 2009	2008
		(In millions)	
Land	—	$ 173	$ 103
Land and leasehold improvements	3-20	61	163
Buildings	40	574	1,417
Machinery, equipment, and tooling	3-20	1,177	4,456
Furniture and office equipment	3-10	72	689
Construction in progress	—	195	259
Total		2,252	7,087
Less: accumulated depreciation and amortization		(123)	(3,788)
Total property, net		$2,129	$ 3,299

Delphi evaluates the recoverability of certain long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Estimates of future cash flows used to test the recoverability of long-lived assets include separately identifiable undiscounted cash flows expected to arise from the use and eventual disposition of the assets. Where estimated future cash flows are less than the carrying value of the assets, impairment losses are recognized based on the amount by which the carrying value exceeds the fair value of the assets. The fair value of the assets was determined based on the "held for use" classification. Delphi may incur significant impairment charges or losses on divestitures upon these assets being classified as "held for sale." The following table summarizes the impairment charges included in

operating expenses related to long-lived assets held for use for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and for the years ended December 31, 2008 and 2007:

Segment	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)		(In millions)	
Electronics and Safety	$—	$37	$15	$ 1
Powertrain Systems	12	—	—	13
Electrical/Electronic Architecture	—	1	2	6
Thermal Systems	5	2	10	—
Corporate and Other	—	1	—	—
Continuing operations	17	41	27	20
Discontinued operations	—	—	10	271
Total	$17	$41	$37	$291

During the period from January 1 to October 6, 2009, the Predecessor's Electronics and Safety segment recorded $37 million of long-lived asset impairment charges related to the exit of its occupant protection systems business in North America and Europe.

8. INTANGIBLE ASSETS AND GOODWILL

As further described in Note 1. General and Acquisition of Predecessor Businesses, Delphi acquired the following intangible assets in conjunction with the Acquisition:

	Weighted Average Amortization Period (Years)	As of December 31, 2009	
		Gross Carrying Amount	Accumulated Amortization
		(In millions)	
Amortized Intangible Assets:			
Patents	13	$442	$ 9
Customer relationships	6	140	6
Trade names	20	97	1
Total	12	679	16
Unamortized Intangible Assets:			
In-Process Research & Development	N/A	87	—
Total		$766	$16

Delphi did not incur costs to renew or extend the term of the acquired intangible assets during the Successor period from August 19 to December 31, 2009. The aggregate amortization expense for the Successor period from August 19 to December 31, 2009 was $16 million. Amortization expense is estimated to be $67 million annually for the years ended December 31, 2010, 2011 and 2012 and $65 million and $57 million for the years ending December 31, 2013 and 2014, respectively.

As further described in Note 1. General and Acquisition of Predecessor Businesses, as a result of determining the fair value of assets acquired and liabilities assumed under the Acquisition, there is no

goodwill recognized in the consolidated balance sheet of the Successor as of December 31, 2009. The changes in carrying amount of goodwill for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
	(In millions)	
Balance at January 1,	$ 62	$ 397
Acquisitions	—	19
Impairment	—	(325)
Impact of the Acquisition (Note 1)	(62)	—
Currency translation	—	(29)
Balance at December 31,	$ —(a)	$ 62(a)

(a) Included in Intangible assets, net on the consolidated balance sheets and recorded in the Corporate and Other segment

During the year ended December 31, 2008, declining market conditions caused the implied fair values of the Electrical/Electronic Architecture segment and the Electronics and Safety segment to be less than their respective book values, which resulted in goodwill impairment charges, totaling $168 million and $157 million related to the respective segments.

9. LIABILITIES

Accrued liabilities consisted of the following:

	Successor	Predecessor
	December 31,	
	2009	2008
	(In millions)	
Payroll-related obligations	$ 177	$ 202
Workers compensation	—	75
Employee benefits, including current pension obligations	56	135
Income and other taxes payable	248	264
Warranty obligations (Note 10)	181	128
U.S. employee workforce transition programs (Note 13)	—	115
Employee termination benefits and other exit costs (Note 11)	216	163
Interest on prepetition claims (Note 2)	—	415
Working capital backstop — Steering Business (Note 3)	—	210
Customer deposits	32	28
Deferred income taxes (Note 16)	65	9
Other	322	341
Total	$1,297	$2,085

Other long-term liabilities consisted of the following:

	Successor	Predecessor
	December 31, 2009	December 31, 2008
	(In millions)	
Workers compensation	$ 1	$ 325
Environmental (Note 15)	18	97
Extended disability benefits	13	60
Warranty obligations (Note 10)	151	236
Payroll-related obligations	12	35
Accrued income taxes	61	86
Other long-term debt (Note 12)	94	55
Derivative financial instruments (Note 18)	1	36
Deferred income taxes (Note 16)	364	27
Other	78	53
Total	$793	$1,010

10. WARRANTY OBLIGATIONS

Expected warranty costs for products sold are recognized principally at the time of sale of the product based on estimates of the amount that will eventually be required to settle such obligations. These accruals are based on factors such as past experience, production changes, industry developments and various other considerations. These estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims.

The table below summarizes the activity in the product warranty liability for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008:

	Successor	Predecessor	
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(In millions)	(In millions)	
Accrual balance at beginning of period	$ —	$ 364	$ 559
Fair value of liabilities assumed in the Acquisition	344	—	—
Provision for estimated warranties incurred during the period	9	41	66
Provision for changes in estimate for preexisting warranties	15	73	34
GM warranty forgiveness	—	—	(112)
Settlements made during the period (in cash or in kind)	(35)	(92)	(167)
Gain from reorganization	—	(395)	
Foreign currency translation and other	(1)	9	(16)
Accrual balance at end of period	$332	$ —	$ 364

Refer to Note 15. Commitments and Contingencies, Ordinary Business Litigation for additional disclosure regarding warranty matters.

11. EMPLOYEE TERMINATION BENEFITS AND OTHER EXIT COSTS

Delphi continually evaluates alternatives to align its business with the changing needs of its customers and to lower the operating costs of the Company. This includes the realignment of its existing manufacturing capacity, facility closures, or similar actions in the normal course of business. These actions may result in voluntary or involuntary employee termination benefits, which are mainly pursuant to union or other contractual agreements. Voluntary termination benefits are accrued when an employee accepts the related offer. Involuntary termination benefits are accrued when Delphi commits to a termination plan and the benefit arrangement is communicated to affected employees, or when liabilities are determined to be probable and estimable, depending on the circumstances of the termination plan. Contract termination costs are recorded when contracts are terminated or when Delphi ceases to use the facility and no longer derives economic benefit from the contract. All other exit costs are accrued when incurred.

Delphi's employee termination benefit and other exit costs are undertaken as necessary to execute management's strategy, streamline operations, take advantage of available capacity and resources, and ultimately achieve net cost reductions. These activities generally fall in one of two categories:

(1) Realignment of existing manufacturing capacity and closure of facilities and other exit or disposal activities, as it relates to executing the Company's strategy in the normal course of business.

(2) Transformation plan activities, which support the overall transformation initiatives announced in 2006, including selling or winding down non-core product lines, transforming the salaried workforce to reduce general and administrative expenses, and modifying labor agreements with principal unions in the U.S.

The following table summarizes the employee termination benefit and other exit cost charges recorded for the periods from August 19 to December 31 and January 1 to October 6, 2009 and the years ended December 31, 2008 and 2007 by operating segment:

	Successor	Predecessor		
Segment	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)		(In millions)	
Electronics and Safety	$ 20	$ 86	$147	$ 36
Powertrain Systems	45	30	63	55
Electrical/Electronic Architecture	49	91	78	132
Thermal Systems	5	8	24	48
Corporate and Other	7	20	14	30
Continuing Operations	126	235	326	301
Discontinued Operations	—	14	146	371
Total	$126	$249	$472	$672
Cost of sales	*120*	*192*	*294*	*263*
Selling, general and administrative expenses	*6*	*43*	*32*	*38*
Discontinued operations	—	*14*	*146*	*371*

The table below summarizes the activity in the employee termination benefits and exit costs liability for the year ended December 31, 2008 and the periods from January 1 to October 6, 2009 and August 19 to December 31, 2009:

	Employee Termination Benefits Liability	Other Exit Costs Liability	Total
	(In millions)		
Predecessor balance at December 31, 2007	$ 274	$ 25	$ 299
Provision for estimated expenses incurred during the period	346	126	472
Payments made during the year	(415)	(106)	(521)
Predecessor balance at December 31, 2008	$ 205	$ 45	$ 250
Provision for estimated expenses incurred during the period	216	55	271
Provision for changes in estimates for preexisting programs	(21)	(1)	(22)
Foreign currency and other	(1)	(5)	(6)
Payments made during the period	(159)	(66)	(225)
Gain from reorganization	(240)	(28)	(268)
Accrual balance at October 6, 2009	$ —	$ —	$ —
Fair value of liabilities assumed in the Acquisition	240	21	261
Provision for estimated expenses incurred during the period	121	6	127
Provision for changes in estimates for preexisting programs	(1)	—	(1)
Payments made during the period	(141)	(8)	(149)
Foreign currency and other	(9)	—	(9)
Accrual balance at December 31, 2009	$ 210	$ 19	$ 229

Approximately $74 million of the employee termination benefits and other exit costs accrual balance as of December 31, 2008 is included in liabilities held for sale.

Delphi and the Predecessor have initiated several programs to streamline operations and lower costs. The following are details of significant charges during 2009.

- *Realignment of existing manufacturing capacity and closure of facilities.* As part of Delphi and the Predecessor's ongoing efforts to lower costs and operate efficiently, the Electronics and Safety, Powertrain Systems, Electrical/Electronic Architecture and Thermal Systems segments executed initiatives to realign manufacturing operations within North America to lower cost markets and to reduce headcount in line with the realigned manufacturing operations, and incurred approximately $34 million and $69 million of employee termination benefits and other related exit costs during the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009, respectively. Additionally, European, South American and Asian operations in the Electronics and Safety and Electrical/Electronic Architecture segments incurred $78 million and $99 million of employee termination benefits and other exit costs in the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009, respectively, in conjunction with headcount reductions and programs related to the rationalization of manufacturing and engineering processes. Additionally, the Electronics and Safety segment incurred $5 million and $7 million of costs related to upcoming sales and wind-down of its occupant protection systems business in North America and Europe during periods from August 19 to December 31, 2009 and January 1 to October 6, 2009, respectively.

- *Transformation plan activities.* As part of an effort to transform its salaried workforce and reduce general and administrative expenses, Delphi and the Predecessor identified certain salaried employees in North America during periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 for involuntary separation and incurred $5 million and $58 million, respectively, in related employee termination benefits included in continuing operations. Delphi also incurred $6 million of

U.S. salaried separations recorded in discontinued operations for the period from January 1 to October 6, 2009. As a result of the Amended MRA, $53 million of U.S. employee termination benefits were reimbursed by GM during the period from January 1 to October 6, 2009, of which $44 million and $9 million related to U.S. hourly separations and U.S. salaried separations, respectively.

The following are details of significant charges during 2008.

- *Realignment of existing manufacturing capacity and closure of facilities.* As part of the Predecessor's ongoing efforts to lower costs and operate efficiently, the Electronics and Safety segment transferred core products manufactured at a shared location in Portugal to a lower cost market and exit non-core products from that facility, and recognized employee termination benefits of $17 million during 2008. Additionally, the Electronics and Safety, Powertrain Systems, Electrical/Electronic Architecture and Thermal Systems segments executed initiatives to realign manufacturing operations within North America to lower cost markets, and incurred approximately $104 million of employee termination benefits and other related exit costs during 2008. In addition, the Electronics and Safety segment is exiting production of a non-profitable product line and recorded $22 million of contract termination costs. European operations in the Electronics and Safety and Electrical/Electronic Architecture segments incurred $12 million of employee termination benefits and other exit costs in conjunction with headcount reductions and programs related to the rationalization of manufacturing and engineering process. The Powertrain Systems segment transferred certain operations to lower cost markets in eastern Europe and Asia Pacific during 2008 and incurred employee termination benefits and other exit costs of $10 million.

