DELPHI

Innovation for the Real World

DELPHI AUTOMOTIVE LLP
2010 CONSOLIDATED FINANCIAL STATEMENTS

DELPHI AUTOMOTIVE LLP

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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 AUTOMOTIVE LLP

BUSINESS

Overview. Delphi Automotive LLP, together with its subsidiaries and affiliates ("Delphi," the "Company," or the "Successor,") is a limited liability partnership incorporated under the laws of England and Wales on August 19, 2009 for the purpose of acquiring certain assets and subsidiaries of the former Delphi Corporation (now known as DPH Holdings Corp.). The former Delphi Corporation is hereinafter referred to as the "Predecessor".

On October 6, 2009 (the "Acquisition Date"), Delphi acquired the automotive supply and other businesses (excluding the global steering business and the manufacturing facilities in the U.S. at which the hourly employees are represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW")) of the Predecessor, as described more fully in Note 1. General and Acquisition of Predecessor Businesses to the consolidated financial statements. As a result of the Acquisition (as defined and further discussed in Note 1. General and Acquisition of Predecessor Businesses to the consolidated financial statements), Delphi acquired the major portion of the business of the Predecessor and this business constituted the entirety of the operations of the Successor. Accordingly, as required under the applicable accounting guidance, the financial information set forth herein reflects: 1) the consolidated results of operations of the Successor for the year ended December 31, 2010 and 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 year ended December 31, 2008, and 2) the consolidated financial position of the Successor as of December 31, 2010 and 2009. The Successor had no material or substantive transactions from its incorporation on August 19, 2009 to the Acquisition Date.

Delphi is a leading global supplier of mobile electronics and transportation components, including powertrain, thermal, controls and security systems, electrical/electronic architecture, and in-car entertainment technologies, engineered to meet and exceed the rigorous standards of the automotive industry. Technology developed and products manufactured by Delphi are changing the way drivers interact with their vehicles. Delphi is a leader in the breadth and depth of technology to help make cars and trucks smarter, safer and better. The Company supplies products to nearly every major global automotive original equipment manufacturer.

We have extensive technical expertise in a broad range of product lines and strong systems integration skills, which enable us to provide comprehensive, systems-based solutions to vehicle manufacturers ("VMs"). We also have an expansive global presence, with a network of manufacturing sites, technical centers, sales offices and joint ventures located in major regions of the world. We operate our business along the following operating segments that are grouped on the basis of similar product, market and operating factors:

- Electronics and Safety, which includes component and systems integration expertise in audio and infotainment, body controls and security systems, displays, mechatronics, safety electronics and electric and hybrid electric vehicle power electronics, as well as advanced development of software.
- Powertrain Systems, which includes extensive systems integration expertise in gasoline, diesel and fuel handling and full end-to-end systems including fuel injection, combustion, electronics controls, exhaust handling, test and validation capabilities, diesel and automotive aftermarket, and original equipment service.
- Electrical/Electronic Architecture, which includes complete electrical architecture and component products.
- Thermal Systems, which includes heating, ventilating and air conditioning ("HVAC") systems, components for multiple transportation and other adjacent markets, and powertrain cooling and related technologies.
- Eliminations and Other, which includes i) other expenses and income of a non-operating or strategic nature, and ii) the elimination of inter-segment transactions.

Chapter 11 Cases. On October 8, 2005, the former Delphi Corporation (now known as DPH Holdings Corp.) 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 former Delphi Corporation (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"). 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. On July 30, 2009, the Court approved modifications to 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 among the Predecessor, GM Component Holdings LLC, Motors Liquidation Company ("Old GM"), General Motors Company, and Delphi, for the sale and purchase of substantially all of the Predecessor's businesses, and contemplated the emergence of the Predecessor from chapter 11 in accordance with the Modified Plan. On the Acquisition Date, the Predecessor (i) consummated the transactions contemplated by the Modified Plan, and (ii) emerged from chapter 11 as DPH Holdings Corp. and its subsidiaries and affiliates ("DPHH"), except that two of the Predecessor's debtor subsidiaries became subsidiaries of Delphi. Refer to Note 1. General and Acquisition of Predecessor Businesses for additional information.