- *Transformation plan activities.* As part of an effort to transform its salaried workforce and reduce general and administrative expenses, the Predecessor identified certain salaried employees in North America during 2008 for involuntary separation and incurred $131 million in related employee termination benefits included in continuing operations, and incurred $31 million in discontinued operations.

The following are details of significant charges during 2007.

- *Realignment of existing manufacturing capacity and closure of facilities.* As part of the Predecessor's ongoing efforts to lower costs and operate efficiently, the Electrical/Electronic Architecture segment transferred manufacturing operations from Germany, Portugal and Spain to lower cost markets in Eastern Europe and Asia Pacific during 2007. As a result, the Electrical/Electronic Architecture segment significantly reduced the number of employees at these locations, and announced involuntary employee separation packages for approximately $66 million. Additionally, the Electrical/Electronic Architecture and Thermal Systems segments executed initiatives to realign manufacturing operations within North America to lower cost markets, and incurred approximately $35 million of employee termination benefits and other related exit costs.

- *Transformation plan activities.* As a part of an effort to transform its salaried workforce and reduce general and administrative expenses, the Predecessor identified certain salaried employees, primarily in North America, during 2007 for involuntary separation, and incurred $33 million in related employee termination benefits in the Electronics and Safety, Powertrain Systems, Electrical/Electronic Architecture and Thermal Systems segments. Additionally, the Predecessor began the implementation of a plan for the consolidation and outsourcing of certain administrative functions, including financial services and information technology. During 2007, the Predecessor incurred $19 million related to the outsourcing plan in the Corporate and Other segment. Finally, as part of Delphi's initiative to modify its labor agreements, the Predecessor signed agreements with the UAW and all of its other principal U.S. labor unions during 2007. The new agreements offered certain eligible employees severance payments and supplemental unemployment benefits, among other options. The Predecessor incurred $36 million of employee termination benefits related to these agreements, primarily in the Powertrain Systems, Electronics and Safety, and Thermal Systems segments. Refer to Note 13. U.S. Employee Workforce Transition Programs.

12. DEBT

The following is a summary of debt outstanding as of December 31, 2009 and 2008:

	Successor	Predecessor	
	December 31,		
	2009	2008	
	Debt	Subject to Compromise	Debt
	(In millions)		
6.55%, unsecured notes, due 2006	$ —	$ 500	$ —
6.50%, unsecured notes, due 2009	—	498	—
6.50%, unsecured notes, due 2013	—	493	—
7.125%, debentures, due 2029	—	493	—
Junior subordinated notes due 2033	—	391	—
Amended and restated DIP facility	—	—	3,620
Accounts receivable factoring	110	—	264
European securitization program	—	—	88
12.00%, unsecured notes, due 2014	49	—	—
German loan agreement	23	—	—
Capital leases and other	214	—	257
Total debt	$ 396(a)	$2,375	$ 4,229
Less: current portion	(302)		(4,174)
Long-term debt	$ 94		$ 55

(a) As disclosed in Note 1. General and Acquisition of Predecessor Businesses, debt was recorded at fair value as of the Acquisition Date, which resulted in a $2 million net reduction to the nominal value of debt. The difference between the fair value and nominal value of debt will be accreted to nominal value over the term of the indebtedness.

Under the terms of the Acquisition, (i) Delphi issued $41 million in senior unsecured five-year notes (the "Notes") pursuant to a Note Purchase Agreement (the "NPA") with an Acquisition Date fair value of $49 million and (ii) entered into a Delayed Draw Term Loan Agreement (the "DDTL") to borrow up to $1.0 billion in senior secured loans from a syndicate of lenders. The Notes pay 12% interest and mature on October 6, 2014. The DDTL was split into a U.S. tranche of up to $300 million in borrowings and a foreign tranche of up to $700 million in borrowings. There is no commitment fee associated with the DDTL, but, if drawn, Delphi is required to pay interest at the rate of LIBOR plus 6.0% per annum, with a minimum LIBOR amount of 2.0% per annum. The DDTL has a term of 5 years. As holders of Class A and Class B membership interests in Delphi, the holders of the Notes and the lenders under DDTL are related parties. As a result of the EPCA settlement (as defined and further discussed in Note 15 Commitment and Contingencies), the maximum available borrowing under the DDTL was reduced to $890 million. The reduction in the maximum available borrowing as a result of the EPCA settlement applied ratably to both the US and foreign commitments; therefore, the U.S. tranche available borrowing was reduced to $267 million and the foreign tranche available borrowing was reduced to $623 million.

The U.S. tranche under the DDTL is guaranteed by each of Delphi's U.S. direct and indirect parent companies and each of Delphi's U.S. subsidiaries. The foreign tranche under the DDTL is currently guaranteed by each of the guarantors under the U.S. tranche. In addition, subject to legal and other customary limitations, the DDTL requires certain material foreign subsidiaries of Delphi to become guarantors under the foreign tranche. The loans, guarantees and other obligations under the U.S. tranche are secured by substantially all of the assets of Delphi's U.S. direct and indirect parent companies and each of Delphi's U.S. subsidiaries. The loans, guarantees and other obligations under the foreign tranche are currently secured

by all of the assets securing the U.S. tranche. In addition, subject to legal and other customary limitations, the foreign tranche will be secured by substantially all of the assets of any material foreign subsidiaries of Delphi that become guarantors under the foreign tranche. The Notes are unsecured and are guaranteed by the same Delphi entities that guarantee the loans under the foreign tranche of the DDTL.

The NPA and the DDTL contain affirmative and negative covenants that impose restrictions on Delphi's financial and business operations, including Delphi's ability, among other things, to incur or secure other debt, make investments, sell assets, pay dividends or repurchase stock. As of December 31, 2009, Delphi was in compliance with the covenants of the NPA and DDTL. As of December 31, 2009, there were no amounts drawn under the DDTL and the full $890 million remained available.

During 2009, two of Delphi's German subsidiaries entered into a loan agreement for up to €125 million (approximately $179 million at December 31, 2009 exchange rates) with a German financial institution. This loan may be drawn upon as needed to fund restructuring initiatives, capital investment and any other ongoing cash needs. This loan is being guaranteed by the German government and is secured by a pledge of land and buildings, machinery and equipment, accounts receivable, inventories and patents and trademarks owned by Delphi's German subsidiaries. The loan agreement calls for a weighted-average interest rate of 6.25% and an undrawn fee of 0.5% annually. The loan has interim maturities which reduce the overall availability and completely matures as of December 31, 2013. As of December 31, 2009, $23 million was outstanding under the loan agreement.

Subject to Compromise — Pursuant to the requirements of FASB ASC 852, prepetition long-term debt of the Predecessor was included in liabilities subject to compromise. As further described in Note 1. General and Acquisition of Predecessor Businesses, as part of the Modified Plan, liabilities subject to compromise, including the prepetition long-term debt of the Predecessor, were not acquired by Delphi. The Predecessor recorded the extinguishment of liabilities subject to compromise as a gain on reorganization in the consolidated statement of operations of the Predecessor for the period ended October 6, 2009.

Amended and restated DIP facility and GM liquidity support agreements — The DIP lenders and GM financed the Predecessor's operations during chapter 11. During 2009, the Predecessor entered into numerous amendments to the Amended and Restated DIP facility and its GM liquidity support agreements. As further described in Note 1. General and Acquisition of Predecessor Businesses, as part of the Modified Plan, approximately $3.3 billion of DIP financing and $850 million outstanding under GM liquidity support agreements were extinguished, which resulted in the recognition of a gain on reorganization in the consolidated statement of operations of the Predecessor for the period ended October 6, 2009.

During the year ended December 31, 2008, the Predecessor entered into the Amended and Restated DIP Credit Facility and terminated the Refinanced DIP Credit Facility. As a result of terminating the Refinanced DIP Credit Facility, the Predecessor expensed $49 million of unamortized debt issuance costs related to the Refinanced DIP Credit Facility, which was recognized as a loss on the extinguishment of debt during the year ended December 31, 2008.

During the year ended December 31, 2007, concurrent with the entry into the Refinanced DIP Credit Facility, the Predecessor expensed $25 million of unamortized debt issuance costs related to the Revolving Credit, Term Loan and Guaranty Agreement Delphi entered into on October 14, 2005, as amended through November 13, 2006, and the Five Year Third Amended and Restated Credit Agreement, dated as of June 14, 2005, of which $23 million was recognized as loss on extinguishment of debt, as these fees relate to the refinancing of the term loans, and $2 million was recognized as interest expense, as these fees relate to the refinancing of the revolving credit facility.

Accounts Receivable Factoring — Various accounts receivable factoring facilities are maintained in Europe that are accounted for as short-term debt. These uncommitted factoring facilities are available through various financial institutions. As of December 31, 2009 and 2008, $110 million and $264 million, respectively, were outstanding under these accounts receivable factoring facilities.

European Securitization Program — Amounts outstanding under the European accounts receivables securitization program (the "European Securitization Program") were repaid and the European Securitization

Program was terminated during the Predecessor period from January 1 to October 6, 2009. Borrowings on the accounts receivable transferred under this program were accounted for as short-term debt. As of December 31, 2008, outstanding borrowings under this program were approximately $88 million.

Capital Leases and Other — As of December 31, 2009 and 2008, approximately $214 million and approximately $257 million, respectively, of other debt issued by certain international subsidiaries was outstanding, primarily related to bank lines in Asia Pacific and capital lease obligations.

Interest — Cash paid for interest related to amounts outstanding totaled $8 million, $157 million, $442 million and $377 million for the periods August 19 to December 31, 2009 and January 1 to October 6, 2009, and the years ended December 31, 2008 and 2007, respectively.

The principal maturities of debt, at nominal value, and minimum capital lease obligations are as follows:

Year	Debt and Capital Lease Obligations
	(In millions)
2010	$302
2011	20
2012	10
2013	5
2014	46
Thereafter	15
Total	$398

13. U.S. EMPLOYEE WORKFORCE TRANSITION PROGRAMS

The following table represents the movement in the U.S. employee workforce transition program liability for 2009 and 2008:

U.S. Employee Workforce Transition Program Liability

	(In millions)
Balance at December 31, 2007	$ 382
U.S. employee workforce transition program charges	21
Buy-down wage liability adjustment	(37)
Payments	(219)
Pre-retirement program pension payment to GM	(9)
Pension and other postretirement benefits (Note 14)	(23)
Accretion and other	8
Balance at December 31, 2008	$ 123
Buy-down wage liability adjustment	(17)
Payments	(28)
Gain from reorganization	(78)
Balance at October 6, 2009	$ —
Fair value of liabilities assumed in the Acquisition	14
Payments	(14)
Balance at December 31, 2009	$ —

Approximately $115 million of the U.S. employee workforce transition program liability is included in accrued liabilities at December 31, 2008 and approximately $8 million is included in other long-term liabilities at December 31, 2008, in the consolidated balance sheet.

The following table represents the movement in the U.S. employee workforce transition program buydown wage asset during 2008:

U.S. Employee Workforce Transition Program Buydown Wage Asset

	(In millions)
Balance at December 31, 2007	$ 301
Buy-down wage asset adjustment	(49)
Amortization expense	(61)
Amounts reimbursed by GM upon Amended GSA effectiveness	(155)
Reclassified amounts as a receivable from GM under Amended GSA	(126)
Reorganization gain	90
Balance at December 31, 2008	$ —

2007 Workforce Transition Programs

In 2007, the Predecessor, GM, and various unions representing the hourly employees of the Predecessor signed settlement agreements, which included an attrition program similar to the 2006 U.S. employee special attrition programs and buy-down payments totaling up to $125,000 for eligible traditional employees who do not elect an attrition option in exchange for reduced wages and benefits.