Industry

The automotive parts industry provides components, systems, subsystems and modules to VMs for the manufacture of new vehicles, as well as to the aftermarket for use as replacement parts for current production and older vehicles. Overall long-term growth of vehicle sales and production is expected in the VM market and the industry saw increased customer production schedules, sales mix and the net of new and lost business (which we refer to collectively as volume) from 2009 to 2010. However, current VM production volumes continue to be substantially less than VM production volumes prior to the disruptions in the economic and credit markets experienced in 2008 and 2009. Demand for automotive parts in the VM market is generally a function of the number of new vehicles produced, which is primarily driven by macro-economic factors such as credit availability, interest rates, fuel prices, consumer confidence, employment and other trends. Although VM demand is tied to actual vehicle production, participants in the automotive parts industry also have the opportunity to grow through increasing product content per vehicle, further penetrating business with existing customers and by gaining new customers and markets. We believe companies with a global presence and advanced technology, engineering, manufacturing and customer support capabilities are best positioned to take advantage of these opportunities.

We believe that continuously increasing demands of society have created the emergence of three "mega-trends" that will serve as the basis for the next wave of market-driven technology advancement. Delphi's challenge is to continue developing leading edge technology focused on addressing these mega-trends, and apply that technology toward products with sustainable margins that enable our customers, both VMs and others, to produce distinctive market-leading products. As part of the Predecessor's transformation plan we have identified a core portfolio of products that draw on our technical strengths and align with these "mega-trends" where we believe we can provide differentiation to our automotive, aftermarket, and adjacent market customers. For more information on our core product portfolio refer to Business — Products and Competition in this document.

Safe. The first mega-trend — "Safe," represents technologies aimed not just at protecting vehicle occupants when a crash occurs, but those that actually proactively mitigate the risk of a crash occurring. VMs continue to focus on improving occupant and pedestrian safety in order to meet increasingly stringent regulatory requirements in various markets. As a result, suppliers are competing intensely to develop and market new and alternative technologies, such as lane departure warning systems and collision avoidance technologies.

Green. The second mega-trend — "Green," represents technologies designed to help reduce emissions, increase fuel economy and minimize the environmental impact of vehicles. VMs continue to focus on improving fuel efficiency and reducing emissions in order to meet increasingly stringent regulatory requirements in various markets. As a result, suppliers are competing intensely to develop new innovations that result in significant improvements in fuel economy, emissions and performance from gasoline and diesel internal combustion engines. At the same time, suppliers are also developing and marketing new and alternative technologies that support hybrid vehicles, electric vehicles and fuel cell products to improve fuel economy and emissions. Green is a key mega-trend today because of the convergence of several issues: climate change, higher oil prices, increased concern about oil dependence, and recent and pending legislation in the U.S. and overseas regarding fuel economy and carbon dioxide emissions.

Connected. The third mega-trend — "Connected," represents technologies designed to seamlessly integrate the highly complex electronic world in which automotive consumers live into the cars that they drive, so that time in a vehicle is more productive and enjoyable. The technology content of vehicles continues to increase as consumers demand greater safety, personalization, entertainment, productivity and convenience while driving. Advanced technologies offering mobile voice and data communication such as those used in our mobile electronics products coupled with global positioning systems and in-vehicle entertainment continue to be key products in the transportation industry.

These mega-trends are expected to create growth and opportunity for VMs and their suppliers that can meet these consumer demands. In response to these mega-trends, which are largely driven by consumer demand for greater vehicle performance, functionality and affordable convenience options that take advantage of increased communication abilities in vehicles, as well as increasingly stringent regulatory standards for energy efficiency, emissions reduction, and increased safety through crash avoidance and occupant protection systems, VMs are expanding the electronic and technological content of vehicles. Electronics integration, which generally refers to products that combine integrated circuits, software algorithms, sensor technologies and mechanical components within the vehicle, allows VMs to achieve substantial reductions in weight and mechanical complexity, resulting in easier assembly, enhanced fuel economy, improved emissions control and better vehicle performance.