During the year ended December 31, 2007, the Predecessor recorded charges for the attrition programs of approximately $52 million, which included a reduction in the U.S. employee workforce transition program liability of $64 million due to a change in estimated future payments for both the 2006 and 2007 programs. The estimated buy-down payments arrangements within the Workforce Transition Programs totaled $323 million and were recorded as a wage asset and liability. In accordance with the applicable accounting guidance, the wage asset was being amortized over the life of the respective union agreements. In 2008 and 2007, Delphi recognized $61 million and $22 million, respectively, of wage asset amortization. The corresponding wage liability was being reduced as buy-down payments are made. The Predecessor paid $83 million during the year ended December 31, 2008. As of December 31, 2009 and 2008, the buy-down liability was $0 million and $83 million, respectively. As of December 31, 2009 and 2008, amounts receivable from GM were $0 million and $68 million, respectively.

During the year ended December 31, 2007, the Predecessor also recorded pension curtailment losses of $175 million, which were partially offset by a curtailment gain of $5 million related to other postretirement benefits. These curtailments are discussed further in Note 14. Pension and Other Postretirement Benefits.

Total workforce transition program charges were $244 million for 2007, of which $199 million is recorded in cost of sales and $45 million is recorded in loss on discontinued operations. In addition, costs related to severance payments and supplemental unemployment benefits for U.S. employees at sites that will be sold or wound down in accordance with the workforce transition programs of $56 million were included in cost of sales.

2008 Reimbursement

As discussed in Note 3. Elements of Predecessor Transformation Plan, the net reorganization gain recorded for the elements of the Amended GSA that were implemented during 2008, included $491 million related to GM's reimbursement of costs incurred under the 2006 and 2007 special attrition programs. GM reimbursed the Predecessor $230 million related to the funding of various 2007 U.S. hourly workforce special attrition programs, consistent with the provisions of the U.S. labor union settlement agreements. Additionally, previously recognized GM general unsecured claims of $333 million primarily related to the 2006 U.S. hourly workforce attrition programs previously reimbursed by GM have been forgiven and subsumed in the overall $2.5 billion allowed general unsecured claim granted to GM. The following table details this component of the reorganization gain and cash received:

Amended GSA Effectiveness	Reorganization Gain	Cash
	(In millions)	
Amounts reimbursed for buyouts	$ 68	$ 68
Amounts reimbursed for retirement incentives	—	7
Amounts reimbursed for buy-downs	90	155
Forgiveness of 2006 special attrition program allowed claim	333	—
Total	$491	$230

14. PENSION AND OTHER POSTRETIREMENT BENEFITS

Prior to the PBGC termination of the U.S. Pension Plans, Delphi sponsored pension plans covering unionized employees in the U.S., which generally provided benefits of stated amounts for each year of service, as well as supplemental benefits for employees who qualify for retirement before normal retirement age. In addition, certain collectively bargained hourly employees continued earning accruals under the Hourly Plan's Individual Retirement Plan formula (a cash balance benefit providing an annual pay credit accrual of 5.4% of base wages). Delphi also sponsored defined benefit plans covering U.S. salaried employees, with benefits generally based on years of service and salary history. Certain Delphi employees also participated in non-qualified pension plans covering executives, which are based on targeted wage replacement percentages and are unfunded. Certain of Delphi's non-U.S. subsidiaries also sponsored defined benefit pension plans, which generally provided benefits based on negotiated amounts for each year of service. Delphi's primary non-U.S. plans are located in Germany, Mexico and the United Kingdom ("UK").

The Predecessor froze the Salaried Plan, the Supplemental Executive Retirement Program ("SERP"), the ASEC Manufacturing Retirement Program, the Delphi Mechatronics Retirement Program and the PHI Non-Bargaining Retirement Plan effective September 30, 2008. Effective October 1, 2008, the Salaried Retirement Savings Program was amended to provide a matching contribution and a 4% non-elective Delphi retirement contribution. Upon the Acquisition Date, Delphi suspended the matching contribution under the Salaried Retirement Savings Program. Additionally, the Predecessor reached agreement with its labor unions resulting in a freeze of traditional benefit accruals under the Hourly Plan effective as of November 30, 2008.

On September 26, 2008, the Predecessor received the consent of its labor unions and approval from the Court to transfer certain assets and liabilities of the Hourly Plan to the GM Hourly-Rate Employee Pension Plan, pursuant to section 414(l) of the Internal Revenue Code (the "414(l) Net Liability Transfer"), as agreed under the Amended GSA. The 414(l) Net Liability Transfer was to occur in two separate steps. On September 29, 2008, the Predecessor completed the first step of the 414(l) Net Liability Transfer, transferring liabilities of approximately $2.6 billion and assets of approximately $0.5 billion of the Hourly Plan to the GM Hourly-Rate Employees Pension Plan, representing 30% and 10% of the projected benefit obligation and plan assets, respectively, as of September 29, 2008. The 414(l) Net Liability Transfer was sufficient to avoid an accumulated funding deficiency for the Hourly Plan for plan year ended September 30, 2008. In consideration of the first step of the 414(l) Net Liability Transfer, GM received an allowed administrative bankruptcy claim equivalent to 77.5% of the net unfunded liabilities transferred, or $1.6 billion. The first step of the 414(l) Net Liability Transfer was accounted for as a partial settlement of the Hourly Plan under the accounting guidance

related to employer's accounting for settlements and curtailments of defined benefit pension plans and for termination benefits in the third quarter of 2008. The Predecessor recognized a settlement loss of $494 million included in reorganization items in the consolidated statements of operations for the year ended December 31, 2008, which reflects the recognition of $494 million of previously unrecognized actuarial losses included in accumulated other comprehensive income. The amount of actuarial losses recognized represents the proportion of the projected benefit obligation transferred to GM relative to the total projected benefit obligation of the Hourly Plan.

The second step of the 414(l) Net Liability Transfer (the "Second Pension Transfer") was to occur upon the effectiveness of an amended plan of reorganization. In July 2009, GM advised the Predecessor that it would not assume the Hourly Plan and would not complete the Second Pension Transfer. GM and the PBGC negotiated a separate release and waiver agreement regarding a possible initiation by the PBGC of the plan termination process for the Hourly Plan, which provides consideration to the PBGC for certain releases to be granted to, among others, GM, the Predecessor, and the Predecessor's global affiliates. On July 22, 2009, the PBGC initiated the process to terminate the Hourly Plan and the U.S. salaried and subsidiary pension plans. The Predecessor recognized a pension curtailment and settlement loss of $2.8 billion included in reorganization items in the consolidated statement of operations for the period ended October 6, 2009. This loss included the reversal of $5.2 billion of liabilities subject to compromise related to the U.S. Pension Plans offset by the recognition of $5.0 billion of related unamortized losses previously recorded in accumulated other comprehensive income and the recognition of a $3.0 billion allowed general unsecured non-priority claim granted to the PBGC. For additional information regarding the PBGC termination of the Hourly Plan and the U.S. salaried and subsidiary pension plans, refer to Note 3. Elements of Predecessor Transformation Plan.

On February 4, 2009, the Predecessor filed a motion with the Court seeking the authority to cease providing retiree OPEB benefits in retirement to salaried employees, retirees, and surviving spouses after March 31, 2009. On February 24, 2009, the Court provisionally approved the Predecessor's motion to terminate such benefits effective March 31, 2009 based on the Court's finding that the Predecessor had met its evidentiary burdens, subject to the appointment of a retirees' committee (the "Retirees' Committee") to review whether it believes that any of the affected programs involved vested benefits (as opposed to "at will" or discretionary, unvested benefits). On March 11, 2009, the Court issued a final order approving the Predecessor's motion to terminate salaried OPEB benefits. The Court approved a settlement agreement (the "Settlement"), between the Predecessor and the Retirees' Committee and the Delphi Salaried Retirees' Association (the "Association") settling any and all rights for the parties to appeal the Court's March 11, 2009 final order authorizing the Predecessor to terminate salaried OPEB benefits to the U.S. District Court for the Southern District of New York (the "District Court"). Pursuant to the Settlement, the Predecessor agreed to provide the Retirees' Committee with consideration of $9 million to resolve pending litigation, including withdrawing the appeals of the Retirees' Committee and the Association to the District Court. The consideration provided by the Predecessor under the Settlement included an initial $1 million payment in May 2009 to a hardship fund, subsequent monthly payments of $1.25 million for five months beginning in June 2009, and a final $1 million payment in November 2009, which, under the terms of the Modified Plan, was paid by DPHH. In addition, the Predecessor contributed $500,000 toward the creation of a Voluntary Employees' Beneficiary Association ("VEBA") and to reimburse up to an additional $250,000 of reasonable legal expenses incurred by the counsel for the Retirees' Committee and the Association. Neither Delphi nor the Predecessor has any future funding obligations or commitments to the VEBA. Following the initial payment of $1.5 million by May 1, 2009, the District Court dismissed the appeal filed by the retirees with prejudice. The Predecessor recognized a salaried OPEB curtailment and settlement gain of $1,168 million included in reorganization items in the consolidated statement of operations for the period ended October 6, 2009. This settlement gain reflects the reversal of existing liabilities of $1,173 million ($1,181 million net of $8 million to pay salaried OPEB claims incurred but not reported as of March 31, 2009) and the recognition of previously unamortized net gains included in accumulated other comprehensive income of $4 million. The reorganization gain also reflects the impact of the $9 million consideration to be provided for the Settlement described above.

On September 23, 2008, the Predecessor received approval from the Court and on September 26, 2008 received the consent of its labor unions to cease providing traditional U.S. hourly OPEB. In addition, upon effectiveness of the Amended GSA, GM assumed financial responsibility for all of the Predecessor's traditional hourly OPEB liabilities from and after January 1, 2007. GM assumed approximately $6.8 billion of postretirement benefit liabilities for certain of the Predecessor's active and retired hourly employees. The assumption of the traditional hourly OPEB liability by GM and GM's agreement to reimburse postretirement benefit expenses through the administrative transfer date of February 1, 2009 was accounted for as a curtailment and a settlement under the guidance related to employer's accounting for postretirement benefits other than pensions. The Predecessor recognized a curtailment and settlement gain of $7.1 billion included in reorganization items in the consolidated statement of operations of the Predecessor for the year ended December 31, 2008, which reflects the assumption by GM of the net unfunded liability of $6.8 billion and the recognition of $266 million of previously unrecognized actuarial gains.

As a result of the salaried workforce transformation plan activities in North America discussed in Note 11. Employee Termination Benefits and Other Exit Costs, salaried separations in 2008 have resulted in significant reductions in expected future service, or curtailments, of the Salaried Plan, OPEB and SERP. The Predecessor recorded net salaried pension curtailment losses of $75 million and salaried OPEB curtailment gains of $82 million for the year ended December 31, 2008.

In 2007, the Predecessor recorded pension curtailment losses of approximately $216 million. Of this amount, $175 million was recorded to recognize the effect of employees who elected to participate in the workforce transition programs and the effect of prospective plan amendments that will eliminate the accrual of future defined pension benefits for salaried and certain hourly employees on emergence from bankruptcy with $135 million included in U.S. employee workforce transition program charges and $40 million included in loss from discontinued operations. In addition, $34 million of pension curtailment loss is included in loss from discontinued operations related to the divestiture of businesses. The remaining $7 million of pension curtailment loss relates to U.S. employees at sites that will be sold or wound down and is included in cost of sales. In addition, the Predecessor recorded other postretirement benefit curtailment gains of $7 million in 2007, of which $3 million was recorded in U.S. employee workforce transition program charges, $2 million was recorded in loss from discontinued operations and $2 million was recorded in cost of sales, to recognize the effects of the workforce transition programs and the elimination of the accrual of retiree medical benefits for certain hourly employees.

The amounts shown below reflect the change in the U.S. defined benefit pension obligations during 2008 and 2009.