Additionally, Delphi believes that several key operational trends have reshaped the automotive parts industry over the past several years. These trends are impacting product design and focus, VM sourcing decisions and global footprint. In addition, increasing competition from global suppliers coupled with VM's movement toward global vehicle platforms is driving further consolidation in the supplier industry.

Increased Emphasis on Systems and Modules Sourcing. To simplify the vehicle design and assembly processes and reduce costs, VMs increasingly look to their suppliers to provide fully engineered systems and pre-assembled combinations of components rather than individual components. By offering sophisticated systems and modules rather than individual components, tier 1 suppliers such as Delphi have assumed many of the design, engineering, research and development, and assembly functions traditionally performed by VMs.

Shorter Product Development Cycles. Suppliers are under pressure from VMs to respond more quickly with new designs and product innovations to support rapidly changing consumer tastes and regulatory requirements. In developing countries, demand is increasing for smaller, less expensive vehicles that satisfy basic transportation needs. In addition, increasingly stringent government regulations regarding vehicle safety and environmental standards are accelerating new product development cycles.

Pricing Pressures. The cost-cutting initiatives adopted by VMs result in increased downward pressure on pricing. Our customer supply agreements generally require step downs in component pricing over the period of production. VMs historically have had significant leverage over their outside suppliers because the automotive component supply industry is fragmented and serves a limited number of automotive VMs, and, as such, tier 1 suppliers are subject to substantial continuing pressure from VMs to reduce the price of their products. We anticipate continued pricing pressure as VMs continue to pursue restructuring and cost cutting initiatives.

Global Capability, Industry Consolidation and Restructuring. In order to serve multiple markets in a more cost-effective manner, many VMs are turning to global vehicle platforms, which typically are designed in one location but produced and sold in various geographic markets around the world. Broader global markets for vehicle sales and the desire of VMs to adapt their products to satisfy regional and cultural variations have driven industry consolidation as suppliers work to establish capabilities within the major regions, as they follow their customers. The trend of consolidation among worldwide suppliers is expected to continue as suppliers seek to achieve operating synergies and value stream efficiencies through business combinations, build stronger customer relationships by following their customers as they expand globally, acquire complementary technologies, and shift production among locations. The VMs continue to implement actions to rationalize capacity and cost structures while investing in new technologies and global vehicle platforms, but have experienced delays. In response, automotive parts suppliers are also attempting to rationalize capacity and reduce costs and are investing in new technologies. However, recent significant declines in VM production volume from historically normalized rates combined with high material and labor costs have adversely impacted the financial condition of several automotive parts suppliers resulting in accelerated industry consolidation and the need of many domestic suppliers, including Delphi, to restructure operations and refocus product design and development to compete more effectively. Until the past year, constraints in the credit markets have made access to additional liquidity to fund restructuring difficult and costly. These conditions are expected to continue into the foreseeable future, which may result in continued industry consolidation and additional restructurings in the automotive parts industry. Companies in the automotive parts industry must work to maintain liquidity, rationalize capacity and costs and focus on diversifying the customer base.

Research, Development and Intellectual Property

Delphi maintains technical engineering centers in major regions of the world to develop and provide advanced products, processes and manufacturing support for all of our manufacturing sites, and to provide our customers with local engineering capabilities and design development on a global basis. As of December 31, 2010, we employed approximately 12,000 engineers, scientists and technicians around the world, including 8,000 at our technical centers and customer centers, with over one-half of our technical community focused on electronic and high technology products, including software algorithm development. We believe that our engineering and technical expertise, together with our emphasis on continuing research and development, allow us to use the latest technologies, materials and processes to solve problems for our customers and to bring new, innovative products to market. We believe that continued research and development activities (including engineering) are critical to maintaining our pipeline of technologically advanced products. However, in light of the increasing need to effectively manage costs and in order to more efficiently rationalize capital spending, Delphi is more critically evaluating the profit potential of new and existing customer programs and the extent to which any proposed investment in innovation and technology is necessary to maintain or improve the Company's operating margins and has reduced the level of engineers, scientists and technicians around the world in line with the overall reductions in net sales and to the salaried workforce. Expenditures for research and development activities (including engineering) were approximately $1.0 billion for the year ended December 31, 2010. We seek to maintain our research and development activities (including engineering) in a more focused product portfolio and to allocate our capital and resources to those products with distinctive technologies and greater electronics content; however, our ability to do so will depend significantly on our ability to continue to generate sufficient cash from operations over and above that which is needed to support ongoing operations. We expect expenditures for research and development activities (including engineering) to be approximately $1.0 billion in 2011.

We have generated a significant number of patents in the operation of our business. While no individual patent or group of patents, taken alone, is considered material to our business, taken in the aggregate, these patents provide meaningful protection for Delphi's products and technical innovations. Similarly, while our trademarks (particularly those protecting the Delphi brand) are important to identify Delphi's position in the industry, we do not believe that any of these are individually material to our business. We are actively pursuing marketing opportunities to commercialize and license our technology to both automotive and non-automotive industries and we have selectively taken licenses from others to support our business interests. These activities foster optimization of our use of intellectual property rights.

Materials

The principal raw materials we use to manufacture our products include aluminum, copper and resins. We have not experienced any significant shortages of raw materials and normally do not carry inventories of such raw materials in excess of those reasonably required to meet our production and shipping schedules.

For the past several years, we were challenged by commodity cost volatility, most notably related to copper, aluminum, petroleum-based resin products and fuel charges. We are continually seeking to manage these and other material-related cost pressures using a combination of strategies, including working with our suppliers to mitigate costs, seeking alternative product designs and material specifications, combining our purchase requirements with our customers and/or suppliers, changing suppliers, hedging of certain commodities and other means. In the case of copper, which primarily affects the Electrical/Electronic Architecture segment, contract escalation clauses have enabled us to pass on some of the price increases to our customers and thereby partially offset the impact of increased commodity costs on operating income for the related products. However, despite our efforts, surcharges and other cost increases, particularly when necessary to ensure the continued financial viability of a key supplier, have reduced our earnings. Any increase in the number of financially unstable key suppliers in the future could also adversely impact our earnings. We will continue and increase our efforts to pass market-driven commodity cost increases to our customers in an effort to mitigate all or some of the adverse earnings impacts incurred on quoted customer programs. Prices remain extremely volatile, complicating hedging strategies and other efforts to plan and manage such costs. Our overall success in passing commodity cost increases on to our customers has been limited. As contracts with our customers expire, we will seek to renegotiate terms in order to recover the actual commodity costs we are incurring.

Separately, given the supply constraints that are currently being experienced in the global semiconductor industry, there exists a possibility that we could experience supply interruptions.

Products and Competition

Although the overall number of our competitors has decreased due to ongoing industry consolidation, the automotive parts industry remains extremely competitive. VMs rigorously evaluate suppliers on the basis of product quality, price competitiveness, reliability and timeliness of delivery, product design capability, technical expertise and development capability, new product innovation, financial viability, application of lean principles, operational flexibility, customer service and overall management. In addition, our customers generally require that we demonstrate improved efficiencies, through cost reductions and/or price improvement, on a year-over-year basis.

Delphi's critical success factors for VMs include developing products and technologies that are aligned with VMs' customers' needs and expectations for value, and managing our overall cost structure so that we preserve operational flexibility, offer products at competitive prices and continue to invest in new technologies and product development, including managing our global manufacturing footprint to ensure proper placement and workforce levels aligned with business needs, offering competitive wages and benefits, maximizing efficiencies in manufacturing processes, and reducing overall material costs.

Core Product Portfolio. Delphi has focused its product portfolio on those core technologies for which we believe we have significant competitive and technological advantages. Delphi concentrates the organization around the following core strategic product lines:

- Electronic Controls (Body Controller & Security Systems)
- Infotainment & Driver Interface (Audio, Navigation, Reception Systems, Mechatronics, Displays & Human Machine Interface)
- Active & Passive Safety Electronics
- Electrical/Electronic Architecture (Electrical/Electronic Distribution Systems, Connection Systems and Electrical Centers)

- Powertrain (Diesel and Gas Engine Management Systems) and Aftermarket
- Thermal (Climate Control & Powertrain Cooling)
- Electric and Hybrid Electric Vehicle Power Electronics

Delphi's organizational structure and management reporting support the management of these core product lines.