	Successor	Predecessor	
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(In millions)	(In millions)	
Benefit obligation at beginning of period	$ —	$ 11,411	$14,054
Liabilities established / assumed in the Acquisition	81	—	—
Service cost	—	12	128
Interest cost	1	393	814
Plan participants' contributions	—	—	4
Actuarial losses	—	—	251
Benefits paid	(1)	(496)	(1,150)
Impact of transfers / settlements	—	(11,203)	(2,623)
Impact of curtailments	—	—	75
Plan amendments and other	—	—	(142)
Gain from reorganization	—	(117)	—
Benefit obligation at end of period	$ 81	$ —	$11,411
Change in plan assets:			
Fair value of plan assets at beginning of period	$ —	$ 6,147	$10,748
Actual return on plan assets	—	547	(3,155)
Delphi contributions	1	—	264
Plan participants' contributions	—	—	4
Benefits paid	(1)	(496)	(1,150)
Impact of transfers / settlements	—	(6,198)	(540)
Plan amendments and other	—	—	(24)
Fair value of plan assets at end of period	$ —	$ —	$ 6,147
Underfunded status	$(81)	$ —	$ (5,264)
Amounts recognized in the consolidated balance sheets consist of:			
Current liabilities	(7)	—	—
Non-current liabilities	(74)	—	—
Liabilities subject to compromise	—	—	(5,264)
Total	$(81)	$ —	$ (5,264)
Amounts recognized in accumulated other comprehensive income consist of (pre-tax):			
Actuarial loss	$ —	$ —	$ 5,062
Prior service cost	—	—	86
Total	$ —	$ —	$ 5,148

The amounts shown below reflect the change in the non-U.S. defined benefit pension obligations during 2008 and 2009.

	Successor	Predecessor	
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(In millions)	(In millions)	
Benefit obligation at beginning of period	$ —	$ 1,242	$1,589
Liabilities assumed in the Acquisition	1,540	—	—
Service cost	13	32	50
Interest cost	21	76	90
Plan participants' contributions	1	3	6
Actuarial gains	(25)	—	(126)
Benefits paid	(21)	(106)	(146)
Impact of transfers / settlements	—	—	55
Impact of curtailments	(2)	48	2
Impact of adoption of FASB ASC 715	—	—	26
Plan amendments and other	(6)	—	59
Exchange rate movements	12	118	(363)
Gain from reorganization	—	(1,413)	—
Benefit obligation at end of period	$1,533	$ —	$1,242
Change in plan assets:			
Fair value of plan assets at beginning of period	$ —	$ 622	$1,146
Assets acquired in the Acquisition	739	—	—
Actual return on plan assets	28	—	(263)
Expected return on plan assets	—	63	—
Delphi contributions	43	81	119
Plan participants' contributions	1	3	6
Benefits paid	(21)	(106)	(146)
Exchange rate movements and other	8	54	(240)
Gain from reorganization	—	(717)	—
Fair value of plan assets at end of period	$ 798	$ —	$ 622
Underfunded status	$ (735)	$ —	$ (620)
Amounts recognized in the consolidated balance sheets consist of:			
Current liabilities	(5)	—	(21)
Non-current liabilities	(730)	—	(542)
Liabilities subject to compromise	—	—	(57)
Total	$ (735)	$ —	$ (620)
Amounts recognized in accumulated other comprehensive income consist of (pre-tax):			
Actuarial loss (gain)	$ (40)	—	$ 412
Prior service cost (credit)	(2)	—	28
Net transition obligation	—	—	4
Total	$ (42)	$ —	$ 444

The amounts shown below reflect the change in the other postretirement benefit obligations during 2008 and 2009.

	Successor	Predecessor	
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(In millions)	(In millions)	
Benefit obligation at beginning of period	$—	$ 1,201	$ 8,732
Liabilities assumed in the Acquisition	7	—	—
Service cost	—	7	27
Interest cost	—	18	428
Actuarial gains	—	—	(1,018)
Benefits paid	—	(30)	(216)
Impact of transfers / settlements	—	(1,171)	(6,821)
Impact of curtailments	—	—	(10)
Impact of adoption of FASB ASC 715	—	—	132
Plan amendments and other	—	—	(53)
Gain from reorganization	—	(25)	—
Benefit obligation at end of period	$ 7	$ —	$ 1,201
Change in plan assets:			
Fair value of plan assets at beginning of period	$—	$ —	$ —
Delphi contributions	—	30	216
Benefits paid	—	(30)	(216)
Fair value of plan assets at end of period	$—	$ —	$ —
Underfunded status	$ (7)	$ —	$(1,201)
Amounts recognized in the consolidated balance sheets consist of:			
Non-current liabilities	(7)	—	—
Liabilities subject to compromise	—	—	(1,201)
Total	$ (7)	$ —	$(1,201)
Amounts recognized in accumulated other comprehensive income consist of (pre-tax):			
Actuarial loss	$—	$ —	$ 373
Prior service credit	—	—	(518)
Total	$—	$ —	$ (145)

The projected benefit obligation ("PBO"), accumulated benefit obligation ("ABO"), and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets and with plan assets in excess of accumulated benefit obligations are as follows**:**

	U.S. Plans		Non-U.S. Plans	
	2009	2008	2009	2008
	(In millions)			
	Plans with ABO in Excess of Plan Assets			
PBO	$81	$11,411	$1,420	$1,144
ABO	81	11,409	1,264	1,002
Fair value of plan assets at end of year	—	6,147	708	557
	Plans with Plan Assets in Excess of ABO			
PBO	$—	$ —	$ 113	$ 98
ABO	—	—	77	60
Fair value of plan assets at end of year	—	—	90	65
	Total			
PBO	$81	$11,411	$1,533	$1,242
ABO	81	11,409	1,341	1,062
Fair value of plan assets at end of year	—	6,147	798	622

Benefit costs presented below were determined based on actuarial methods and included the following:

	U.S. Pension Plans			
	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	{(In millions)		(In millions)	
Service cost (a)	$—	$ 12	$ 128	$ 170
Interest cost	1	393	814	851
Expected return on plan assets	—	(341)	(833)	(867)
Settlement loss (gain)	—	(188)	494	—
Curtailment loss-PBO	—	—	75	22
Curtailment loss-prior service	—	—	—	194
Amortization of prior service costs	—	15	26	52
Amortization of actuarial losses	—	126	21	75
Net periodic benefit cost	$ 1	$ 17	$ 725	$ 497

(a) Includes $23 million and $48 million for the years ended December 31, 2008 and 2007, respectively, of costs previously accrued related to the U.S. employee workforce transition programs.

	Non-U.S. Pension Plans			
	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	{(In millions)	(In millions)		
Service cost	$ 13	$ 32	$ 50	$ 47
Interest cost	21	76	90	81
Expected return on plan assets	(12)	(63)	(86)	(81)
Settlement loss	—	—	55	—
Curtailment loss (gain)-PBO	(2)	48	2	60
Amortization of transition amount	—	—	1	1
Amortization of prior service costs	—	2	7	4
Amortization of actuarial losses	—	14	5	32
Net periodic benefit cost	$ 20	$109	$124	$144

	Other Postretirement Benefits			
	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)	(In millions)		
Service cost	$—	$ 7	$ 27	$ 81
Interest cost	—	18	428	542
Settlement gain	—	(1,175)	(7,087)	—
Curtailment gain-PBO	—	—	(8)	—
Curtailment gain-prior service	—	—	(74)	(7)
Amortization of prior service costs (credit)	—	(30)	(108)	(99)
Amortization of actuarial losses	—	9	37	74
Net periodic benefit cost	$—	$(1,171)	$(6,785)	$591

Net periodic benefit cost above reflects $5 million, $32 million and $177 million that was included in loss from discontinued operations of the Predecessor for the period from January 1 to October 6, 2009 and the years ended December 31, 2008 and 2007, respectively.

Experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions are amortized over the average future service period of employees. The estimated actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2010 is insignificant.

The principal assumptions used to determine the pension and other postretirement expense and the actuarial value of the projected benefit obligation for the U.S. and non-U.S. pension plan and postretirement plans were:

Assumptions used to determine benefit obligations at December 31:

	Pension Benefits				Other Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2009	2008	2009	2008	2009	2008
Weighted-average discount rate	5.00%	6.16%	6.00%	6.39%	5.26%	6.12%
Weighted-average rate of increase in compensation levels	N/A	4.50%	3.90%	3.97%	4.50%	4.50%

Assumptions used to determine net expense for years ended December 31:

	Pension Benefits						Other Postretirement Benefits		
	U.S. Plans			Non-U.S. Plans					
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Weighted-average discount rate	6.16%	6.35%	5.90%	6.39%	5.99%	4.96%	6.12%	6.41%	6.10%
Weighted-average rate of increase in compensation levels	N/A	4.45%	4.12%	3.97%	4.16%	3.67%	4.50%	4.50%	3.94%
Expected long-term rate of return on plan assets	8.25%	8.75%	8.75%	7.07%	8.28%	8.05%	N/A	N/A	N/A

Delphi selects discount rates by analyzing the results of matching each plan's projected benefit obligations with a portfolio of high-quality fixed income investments rated AA- or higher by Standard and Poor's.

For 2008 and 2007 expense, Delphi assumed a U.S. long-term asset rate of return of 8.75%. In developing the 8.75% expected long-term rate of return assumption, Delphi evaluated input from its third party pension plan asset manager, including a review of asset class return expectations and long-term inflation assumptions. Delphi also considered its post-spinoff and GM's pre-spinoff historical 10-year and 20-year compounded returns, which were consistent with its long-term rate of return assumption. For the determination of 2009 expense, Delphi assumed a U.S. long-term asset rate of return of 8.25%. This 50 basis point reduction was based on the updated historical 10-year and 20-year compounded returns analysis. The primary non-U.S. plans conduct similar studies in conjunction with local actuaries and asset managers. While the studies give appropriate consideration to recent fund performance and historical returns, the assumptions are primarily long-term, prospective rates.

For postretirement plan measurement purposes, Delphi assumed an average 8% initial annual rate of increase in the per capita cost of covered health care benefits. The rate was assumed to decrease on a gradual basis through 2018, to the ultimate weighted-average trend rate of 5%.

Delphi's pension expense for 2010 is determined at the 2009 measurement date. For purposes of analysis, the following table highlights the sensitivity of the Company's pension obligations and expense to changes in key assumptions:

Change in Assumption	Impact on Pension Expense	Impact on PBO
25 basis point ("bp") decrease in discount rate	+ $4 million	+ $66 million
25 bp increase in discount rate	- $4 million	- $62 million
25 bp decrease in long-term return on assets	+ $2 million	—
25 bp increase in long-term return on assets	- $2 million	—

The above sensitivities reflect the effect of changing one assumption at a time. It should be noted that economic factors and conditions often affect multiple assumptions simultaneously and the effects of changes

in key assumptions are not necessarily linear. The above sensitivities also assume no changes to the design of the pension plans and no major restructuring programs.

Adoption of Measurement Date Provisions of FASB ASC 715

In September 2006, the FASB issued Statement of Financial Accounting Standards 158, later codified under FASB ASC 715, which requires, among other things, an employer to measure the funded status of its defined benefit pension and other postretirement benefit plans as of the date of its year-end statement of financial position, with limited exceptions, effective for fiscal years ending after December 15, 2008. Historically, the Predecessor had measured the funded status of its U.S. retiree health care benefit plans and certain international pension plans as of September 30 of each year. The Predecessor adopted the measurement date provisions of FASB ASC 715 as of January 1, 2008, and utilized the second transition approach provided under FASB ASC 715. Under this approach, net periodic benefit cost related to these plans for the period between the most recent measurement date of September 30, 2007 and December 31, 2008, was allocated proportionately between an adjustment of accumulated deficit as of January 1, 2008 and amounts to be recognized as net periodic benefit cost during 2008.