Electronics and Safety. This segment offers a wide range of electronic and safety equipment in the areas of controls, security, entertainment, communications, safety systems and power electronics.

- Electronic controls products primarily consist of body computers and security systems.
- Infotainment and driver interface portfolio primarily consists of receivers, advanced reception systems, digital receivers, satellite audio receivers, navigation systems, displays and mechatronics.
- Safety electronics primarily includes occupant detection systems, collision warning systems, advanced cruise control technologies and collision sensing.
- Electric and hybrid electric vehicle power electronics comprises power modules, inverters and converters and battery packs.

Principal competitors in the Electronics and Safety segment include Continental AG, Denso Corporation, Valeo Inc., Bosch Group, Autoliv Inc. and TRW Automotive.

Powertrain Systems. This segment offers high quality products for complete engine management systems ("EMS") to help optimize performance, emissions and fuel economy.

- The gasoline EMS portfolio features fuel injection and air/fuel control, valve train, ignition, sensors and actuators, transmission control products, and powertrain electronic control modules with software, algorithms and calibration.
- The diesel EMS product line offers high quality common rail system technologies.
- The Powertrain Systems segment also supplies integrated fuel handling systems for gasoline, diesel, flexfuel and biofuel configurations, and innovative evaporative emissions systems that are recognized as industry-leading technologies.
- Diesel and automotive aftermarket and original equipment service is also included in the Powertrain Systems segment.

Principal competitors in the Powertrain Systems segment include Bosch Group, Denso Corporation, Magneti Marelli Powertrain USA, Inc. and Continental AG.

Electrical/Electronic Architecture. This segment offers complete Electrical/Electronic Architectures for our customer-specific needs that help reduce production cost, weight and mass, and improve reliability and ease of assembly.

- High quality connectors are engineered primarily for use in the automotive and related markets, but also have applications in the aerospace and military and telematics sectors.
- Electrical centers provide centralized electrical power and signal distribution and all of the associated circuit protection and switching devices, thereby optimizing the overall vehicle electrical system.
- Distribution systems are integrated into one optimized vehicle electrical system utilizing smaller cable and gauge sizes and ultra-thin wall insulation.

Principal competitors in the Electrical/Electronic Architecture segment include Yazaki Corporation, Sumitomo, Lear Corporation, Molex Inc. and Tyco International.

Thermal Systems. This segment offers energy efficient thermal system and component solutions for the automotive market and continues to develop applications for the non-automotive market. Delphi's Automotive

Thermal Products are designed to meet customers' needs for powertrain thermal management and cabin thermal comfort (climate control).

- Main powertrain cooling products include condenser, radiator and fan module assemblies and components, which includes radiators, condensers and charge air cooling heat exchangers.
- Climate control portfolio includes HVAC modules, with evaporator and heater core components, compressors and controls.

Principal competitors in the thermal automotive segment include Behr GmbH & Co. KG, Denso Corporation, Valeo Inc. and Visteon Corporation.

Discontinued Operations. The halfshaft and steering system products (the "Steering Business") and the Automotive Holdings Group ("AHG"), which included various non-core product lines and plant sites that did not fit the Predecessor's strategic framework, are reported in discontinued operations of the Predecessor. These operations were not acquired by Delphi, but are included in the consolidated financial statements of the Predecessor through October 6, 2009. Refer to Note 21. Discontinued Operations to the consolidated financial statements for additional information.

Customers

We sell our products and services to the major global VMs in every region. We also sell our products to the worldwide aftermarket for replacement parts, including the aftermarket operations of our VM customers and to other distributors and retailers. The following table provides the percentage of net sales to other selected customers for the year ended December 31, 2010:

Customer	%
General Motors Company	21%
Ford Motor Company	9%
Volkswagen Group	8%
Daimler	6%
PSA	5%
Renault	4%
Shanghai GM	4%
Fiat	3%
Hyundai / Kia	3%
Toyota	3%

Supply Relationships with Customers

We receive VM purchase orders for specific components supplied for particular vehicles. Although our supply relationships typically extend over the life of the related vehicle, our agreements with our customers are generally requirement contracts that do not require the customer to purchase a minimum quantity. In addition, our customers typically retain an ability to impose pressure on pricing during the life of the vehicle program through rights to terminate our contracts for convenience or for a failure to maintain competitive pricing, and through the issuance of contracts for less than the duration of the vehicle program, in each case potentially reducing our profit margins or increasing the risk of our losing future sales under those purchase orders. We manufacture and ship based on customer release schedules, normally provided on a weekly basis, which can vary due to cyclical automobile production or dealer inventory levels.

Although customer programs typically extend to future periods, and although there is an expectation that we will supply certain levels of VM production over such periods, we believe that customer agreements including applicable terms and conditions do not necessarily constitute firm orders. Firm orders are generally limited to specific and authorized customer purchase order releases placed with our manufacturing and distribution centers for actual production and order fulfillment. Firm orders are typically fulfilled as promptly as possible after receipt from the conversion of available raw materials and work-in-process inventory for VM orders and from current on-hand finished goods inventory for aftermarket orders. The dollar amount of such

purchase order releases on hand and not processed at any point in time is not believed to be significant based upon the timeframe involved.

Delphi's Global Operations

Information concerning principal geographic areas for continuing operations is set forth below. Net sales data reflects the manufacturing location for the year ended December 31, 2010, the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008. Net property data is as of December 31, 2010, 2009 and 2008.

	Successor				Predecessor		
	Year Ended December 31, 2010		Period from August 19 to December 31, 2009		Period from January 1 to October 6, 2009	Year Ended December 31, 2008	
	Net Sales	Net Property	Net Sales	Net Property	Net Sales	Net Sales	Net Property
	(In millions)				(In millions)		
North America	$ 4,605	$ 551	$1,099	$ 539	$3,131	$ 7,057	$1,396
Europe, Middle East & Africa	5,892	1,045	1,448	1,047	3,330	6,950	1,388
Asia Pacific	2,177	325	590	272	1,223	1,747	386
South America	1,143	146	284	102	650	1,054	129
Total	$13,817	$2,067	$3,421	$1,960	$8,334	$16,808	$3,299

Variability in Delphi's Business

Our business is directly related to automotive sales, which vary directly with the production schedules of our VM customers. The market for vehicles is cyclical and dependent on general economic conditions, consumer spending and buying preferences. The rate at which our customers build vehicles depends on their market performance as well as company-specific inventory and incentive strategies. Any significant reduction or increase in automotive production by our customers has a material effect on our business.

We have substantial operations in major regions of the world and economic conditions in these regions often differ, which may have varying effects on our business. Our business is moderately seasonal, as our primary North American customers historically halt operations for approximately two weeks in July and approximately one week in December. Our European customers generally reduce production during the months of July and August and for one week in December. In addition, automotive production is traditionally reduced in the months of July, August and September due to the launch of parts production for new vehicle models. Accordingly, our results reflect this seasonality. However, given the reduced production volumes in 2008 and early 2009 and the increased volumes in late 2009 and 2010, the seasonality of our sales may be modified or become more pronounced.

Environmental Compliance

We are subject to the requirements of U.S. federal, state, local and non-U.S. environmental and occupational safety and health laws and regulations. These include laws regulating air emissions, water discharge and waste management. We have an environmental management structure designed to facilitate and support our compliance with these requirements globally. Although it is our intent to comply with all such requirements and regulations, we cannot provide assurance that we are at all times in compliance. Environmental requirements are complex, change frequently and have tended to become more stringent over time. Accordingly, we cannot assure that environmental requirements will not change or become more stringent over time or that our eventual environmental remediation costs and liabilities will not be material.

As of December 31, 2010 and 2009, the reserve for environmental investigation and remediation was approximately $23 million and $21 million, respectively. As of December 31, 2010 and December 31, 2009, $8 million and $5 million, respectively, of the reserve related to sites within the U.S. 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.