The following table summarizes the pre-tax impact of the adoption of the measurement date provisions of FASB ASC 715:

	U.S. Retiree Medical Plans	Non-U.S. Pension Plans	Total
	Increase / (Decrease) (In millions)		
Pension and other postretirement benefit liabilities	$132	$ 7	$139
Accumulated deficit as of January 1, 2008	$117	$12	$129
Accumulated other comprehensive loss as of January 1, 2008	$ 15	$ (5)	$ 10

Pension Funding

Since entering chapter 11, the Predecessor had generally limited its contributions to the U.S. Pension Plans to "normal cost" contributions, which are less than the minimum funding requirements established by the IRC and ERISA. As a result, the Internal Revenue Service ("IRS") has asserted against the Predecessor excise taxes in the approximate amounts of $17 million and $18 million for plan years ended September 30, 2005 and September 30, 2007, respectively, and may assert additional excise taxes up to an additional $122 million, $226 million and $1.2 million for plan years ended September 30, 2006, September 30, 2007 and September 30, 2008, respectively. Additional excise taxes could be assessed with respect to the subsidiary plans because the minimum required contributions to those plans for the plan year ended December 31, 2008, were not paid. Although the IRS has asserted certain of the excise tax assessments described above and might seek to assess additional excise taxes, plus interest and penalties, related to the U.S. Pension Plans, the Predecessor believed that under the Bankruptcy Code, it was not obligated to make contributions for pension benefits while in chapter 11 and that, as a result, the Predecessor is not liable for any such assessments. Accordingly, the Predecessor concluded that an unfavorable outcome is not probable and, no amounts have been recorded for any potential excise tax assessment in the consolidated financial statements of the Predecessor. As a result of the Acquisition, all related issues have been resolved with respect to the Successor.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Projected Pension Benefit Payments		Projected Postretirement Benefit Payments
	U.S. Plans	Non-U.S. Plans	
	(In millions)		
2010	$ 7	$ 64	$—
2011	8	79	—
2012	8	95	1
2013	9	118	1
2014	9	144	1
2015 — 2019	37	1,168	3

Delphi and the Predecessor also sponsor defined contribution plans for certain U.S. hourly and salaried employees. Expense related to the contributions for these plans was $4 million, $38 million, $23 million, $10 million for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the years ended December 31, 2008 and 2007, respectively.

Plan Assets

The pension plans sponsored by Delphi and the Predecessor invest in a diversified portfolio consisting of an array of asset classes that attempts to maximize returns while minimizing volatility. These asset classes include developed market equities, emerging market equities, private equity, global high quality and high yield fixed income, real estate, and absolute return strategies.

The fair values of Delphi's pension plan assets weighted-average asset allocations at December 31, 2009, by asset category, are as follows:

		Fair Value Measurements at December 31, 2009		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In millions)		
Cash	$ 15	$15	$ —	$ —
Equity mutual funds	405	—	405	—
Bond mutual funds	157	—	157	—
Real estate trust fund	82	—	—	82
Alternative investments	56	—	—	56
Debt securities	57	57	—	—
Equity securities	26	26	—	—
Total	$798	$98	$562	$138

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Real Estate Trust Fund	Alternative Investments
	(In millions)	
Beginning balance at December 31, 2008	$75	$54
Actual return on plan assets:		
Relating to assets still held at the reporting date	9	9
Relating to assets sold during the period	(1)	—
Purchases, sales, and settlements	(1)	(7)
Transfers in and/or out of Level 3	—	—
Ending balance at December 31, 2009	$82	$56

The Predecessor's pension plan asset allocation at December 31, 2008 and 2007 were as follows:

	Percentage of Plan Assets at December 31,			
	U.S. Plans		Non-U.S. Plans	
Asset Category	2008	2007	2008	2007
Equity Securities	55%	57%	51%	61%
Fixed Income	20%	25%	28%	24%
Private Equity	8%	6%	—	—
Real Estate	11%	8%	12%	14%
Other	6%	4%	9%	1%
Total	100%	100%	100%	100%

15. COMMITMENTS AND CONTINGENCIES

Equity Purchase and Commitment Agreement ("EPCA")

Under the terms and subject to the conditions of the EPCA between Delphi and Appaloosa Management L.P. ("Appaloosa"), A-D Acquisition Holdings, LLC ("ADAH"), Harbinger Del-Auto Investment Company, Ltd. ("Harbinger Del-Auto"), Pardus DPH Holding LLC ("Pardus DPH Holding"), Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill"), and Goldman Sachs & Co. ("Goldman," and, collectively with Appaloosa, ADAH, Harbinger Del-Auto, Pardus DPH Holding, and Merrill, the "Investors"), the Investors committed to purchase $800 million of convertible preferred stock and approximately $175 million of common stock in the reorganized Predecessor. Additionally, subject to satisfaction of other terms and conditions, the Investors committed to purchase any unsubscribed shares of common stock in connection with an approximately $1.6 billion rights offering that was made available to unsecured creditors. Immediately prior to the scheduled closing on April 4, 2008, Appaloosa delivered to Delphi a letter, stating that such letter "constitutes a notice of immediate termination" of the EPCA.

Delphi and the Predecessor believed that Appaloosa wrongfully terminated the EPCA, and, on May 16, 2008, the Predecessor filed complaints against the Investors in the Court to seek specific performance by the Investors of their obligations under the EPCA as well as compensatory and punitive damages. Under the terms of the Acquisition, GM acquired the rights to the settlement proceeds. On October 23, 2009, DPHH, Delphi Automotive LLP and the Investors reached an agreement to settle the litigation brought by the Predecessors against the Investors on May 16, 2008. Under the terms of the settlement, the Investors paid $135 million to Delphi. GM, as part of the consideration it received under the terms of the Acquisition, contributed the settlement proceeds to Delphi.

During 2007, in exchange for the Investors' commitment to purchase common stock and the unsubscribed shares in the rights offering, the Predecessor paid $79 million in fees for commitments to purchase common and preferred stock, ongoing transactions contemplated by the EPCA, and certain transaction expenses. The Predecessor had deferred the recognition of these amounts in other current assets as they were to be netted

against the proceeds from the EPCA upon issuance of the new shares. However, as a result of the events relating to the termination of the EPCA as described above, the Predecessor recognized $79 million of expense related to these fees and other expenses during the year ended December 31, 2008.

Shareholder Lawsuits

As previously disclosed, the Predecessor, along with certain of its subsidiaries, former directors of the Predecessor, and certain former officers and employees of the Predecessor or its subsidiaries, and others were named as defendants in several lawsuits filed following the Predecessor's announced intention to restate certain of its financial statements in 2005. These lawsuits (the "Multidistrict Litigation") were comprised of three categories. One group of class action lawsuits, which was purportedly brought on behalf of participants in certain of the Predecessor's and its subsidiaries' defined contribution employee benefit pension plans that invested in the Predecessor's common stock, was based on allegations that the plans suffered losses as a result of alleged breaches of fiduciary duties under ERISA (the "ERISA Action"). A second group of class action lawsuits (the "Securities Action") alleged, among other things, that the Predecessor and certain of its former directors and officers and others made materially false and misleading statements in violation of federal securities laws. The third group of lawsuits was comprised of shareholder derivative actions against certain former directors and officers of the Predecessor ("Shareholder Derivative Actions"). These suits alleged that certain former directors and officers of the Predecessor breached a variety of duties owed by them to the Predecessor in connection with matters related to the Predecessor's restatement of its financial results. Following the filing on October 8, 2005 of the Predecessor's petitions for reorganization relief under chapter 11 of the Bankruptcy Code, all the Shareholder Derivative Actions were administratively closed.

Following mediated settlement discussions, representatives of the Predecessor, the Predecessor's insurance carriers, certain former directors and officers of the Predecessor named as defendants, and certain other defendants involved in the Multidistrict Litigation reached agreements with the Lead Plaintiffs in the Securities Action and the named plaintiffs in the ERISA Action to settle the claims asserted against them in those actions (the "MDL Settlements").

The Court and the District Court approved the MDL Settlements on October 29, 2007 and January 11, 2008, respectively, and the District Court entered an Order and Final Judgment on January 23, 2008.

As originally approved, under the terms of the MDL Settlements, the Lead Plaintiffs in the Securities Action and the named plaintiffs in the ERISA Action, in exchange for dismissing, with prejudice, the underlying actions, were to receive claims that were to be satisfied through the Predecessor's Plan as confirmed by the Court pursuant to the confirmation order. As a result of the terms of the Modified Plan, the terms of the MDL Settlement were materially revised as more fully described below.

Under the Securities Settlement, (i) the Lead Plaintiffs were to have been granted an allowed claim in the face amount of $179 million, which was to have been satisfied by the Predecessor providing $179 million in consideration in the same form, ratio, and treatment as that which was to be used to pay holders of general unsecured claims under its Plan, and (ii) the class in the Securities Action were to have received $15 million to be provided by a third party, a distribution of insurance proceeds of up to approximately $89 million, including a portion of the remainder of any insurance proceeds that are not used by certain former officers and directors who are named defendants in various actions, and a distribution of approximately $2 million from certain underwriters named as defendants in the Securities Actions. In addition, the Predecessor's insurance carriers also agreed to provide $20 million to fund any legal expenses incurred by certain of the former officer and director named defendants in defense of any future civil actions arising from the allegations raised in the securities cases.

In connection with the Modified Plan, the parties to the MDL settlements reached agreement on modifications to the MDL Settlements that allowed for the MDL Settlements to become effective separately from the resolution of the Predecessor's chapter 11 cases and absent the payment of the $15 million amount to be provided by a third party. Additionally, the modifications provided for no recovery under the resolution of the Predecessor's chapter 11 cases. The modifications were approved by the Court on July 23, 2009 and the District Court held a fairness hearing on November 16, 2009. On November 20, 2009, the District Court

issued its Order and Final Judgment approving the modifications to the MDL Settlements. The effective date of the Order and Final Judgment was December 23, 2009.

The settlement of the ERISA Action was structured similarly to the settlement reached with the Lead Plaintiffs and has been similarly modified. The claim of the named plaintiffs in the ERISA Action was to have been an allowed claim in the amount of approximately $25 million and was to have been satisfied with consideration in the same form, ratio, and treatment as that which will be used to pay holders of general unsecured claims under the plan of reorganization. The modifications to the MDL Settlement eliminated the allowed claim, and as a result, the class in the ERISA Action also received a distribution of insurance proceeds in the amount of approximately $22 million.

Environmental Matters

Delphi is subject to the requirements of U.S. federal, state, local and non-U.S. environmental and occupational safety and health laws and regulations. As of December 31, 2009 and December 31, 2008, the reserve for environmental investigation and remediation was approximately $21 million (of which $3 million was recorded in accrued liabilities and $18 million was recorded in other long-term liabilities) and $106 million (of which $9 million was recorded in accrued liabilities and $97 million was recorded in other long-term liabilities), respectively. As of December 31, 2009 and December 31, 2008, $5 million and $95 million, respectively, of the reserve related to sites within the U.S. The significant decrease in environmental investigation and remediation liabilities is primarily related to the terms of the Modified Plan under which such liabilities were not acquired by Delphi. Delphi cannot ensure that environmental requirements will not change or become more stringent over time or that its eventual environmental remediation costs and liabilities will not exceed the amount of its current reserves. In the event that such liabilities were to significantly exceed the amounts recorded, Delphi's results of operations could be materially affected.

Ordinary Business Litigation

Delphi is from time to time subject to various legal actions and claims incidental to its business, including those arising out of alleged defects, breach of contracts, product warranties, intellectual property matters, and employment-related matters. It is the opinion of Delphi that the outcome of such matters will not have a material adverse impact on the consolidated financial position, results of operations, or cash flows of Delphi.

GM Warranty Settlement Agreement

As previously disclosed, GM alleged that catalytic converters supplied to GM for certain 2001 and 2002 vehicle platforms did not conform to specifications. In May 2007, GM informed the Predecessor that it has experienced higher than normal warranty claims with respect to certain 2003-2005 vehicle models due to instrument clusters. Effective December 2007, the responsibility for this product line was transferred to the Electronics and Safety segment. In 2007, the Predecessor reached a tentative agreement with GM to resolve these claims along with certain other known warranty matters. Based on the agreement, the Predecessor recorded $83 million of additional warranty expense in cost of sales in 2007, net of $8 million of recovery. On September 27, 2007, the Court authorized the Predecessor to enter into a Warranty, Settlement, and Release Agreement (the "Warranty Settlement Agreement") with GM resolving these and certain other known warranty matters. Under the terms of the Warranty Settlement Agreement, the Predecessor agreed to pay GM up to an estimated $199 million, comprised of approximately $127 million to be paid in cash over time as noted below, and up to approximately $72 million to be paid in the form of delivery by the Predecessor to GM of replacement product. The Warranty Settlement Agreement settled all outstanding warranty claims and issues related to any component or assembly supplied by the Predecessor to GM, which as of August 10, 2007 were (i) known by GM, subject to certain specified exceptions, (ii) believed by GM to be the Predecessor's responsibility in whole or in part, and (iii) in GM's normal investigation process, or which should have been within that process, but were withheld for the purpose of pursuing a claim against the Predecessor.