Properties

As of December 31, 2010, Delphi had 111 manufacturing locations and major technical centers located in 30 countries. Delphi also has many smaller manufacturing locations, sales offices, warehouses, engineering centers, joint ventures and other investments strategically located throughout the world. The following table reflects the regional locations of our manufacturing locations by the primary operating segment that uses such facilities:

	North America	Europe, Middle East & Africa	Asia Pacific	South America	Total
Electronics and Safety	3	9	2	1	15
Powertrain Systems	4	12	5	2	23
Electrical/Electronic Architecture	16	15	9	5	45
Thermal Systems	5	4	4	1	14
Total	28	40	20	9	97

In addition to these manufacturing centers, Delphi had 14 major technical centers: 5 in North America; 4 in Europe, Middle East and Africa; 4 in Asia Pacific; and 1 in South America.

Of our 111 manufacturing and major technical centers, which include facilities owned or leased by our consolidated subsidiaries, 62 are primarily owned and 49 are primarily leased.

Delphi's world headquarters is located in Troy, Michigan. The Company also maintains regional headquarters in Sao Paulo, Brazil; Shanghai, China; and Bascharage, Luxembourg.

Delphi frequently reviews its real estate portfolio and develops footprint strategies to support our customers' global plans, while at the same time supporting our technical needs and controlling operating expenses. Delphi believes its evolving portfolio will meet current and anticipated future needs.

SELECTED FINANCIAL DATA

The data below should be read in conjunction with, and is qualified by reference to, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated Financial Statements and Supplementary Data included elsewhere in this document. The financial information presented may not be indicative of our future performance.

	Successor		Predecessor			
	Year Ended December 31, 2010	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	Year Ended December 31, 2006
	(In millions)		(In millions)			
Statements of Operations and Cash Flows Data:						
Net sales	$13,817	$3,421	$ 8,334	$16,808	$19,526	$19,329
Depreciation and amortization	$ 421	$ 139	$ 540	$ 822	$ 871	$ 883
Operating income (loss)	$ 940	$ (10)	$ (1,118)	$ (1,425)	$ (1,557)	$ (4,040)
Reorganization items, net	$ —	$ —	$10,210	$ 5,147	$ (163)	$ (92)
Income (loss) from continuing operations	$ 703	$ (3)	$ 9,391	$ 3,163	$ (1,855)	$ (4,598)
Net income (loss)	$ 703	$ (3)	$ 9,347	$ 3,066	$ (2,997)	$ (5,427)
Net income (loss) attributable to Successor/Predecessor	$ 631	$ (18)	$ 9,318	$ 3,037	$ (3,065)	$ (5,464)
Capital expenditures	$ 500	$ 88	$ 321	$ 771	$ 577	$ 560

	Successor		Predecessor		
	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007	As of December 31, 2006
	(In millions, except global employees)		(In millions, except global employees)		
Balance Sheet and Employment Data:					
Total assets	$11,082	$ 10,307	$ 10,306	$ 13,667	$ 15,392
Total debt	$ 289	$ 396	$ 4,229	$ 3,554	$ 3,340
Working capital (1)	$ 1,059	$ 1,217	$ 1,838	$ 2,772	$ 3,446
Liabilities subject to compromise	$ —	$ —	$ 14,583	$ 16,197	$ 17,416
Stockholders' deficit	N/A	N/A	$ (14,266)	$ (13,284)	$ (12,055)
Owners' equity	$ 6,099	$ 5,366	N/A	N/A	N/A
Global employees	99,700	104,800	146,600	169,500	171,400

(1) Working capital is calculated herein as accounts receivable plus inventories less accounts payable.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") is intended to help you understand the business operations and financial condition of Delphi Automotive LLP, together with its subsidiaries and affiliates (referred to as "Delphi," the "Company," the "Successor," "we," or "our") and the former Delphi Corporation (now known as DPH Holdings Corp.). The former Delphi Corporation is hereinafter referred to as the "Predecessor".

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 United States ("U.S.") federal income tax purposes. On September 17, 2009, the Internal Revenue Service (the "IRS") issued Notice 2009-78 (the "Notice") announcing its intent to issue regulations under Section 7874 of the Internal Revenue Code (titled "Rules Relating to Expatriated Entities and Their Foreign Parents") 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 could 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.