In conjunction with overall negotiations regarding potential amendments to the plan of reorganization to enable Delphi to emerge from chapter 11 as soon as practicable, including discussions regarding support assisting the Predecessor in remaining compliant with the Global EBITDAR covenants in its Amended and Restated DIP Credit Facility, GM agreed, on July 31, 2008, to forgive certain of the cash amounts due under the Warranty Settlement Agreement. As a result, the Predecessor recorded the extinguishment of this liability as a reduction of warranty expense in 2008, of which $56 million was included in cost of sales, which had a corresponding favorable impact on operating income, and $56 million was included in discontinued operations.

Other Warranty Matters

The Powertrain Systems segment recorded warranty expense in cost of sales for certain matters related to engine management products of approximately $8 million and $50 million during the Successor period from August 19 to December 31, 2009 and the Predecessor period from January 1 to October 6, 2009, respectively.

During 2008, the Predecessor recovered $17 million from a supplier and recorded it as a reduction of warranty expense in discontinued operations. The Predecessor began experiencing quality issues regarding parts supplied to GM from the Steering Business in 2005 and established warranty reserves to cover the estimated costs of various repairs that may be implemented. The reserve was subsequently reduced due to a settlement reached with GM and the settlement was paid in 2006. The Predecessor continued to negotiate with the supplier to determine if any portion of the expense was recoverable, and in 2008, the Predecessor and the supplier reached an agreement whereby the supplier paid the Predecessor $17 million to resolve the matter.

Also during 2008, the Predecessor recovered $28 million from an affiliated supplier and recorded it as a reduction of warranty expense. The Predecessor began experiencing quality issues regarding parts purchased by the Thermal Systems segment during 2006 and established warranty reserves of approximately $60 million to cover the cost of various repairs that may be implemented. The reserve has subsequently been adjusted for payments, settlements and the impact of foreign currency exchange rate fluctuations. As of December 31, 2009 and December 31, 2008, the related reserve was $11 million and $17 million, respectively.

During 2007, the Predecessor observed higher than normal warranty claims on engine electronic control units supplied for certain 2005-2007 vehicle models by the Powertrain Systems segment and recorded $93 million of additional warranty expense in cost of sales in 2007. In July 2009, the Predecessor negotiated an agreement in principle with its customer on this matter for $73 million. Including approximately $15 million of warranty costs already incurred by the Predecessor to date, the remaining amount will be paid over the product life of the supplied control units or approximately eight years.

Operating Leases

Rental expense totaled $34 million, $76 million, $132 million, and $114 million for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the years ended December 31, 2008 and 2007, respectively. As of December 31, 2009, Delphi had minimum lease commitments under noncancelable operating leases totaling $289 million, which become due as follows:

Year	Minimum Future Operating Lease Commitments
	(In millions)
2010	$ 74
2011	62
2012	52
2013	48
2014	33
Thereafter	20
Total	$289

16. INCOME TAXES

Income (loss) from continuing operations before income taxes and equity income (loss) for U.S. and non-U.S. operations and the components of the provision for income taxes are as follows:

	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)		(In millions)	
U.S. income (loss)	$(86)	$9,460	$4,067	$(3,020)
Non-U.S. income (loss)	51	(344)	(770)	583
Income (loss) from continuing operations before income taxes and equity income (loss)	$(35)	$9,116	$3,297	$(2,437)

The Predecessor's U.S. income of $9,460 million for the period from January 1 to October 6, 2009 includes a reorganization gain of $10,210 million primarily relating to the extinguishment of liabilities subject to compromise. The Predecessor's non-U.S. loss of $770 million for the year ended December 31, 2008 includes an inter-company loss of $863 million related to an international restructuring transaction. This transaction involved the transfer of certain European subsidiaries to the Predecessor's Luxembourg holding company in exchange for Euro denominated debt which created an inter-company gain in the U.S. and a corresponding foreign loss. The provision (benefit) for income taxes is comprised of:

	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)		(In millions)	
Current income tax expense:				
U.S. federal	$ 11	$ —	$ —	$ —
Non-U.S.	51	53	176	166
U.S. state and local	—	—	(1)	(4)
Total current	62	53	175	162
Deferred income tax (benefit) expense, net:				
U.S. federal	(41)	(358)	(10)	(649)
Non-U.S.	(50)	(13)	(8)	(17)
U.S. state and local	(2)	—	—	(54)
Total deferred	(93)	(371)	(18)	(720)
Investment tax credits	—	—	(1)	(1)
Less: Income tax benefit related to noncontrolling interest	4	7	7	12
Total Income tax expense (benefit)	$(27)	$(311)	$163	$(547)

Cash paid or withheld for income taxes, primarily non-U.S., was $20 million, $92 million, $141 million, and $175 million for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the years ended December 31, 2008 and 2007, respectively.

A reconciliation of the provision (benefit) for income taxes compared with the amounts at the U.S. federal statutory rate was:

	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)		(In millions)	
Tax at U.S. federal statutory income tax rate	$(12)	$ 3,190	$ 1,154	$(853)
U.S. income taxed at other rates	(1)	266	114	(97)
Non U.S. income taxed at other rates	(16)	56	281	(172)
Change in valuation allowance	—	(3,464)	(1,403)	543
Other changes in tax reserves	9	(4)	—	(3)
Other comprehensive income adjustment	—	(358)	—	—
Withholding taxes	2	3	24	30
Other adjustments	(9)	—	(7)	5
Total income tax provision (benefit)	$(27)	$ (311)	$ 163	$(547)

Included in loss from discontinued operations are income tax provisions of $17 million, $14 million, and $33 million for the period from January 1 to October 6, 2009, and the years ended December 31, 2008 and 2007, respectively.

Deferred income taxes and related valuation allowances

Delphi accounts for income taxes and the related accounts under the liability method. Deferred income tax assets and liabilities reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and the bases of such assets and liabilities as measured by tax laws. Significant components of the deferred tax assets and liabilities are as follows:

	Successor	Predecessor
	December 31	
	2009	2008
	(In millions)	
Deferred tax assets:		
Pension and other employee benefits	$ 224	$ 2,846
R&D capitalization	—	1,562
Liabilities subject to compromise	—	1,847
Net operating loss carryforwards	460	847
Foreign tax credits	—	664
Depreciation	57	369
General business credits	18	461
Other U.S.	29	857
Other non-U.S.	142	391
Total gross deferred tax assets	930	9,844
Less: valuation allowances	(552)	(9,144)
Total deferred tax assets	$ 378	$ 700
Deferred tax liabilities:		
Depreciation	$ 156	$ 219
Tax on unremitted profits	7	23
Other U.S.	132	262
Other non-U.S.	75	51
Total gross deferred tax liabilities	370	555
Net deferred tax assets	$ 8	$ 145

Net current and non-current deferred tax assets and liabilities are included in the consolidated balance sheets as follows:

	Successor	Predecessor
	December 31,	
	2009	2008
	(In millions)	
Current assets	$ 123	$ 96
Current liabilities	(65)	(9)
Long term assets	314	85
Long term liabilities	(364)	(27)
Total deferred tax asset	$ 8	$145

Valuation allowance

Realization of the net deferred tax assets is dependent on factors including future reversals of existing taxable temporary differences and adequate future taxable income, exclusive of reversing deductible temporary differences and tax loss or credit carryforwards. Valuation allowances are provided against deferred tax assets

when, based on all available evidence, it is considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Delphi evaluates the potential realization of deferred tax assets on a jurisdiction-by-jurisdiction basis. Due to Delphi's recent history of losses, the Company has determined that a full valuation allowance for its net deferred tax assets continues to be appropriate in the following significant tax jurisdictions: Germany, France, Luxembourg, Romania and Spain.

Delphi acquired the major portion of the Predecessor's business, and recognized and measured the fair value of the identifiable assets acquired and the liabilities assumed as required by FASB ASC 805, as described more fully in Note 1. General and Acquisition of Predecessor Businesses. As a result of recording the assets acquired by the Successor at fair value, the Company recognized a $264 million deferred tax liability in the U.S. for the basis difference in its assets for financial reporting purposes and tax. The U.S. tax attributes generated by the Predecessor (net operating loss, foreign tax credits and capitalized R&D expenditures) do not carry over to Delphi. At December 31, 2009, Delphi had a net deferred tax liability in the U.S. of $221 million and no longer requires a valuation allowance.

The net deferred tax assets of $8 million as of December 31, 2009 are primarily comprised of deferred tax asset amounts from the U.K., Poland, Mexico, China and Brazil, offset by a deferred tax liability in the U.S.

Tax return filing determinations and elections

As previously discussed, the Company was established on August 19, 2009 as a limited liability partnership incorporated under the laws of England and Wales and it has elected to be treated as a partnership for U.S. federal income tax purposes. When established, the Company believed it did not satisfy all the conditions of Section 7874 of the Internal Revenue Code (titled "Rules Relating to Expatriated Entities and Their Foreign Parents") to be treated as a domestic corporation for U.S. federal income tax purposes. On September 17, 2009, the IRS issued Notice 2009-78 (the "Notice") announcing its intent to issue regulations under Section 7874 of the Internal Revenue Code with an effective date prior to the Acquisition Date. If regulations as described in the Notice are issued with the effective date indicated in the Notice, the Company believes there is a substantial risk that it would be treated as a domestic corporation for U.S. federal income tax purposes, retroactively as of the Acquisition Date. If the Company is treated as a domestic corporation for U.S. federal income tax purposes, it would be subject to U.S. federal income tax on its worldwide taxable income including some or all of the distributions from its subsidiaries as well as some of the undistributed earnings of its foreign subsidiaries that constitute "controlled foreign corporations." This could have a material adverse impact on the Company's future tax liability related to these distributions and earnings. Also, future cash distributions made by the Company to non-U.S. members could be subject to U.S. income tax withholding at a rate of 30%, unless reduced or eliminated by tax treaty.

Net operating loss and tax credit carryforwards

As of December 31, 2009, Delphi has recorded deferred tax assets of approximately $684 million for non-U.S. net operating loss ("NOL") carryforwards with recorded valuation allowances of $642 million. These NOL's are available to offset future taxable income and realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. The non-U.S. NOL's relate primarily to France, Spain, Luxembourg and Germany. The NOL carryforwards have expiration dates ranging from one year to an indefinite period.

Deferred tax assets include $18 million and $461 million of credits (primarily R&D credits) carryforwards at December 31, 2009 and 2008, respectively. The Predecessor recorded a full valuation allowance for these tax credit carryforwards as of December 31, 2008. These tax credit carryforwards expire in 2019 through 2029.

Other comprehensive income taxes

Generally, the amount of tax expense or benefit allocated to continuing operations is determined without regard to the tax effects of other categories of income or loss, such as OCI. However, an exception to the

general rule is provided when there is a pre-tax loss from continuing operations and pre-tax income from other categories in the current year. In such instances, income from other categories must offset the current loss from operations, the tax benefit of such offset being reflected in continuing operations even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year operating losses, income from other sources, including other comprehensive income, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. The intraperiod tax allocation rules related to items charged directly to OCI can result in disproportionate tax effects that remain in OCI until certain events occur.

As discussed in Note 14. Pension and Other Postretirement Benefits, the Predecessor recognized a pension settlement and curtailment loss from reorganization of $2,818 million and a salaried OPEB settlement gain from reorganization of $1,168 million during the period from January 1 to October 6, 2009. As of December 31, 2008, the Predecessor had disproportionate tax benefits in OCI related to the Pension Plans and salaried OPEB obligations of $306 million and $52 million, respectively. The Predecessor eliminated the related disproportionate tax benefits in OCI on a pro rata basis based on the amount of the respective obligations that were settled. Accordingly, the Predecessor recognized a $358 million tax benefit in continuing operations during the period from January 1 to October 6, 2009.

As of December 31, 2007, the Predecessor had disproportionate tax effects in OCI related to the hourly pension and OPEB obligations of a $533 million tax benefit and a $311 million tax expense, respectively. During 2008, the Predecessor accounted for its hourly pension and OPEB transfer to GM as settlement of liabilities. As a result, the Predecessor eliminated the disproportionate tax effect in OCI related to the hourly pension and OPEB obligations on a pro rata basis to the amount of the obligation that was settled. Accordingly, the Predecessor recorded a net $9 million tax benefit in continuing operations for 2008, comprised of a $320 million tax benefit and $311 million tax expense related to the hourly pension and OPEB obligation settlement, respectively.

Cumulative undistributed foreign earnings

Provisions are made for estimated U.S. and non-U.S. income taxes, less available tax credits and deductions, which may be incurred on the remittance of Delphi's share of subsidiaries' undistributed cumulative earnings that are not deemed to be indefinitely reinvested. In general, it was the practice and intention of the Predecessor to reinvest the earnings of its foreign subsidiaries in those operations. As a result, U.S. income taxes and non-U.S. withholding taxes were not provided by the Predecessor on approximately $184 million of cumulative undistributed earnings as of December 31, 2008. Delphi has elected to be treated as a partnership for U.S. federal income tax purposes. As such, the undistributed cumulative earnings of its foreign subsidiaries are not expected to be subject to U.S. income taxes. Delphi does intend to remit dividends from certain foreign subsidiaries and has recorded a provision of $13 million for withholding taxes on those earnings. As of December 31, 2009, Delphi had $346 million of cumulative undistributed foreign earnings.

Uncertain tax positions

Delphi recognizes tax benefits only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

A reconciliation of the gross change in the unrecognized tax benefits balance, excluding interest and penalties is as follows:

	Successor	Predecessor	
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(In millions)	(In millions)	
Balance at beginning of period	$—	$ 79	$63
Liabilities assumed in the Acquisition	80	—	—
Additions related to current year	10	1	17
Additions related to prior year	1	6	2
Reductions related to prior year	(6)	(10)	(1)
Reductions due to expirations of statute of limitations	(1)	(1)	(2)
Settlements-cash	(1)	—	—
Gain from reorganization	—	(75)	—
Balance at end of period	$83	$ —	$79

A portion of our unrecognized tax benefits would, if recognized, reduce our effective tax rate. The remaining unrecognized tax benefits relate to tax positions for which only the timing of the benefit is uncertain. Recognition of these tax benefits would reduce our effective tax rate only through a reduction of accrued interest and penalties. As of December 31, 2009 and 2008, the amounts of unrecognized tax benefit that would reduce our effective tax rate were $60 million and $53 million, respectively.

Delphi recognizes interest and penalties as part of income tax expense. Total accrued liabilities for interest and penalties were $20 million and $22 million at December 31, 2009 and 2008, respectively. Total interest and penalties recognized as part of income tax expense (benefit) was a decrease of $3 million for the Successor period from August 19 to December 31, 2009, an increase of $1 million for the Predecessor period from January 1 to October 6, 2009 and a decrease of $4 million for the year ended December 31, 2008.

Delphi files tax returns in multiple jurisdictions and is subject to examination by taxing authorities throughout the world. Foreign taxing jurisdictions significant to Delphi include Brazil, China, France, Germany, Mexico, Poland and the U.K. Open tax years related to these foreign taxing jurisdictions remain subject to examination and could result in additional tax liabilities. In general, Delphi affiliates are no longer subject to income tax examinations by foreign tax authorities for years before 2002. It is reasonably possible that audit settlements, the conclusion of current examinations or the expiration of the statute of limitations in several jurisdictions could impact the company's unrecognized tax benefits. However, Delphi does not expect the overall change in unrecognized tax benefits over the next twelve months to be significant.

In the U.S., federal income tax returns for years prior to 2009 have been effectively settled. Open tax years related to various states remain subject to examination, but are not considered to be material.

17. MEMBERSHIP INTERESTS

In conjunction with the consummation of the Modified Plan on the Acquisition Date, all outstanding shares of stock of the Predecessor were cancelled.

The following table summarizes the membership interests issued under the terms of Acquisition:

	Membership Interests Issued	Fair Value of Membership Interests Issued as of the Acquisition Date	Membership Interests as of December 31, 2009
		(In millions)	
Class			
A	1,750,000	$1,972	$1,969
B	354,500	2,418	2,406
C	100,000	542	539
D	—	—	—
E	—	—	—
Total		$4,932	$4,914

The Class A and Class B membership interests entitle the holders to non-controlling representation on Delphi's Board of Managers, and, along with Class C membership interests, entitle the holders to potential, future distributions by Delphi. Though not granted on the Acquisition Date or as December 31, 2009, Class D and Class E membership interests have been reserved for Delphi's Board of Managers and certain Delphi executives, respectively.

Total membership interests are allocated between the respective classes based on the distribution provisions of the Delphi Automotive LLP partnership agreement. The distribution percentages vary by class of membership interest and by cumulative amount distributed, and, between classes, are not related or proportional to the number of membership interests held.

Under the terms of the Delphi Automotive LLP partnership agreement, distributions from Delphi are generally prohibited unless all of the following conditions are satisfied:

- There are no principal amounts outstanding related to the Notes or the DDTL;
- The distribution occurs more than 18 months after the Acquisition Date;
- After giving effect to a distribution, Delphi must have at least $800 million of cash and cash equivalents on hand; and
- Delphi's cash flow from operating activities during the six months prior to the distribution date was positive and Delphi reasonably that its cash flows from operating activities will continue to be positive for six months following the distribution date.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS, DERIVATIVES AND HEDGING ACTIVITIES

Financial Instruments

Delphi's financial instruments include its Amended and Restated DIP Credit Facility, the GM liquidity support agreements, unsecured notes, junior subordinated notes, and other financing instruments. The fair value of these financial instruments is based on quoted market prices for instruments with public market data or the current book value for instruments without a quoted public market price. As of December 31, 2009 and 2008, the total of the financial instruments listed above was recorded at $396 million and $6.6 billion, respectively, and had estimated fair values of $396 million and $1.6 billion, respectively. For all other financial instruments recorded at December 31, 2009 and 2008, fair value approximates book value.

Derivatives and Hedging Activities

Delphi is exposed to market risk, such as fluctuations in foreign currency exchange rates, commodity prices and changes in interest rates, which may result in cash flow risks. To manage the volatility relating to these exposures, Delphi aggregates the exposures on a consolidated basis to take advantage of natural offsets. For exposures that are not offset within its operations, Delphi enters into various derivative transactions

pursuant to its risk management policies, which prohibit holding or issuing derivative financial instruments for trading purposes, and designation of derivative instruments is performed on a transaction basis to support hedge accounting. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged. Delphi assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its documented policy. As of December 31, 2009, Delphi has entered into derivate instruments to hedge cash flows extending out to February 2012.

As of December 31, 2009, the Company had the following outstanding notional amounts related to commodity and foreign currency forward contracts that were entered into to hedge forecasted exposures:

Commodity	Quantity Hedged	Unit of Measure
	(In thousands)	
Copper	27,747	pounds
Secondary Aluminum	5,181	pounds
Primary Aluminum	3,939	pounds
Silver	117	troy ounces
Gold	4	troy ounces
Foreign Currency		
	(In millions)	
Hungarian Forint	3,016	HUF
Mexican Peso	2,701	MXN
Japanese Yen	1,175	JPY
Chinese Yuan Renminbi	93	CNY
Romanian Leu	65	RON
Polish Zloty	52	PLN
New Turkish Lira	52	TRY
Singapore Dollar	26	SGD
Euro	24	EUR
British Pound	20	GBP

The Company had additional foreign currency forward contracts that individually amounted to less than $10 million.

As of December 31, 2008, the fair value of derivative financial instruments recorded in the consolidated balance sheet as current assets were $12 million, as current liabilities were $132 million and as non-current liabilities were $36 million. The fair values of derivative financial instruments recorded in the consolidated balance sheet as of December 31, 2009 are as follows:

Designated derivatives instruments:		(In millions)		
Commodity derivatives	Other Current Assets	$ 4	Accrued Liabilities	$ 1
Foreign currency derivatives*	Accrued Liabilities	2	Accrued Liabilities	2
Commodity derivatives	Other Long-Term Assets	2	Other Long-Term Liabilities	—
Foreign currency derivatives	Other Long-Term Assets	—	Other Long-Term Liabilities	1
Total derivatives designated as hedging instruments		$ 8		$ 4

Note that as of December 31, 2009 all derivative contracts were designated. There were no undesignated derivative contracts.

* Derivative instruments within this category are subject to master netting arrangements and are presented on a net basis in the consolidated balance sheets in accordance with accounting guidance related to the offsetting of amounts related to certain contracts.

The fair value of the net liability position of Delphi's financial instruments decreased from December 31, 2008 to December 31, 2009 primarily due to the cash settlement of all derivative contracts as part of the consummation of the Modified Plan on October 6, 2009.

The effect of derivative financial instruments in the consolidated statement of operations of the Successor for the period from August 19 to December 31, 2009 is as follows:

	Gain (Loss) Recognized in OCI (Effective Portion)	Loss Reclassified from OCI into Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
		(In millions)	
Designated derivatives instruments:			
Commodity derivatives	$ 6	$—	$—
Foreign currency derivatives	—	—	1
Total	$ 6	$—	$ 1

The effect of derivative financial instruments in the consolidated statement of operations of the Predecessor for the period from January 1 to October 6, 2009 is as follows:

	Gain (Loss) Recognized in OCI (Effective Portion)	Loss Reclassified from OCI into Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
		(In millions)	
Designated derivatives instruments:			
Commodity derivatives	$ (43)	$(164)	$3
Foreign currency derivatives	(111)	(180)	2
Total	$(154)	$(344)	$5

	Gain (Loss) Recognized in Income
	(In millions)
Derivatives not designated:	
Commodity derivatives	$(15)
Foreign currency derivatives	7
Total	$ (8)

The gain or loss reclassified from OCI into income for the effective portion of designated derivative instruments, the gain or loss recognized in income for the ineffective portion of designated derivative instruments excluded from effectiveness testing and the gain or loss recognized in income for non-designated derivative instruments for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 were recorded in cost of sales.

Gains and losses on derivatives qualifying as cash flow hedges are recorded in OCI, to the extent that hedges are effective, until the underlying transactions are recognized in earnings. Unrealized amounts in OCI will fluctuate based on changes in the fair value of hedge derivative contracts at each reporting period. Net gains included in accumulated OCI as of December 31, 2009 were $5 million pre-tax. Of this pre-tax total, a gain of approximately $4 million is expected to be included in cost of sales within the next 12 months and a gain of approximately $1 million is expected to be included in cost of sales in subsequent periods. Cash flow hedges are discontinued when it is no longer probable that the originally forecasted transactions will occur.

The amount included in cost of sales related to hedge ineffectiveness was insignificant for the period from August 19 to December 31, 2009 and was a gain of $6 million, a loss of $12 million, and a loss of $2 million for the period from January 1 to October 6, 2009 and the years ended December 31, 2008 and 2007, respectively.

Fair Value Measurements

Fair Value Measurements on a Recurring Basis

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and expands the disclosure requirements regarding fair value measurements. The rule does not introduce new requirements mandating the use of fair value.

FASB ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The definition of fair value is based on an exit price rather than an entry price, regardless of whether the entity plans to hold or sell the asset, and fair value should be based on assumptions that market participants would use, including non-performance risk. FASB ASC 820 also establishes a fair value hierarchy to prioritize inputs used in measuring fair value as follows:

- *Level 1:* Observable inputs such as quoted prices in active markets;
- *Level 2:*Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3:* Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques noted in FASB ASC 820:

a. *Market approach:* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

b. *Cost approach:* Amount that would be required to replace the service capacity of an asset (replacement cost).

c. *Income approach:* Techniques to convert future amounts to a single present amount based upon market expectations (including present value techniques, option-pricing and excess earnings models).

All derivative instruments are required to be reported on the balance sheet at fair value with changes in fair value reported currently through earnings unless the transactions qualify and are designated as normal purchases or sales or meet hedge accounting criteria. Delphi's derivative exposures are with counterparties with long-term investment grade credit ratings. Delphi estimates the fair value of its derivative contracts using an income approach based on valuation techniques to convert future amounts to a single, discounted amount. Estimates of the fair value of foreign currency and commodity derivative instruments are determined using exchange traded prices and rates. Delphi also considers the risk of non-performance in the estimation of fair value, and includes an adjustment for non-performance risk in the measure of fair value of derivative instruments. The non-performance risk adjustment reflects the full credit default spread ("CDS") applied to the net commodity and foreign currency exposures by counterparty. When Delphi is in a net derivative asset position, the counterparty CDS rates are applied to the net derivative asset position. When Delphi is in a net derivative liability position, estimates of Delphi's CDS rates are applied to the net derivative liability position.

In certain instances where market data is not available, Delphi uses management judgment to develop assumptions that are used to determine fair value. This could include situations of market illiquidity for a particular currency or commodity or where observable market data may be limited. In those situations, Delphi generally surveys investment banks and/or brokers and utilizes the surveyed prices and rates in estimating fair value.

As of December 31, 2009, Delphi was in a net derivative asset position of $4 million and there was no adjustment recorded for nonperformance risk as exposures were to counterparties with investment grade credit ratings. As of December 31, 2008, the Predecessor was in a net derivative liability position. As a result of the Predecessor's chapter 11 proceedings, CDS rates were not available for the Predecessor's debt. The Predecessor obtained estimates of trading levels for its debt from investment banks as well as CDS rates for similarly situated entities to apply to its net derivative liability position for non-performance risk. There was an adjustment of $296 million as of December 31, 2008 for the Predecessor's non-performance risk.

As of December 31, 2009 and 2008, Delphi had the following assets measured at fair value on a recurring basis:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
		(In millions)		
As of December 31, 2009:				
Available-for-sale securities	$23	$20	$ 3	$—
Commodity derivatives	5	—	5	—
Total	$28	$20	$ 8	$—
As of December 31, 2008:				
Available-for-sale securities	$32	$23	$ 9	$—
Foreign currency derivatives	12	—	—	12
Total	$44	$23	$ 9	$12

As of December 31, 2009 and 2008, Delphi had the following liabilities measured at fair value on a recurring basis:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
		(In millions)		
As of December 31, 2009:				
Foreign currency derivatives	$ 1	$—	$ 1	$ —
Total	$ 1	$—	$ 1	$ —
As of December 31, 2008:				
Commodity derivatives	$ 99	$—	$—	$ 99
Foreign currency derivatives	69	—	—	69
Total	$168	$—	$—	$168

The following table summarizes the changes in Level 3 financial instruments measured at fair value on a recurring basis for the period from January 1 to October 6, 2009.

	Fair Value January 1, 2009	Total Realized / Unrealized Gains / (Losses)	Net Settlements	Net Transfers Into / (Out of) Level 3	Fair Value October 6, 2009	Changes to Unrealized Gains / (Losses) on Instruments Still Held
			(In millions)			
Commodity and foreign currency derivatives	$(156)	$(160)	$316	$—	$—	$—
Total Level 3 Fair Value	$(156)	$(160)	$316	$—	$—	$—

On October 6, 2009, as a result of the consummation of the Modified Plan, all of the Predecessor's Level 3 financial instruments measured at fair value on a recurring basis were settled. There were no Level 3 financial instruments measured at fair value on a recurring basis for the Successor period from August 19 to December 31, 2009.

Fair Value Measurements on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, Delphi also has items in its balance sheet that are measured at fair value on a nonrecurring basis. As these items are not measured at fair value on a recurring basis, they are not included in the tables above. Nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis include long-lived assets and goodwill, asset retirement obligations and liabilities for exit or disposal activities measured at fair value upon initial recognition. During the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009, product-line specific long-lived assets with a carrying value of $18 million and $87 million were adjusted to their fair value of $1 million and $46 million, resulting in impairment charges of $17 million and $41 million, respectively. Fair value of long-lived assets is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved and a review of appraisals. As such, Delphi has determined that the fair value measurements of long-lived assets fall in Level 3 of the fair value hierarchy.

19. OTHER INCOME (EXPENSE), NET

Other income (expense), net included:

	Successor	Predecessor		
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In millions)		(In millions)	
Interest income	$ 5	$10	$ 36	$ 69
Loss on extinguishment of debt	—	—	(49)	(27)
Acquisition-related transaction costs	(19)	—	—	—
Other, net	(3)	14	22	5
Other income (expense), net	$(17)	$24	$ 9	$ 47

During the year ended December 31, 2008, the Predecessor recognized a $49 million loss on extinguishment of debt associated with the recognition of unamortized debt issuance costs related to the Amended and Restated DIP Credit Facility and the Refinanced DIP Credit Facility. During the year ended December 31, 2007, the Predecessor recognized a $27 million loss on extinguishment of debt associated with the recognition of unamortized debt issuance costs related to the Amended DIP Credit Facility and Prepetition Facility. The Successor recognized $19 million of transaction costs related to the Acquisition for the period from August 19 to December 31, 2009. Other, net for the year ended December 31, 2008 includes a $32 million gain from the sale of an investment accounted for under the cost method that had been previously fully impaired, which was offset by $16 million of expense related to an allowance recorded against a note receivable.

20. DISCONTINUED OPERATIONS

The Court approval of Delphi's plan to dispose of the Steering Business and the Interiors and Closures Business triggered held for sale accounting in 2007. The Court approval of bidding procedures for the sale of the remaining assets of the chassis business on April 23, 2009 and subsequent approval of the sale triggered held for sale accounting for the Automotive Holdings Group in the second quarter of 2009. Accordingly, the consolidated financial statements of historical periods have been reclassified to reflect the Automotive Holdings Group as discontinued operations.

Steering and Halfshaft Business

In conjunction with the consummation of the Modified Plan on the Acquisition Date, an affiliate of GM acquired the Steering Business, refer to Note 1. General and Acquisition of Predecessor Business for further information. During the period from January 1 to October 6, 2009, the Predecessor recorded a loss of $24 million, net of tax, due to the results of operations and adjustment of assets held for sale to fair value of the Steering Business. On September 30, 2008, in conjunction with the effectiveness of the Amended MRA, Delphi received and recorded as a deferred liability a $210 million advance on working capital recovery from GM related to the Steering Business. During 2008, the Predecessor recorded a loss of $34 million, net of tax, due to the results of operations, adjustment of assets held for sale to fair value of the Steering Business as of December 31, 2008 and the effectiveness of the Amended MRA. In 2007, the Predecessor recognized a charge of $507 million related to the assets held for sale of the Steering Business, including $26 million of curtailment loss on pension benefits for impacted employees. Prior to the assets of the Steering Business being classified as held for sale, the Predecessor recognized asset impairment charges related to the valuation of long-lived assets held-for-use for its Steering Business of $152 million in 2007.

Automotive Holdings Group

The Automotive Holdings Group includes various non-core product lines and plant sites that did not fit the Predecessor's strategic framework. The Court approval of bidding procedures for the sale of the remaining assets of the chassis business on April 23, 2009 and the subsequent sale approval triggered held for sale accounting for AHG in the second quarter of 2009. As part of the Acquisition, the global suspensions and brake business of AHG was acquired by Delphi. Substantially all of the remainder of AHG emerged from chapter 11 as part of DPHH, and, therefore, is not included in Delphi's consolidated financial statements as of and for the period ended December 31, 2009.

Global Suspension and Brakes Business Sale — On March 31, 2009, Delphi announced that it had entered into an asset sale and purchase agreement with BeijingWest Industries Co., Ltd. ("BWI") for the sale of Delphi's remaining chassis business, the global suspension and brakes business, whereby BWI will acquire machinery and equipment, intellectual property and certain real property for a purchase price of approximately $90 million, which is subject to certain adjustments. Certain customer and supplier contracts will also be assumed and/or assigned to BWI. The 2008 annual revenues for the global suspension and brakes business were $670 million. The closing of the sale occurred in October 2009 and Delphi received net proceeds of $82 million, which, under the terms of the Acquisition were transferred, net of Delphi's costs to sell, to GM during the Successor period from August 19 to December 31, 2009. During the period from January 1 to October 6, 2009, a held for sale loss of $29 million was recognized by the Predecessor to reflect the revaluation of the disposal group to fair value based on the estimated proceeds of the sale agreement.

During the years ended December 31, 2008 and 2007, the Predecessor completed the sale of various other non-core product lines and plant sites, including the: power products business, U.S. suspensions assets, interiors and closures business, bearing business, North American brake product assets, brake hose business and Mexico brake plant business.

Results of Discontinued Operations

The Steering Business, through the Acquisition Date and the Automotive Holdings Group, through the later of the Acquisition Date and the date of the respective divestitures within the Automotive Holdings Group, are reported as discontinued operations in the consolidated statement of operations and statement of cash flows of the Predecessor for the period from January 1 to October 6, 2009 and the years ended December 31, 2008 and 2007. The assets and liabilities of the Steering Business and the remaining assets and liabilities of the Automotive Holdings Group are reported in assets and liabilities held for sale in the consolidated balance sheet as of December 31, 2008. The results of prior periods have been restated to reflect this presentation.

The results of the discontinued operations are summarized as follows:

	Predecessor		
	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
		(In millions)	
Total sales	$1,524	$3,575	$ 6,634
Loss before income taxes (including equity income, net of tax)	$ (28)	$ (83)	$(1,114)
Provision for income taxes	(17)	(14)	(33)
Loss attributable to discontinued operations	$ (45)	$ (97)	$(1,147)

Assets and liabilities of the discontinued operations are summarized as follows:

	Predecessor
	December 31, 2008
	(In millions)
Current Assets:	
Cash	$ 20
Accounts receivable	379
Inventory	210
Other current assets	28
Long-term assets	108
Assets held for sale	$745
Current Liabilities:	
Short-term debt	$ 30
Accounts payable	242
Accrued liabilities	154
Other long-term liabilities	39
Liabilities held for sale	$465

21. SHARE-BASED COMPENSATION

At the Acquisition Date, all outstanding common stock of the Predecessor, including all stock options exercisable, were cancelled. Prior to the Acquisition Date, the Predecessor's share-based compensation programs included stock options, restricted stock units, and stock appreciation rights. Approximately $10 million and $14 million of share-based compensation cost was recognized during the years ended December 31, 2008 and 2007, respectively, of which $0 million and $6 million is included in loss from discontinued operations for the years ended December 31, 2008 and 2007, respectively. In May 2008, the Predecessor cancelled all non-vested restricted stock units, resulting in the recording of $7 million of unrecognized compensation cost.

[PAGE LEFT INTENTIONALLY BLANK]

INTERNAL CONTROLS AND PROCEDURES

Management's Report on Internal Control over Financial Reporting

Under the supervision and with the participation of our management, including our Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO have concluded such controls and procedures were effective as of December 31, 2009.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting includes those policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management performed its assessment of internal controls over financial reporting as of December 31, 2009, the end of our fiscal year, based on the criteria set forth in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal controls over financial reporting were effective as of December 31, 2009.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Ernst & Young LLP has issued an attestation report which is included herein as the Report of Independent Registered Public Accounting Firm under the section headed Financial Statements and Supplementary Data for the year ended December 31, 2009.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Managers of Delphi Automotive LLP:

We have audited Delphi Automotive LLP's (the "Company") internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Delphi Automotive LLP's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with the auditing 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Delphi Automotive LLP maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Delphi Automotive LLP (Successor) as of December 31, 2009 and Delphi Corporation (Predecessor) as of December 31, 2008, and the related consolidated statements of operations, owners' equity/stockholders' deficit and comprehensive income (loss), and cash flows for the period from August 19, 2009 to December 31, 2009 (Successor), the period from January 1, 2009 to October 6, 2009 (Predecessor) and each of the two years in the period ended December 31, 2008 (Predecessor) and our report dated February 25, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

Detroit, Michigan
February 25, 2010