Consistent with the election to be treated as a partnership for U.S. federal income tax purposes, the Company filed an informational 2009 U.S. federal partnership tax return on September 15, 2010. In light of the Notice, the IRS is currently reviewing whether section 7874 applied to Delphi's acquisition of the automotive supply and other businesses of the Predecessor as part of the 2009 Compliance Assurance Process audit of the Predecessor. It is not clear as to when such review will be concluded or its outcome.

Overview

Delphi is a leading global supplier of mobile electronics and transportations systems, including powertrain, thermal, controls and security systems, electrical/electronic architecture, and in-car entertainment technologies, engineered to meet and exceed the rigorous standards of the automotive industry. The Company supplies products to nearly every major global automotive original equipment manufacturer.

Delphi's significantly improved total net sales during 2010 reflect increased vehicle manufacturer ("VM") production volumes as compared to the respective periods of 2009. Recent improvements in VM production volumes reflect the stabilization of the global economy; however, current VM production volumes continue to be substantially less than VM production volumes prior to the disruptions in the economic and credit markets experienced in 2008 and 2009. As a result of the significant restructuring actions implemented by the Predecessor and continued by Delphi, our reduced cost structure enabled us to translate the total net sales growth achieved in 2010 into markedly improved gross margin, operating earnings and operating cash flows. While Delphi continues to operate in a cyclical industry that is impacted by movements in the macro economy, our strong liquidity coupled with our reduced cost structure position us to capitalize on further strengthening of the global economy and continued improvements in VM production volumes.

Significant issues affected the Predecessor's financial performance in 2009, including a depressed global vehicle production environment for VMs, pricing pressures and increasingly volatile commodity prices. In addition, the Predecessor was adversely impacted by U.S. labor legacy liabilities, which included noncompetitive wage and benefit levels and restrictive collectively-bargained labor agreement provisions which historically inhibited the Predecessor's responsiveness to market conditions, including exiting non-strategic, non-profitable operations or flexing the size of the unionized workforce when volume decreases. Although the 2006 International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") and International Union of Electronic, Electrical, Salaried, Machine and Furniture

Workers-Communication Workers of America ("IUE-CWA") U.S. employee workforce transition programs and the U.S. labor settlement agreements entered into in 2007, together with the effectiveness of the Amended GSA and the Amended MRA (both as defined and further discussed in Note 3. Elements of Predecessor Transformation Plan to the consolidated financial statements), allowed the Predecessor to begin reducing its legacy labor liabilities, transitioning its workforce to more competitive wage and benefit levels and exiting non-core product lines, these benefits were more than offset by the reductions in vehicle production. Also, during 2009, the Predecessor's operational challenges intensified as a result of the continued downturn in general economic conditions, including reduced consumer spending and confidence, high oil prices and the credit market crisis, all of which resulted in global vehicle manufacturers reducing production and taking other restructuring actions.

Delphi benefited from the restructuring initiatives implemented throughout the last several years and in particular, in 2009 from the restructuring of the business that took place through General Motors Company's, together with its subsidiaries and affiliates ("GM"), acquisition of the global steering business and the UAW manufacturing facilities in the U.S. as of the Acquisition Date, as defined and further discussed below. In addition, Delphi benefited from the increase in VM production volumes in the fourth quarter of 2009. Delphi's results of operations are the result of the improvement in the cost structure and the operating leverage the Company can now employ with improvements in VM production volumes versus the Predecessor. While production volume levels did improve in 2010 as compared to the production volume levels experienced in 2009, Delphi may continue to face challenges, with production volumes globally still significantly lower than 2007 due to the lingering effects from the disruptions in the economic and credit markets in 2008 and 2009 and volatile commodity prices. Additionally, as a result of the Acquisition, beginning in 2010, Delphi incurred and expects to incur incremental, annual non-cash amortization charges of approximately $70 million related to the recognition of acquired intangible assets.

Disposition of the Predecessor and Acquisition Accounting

On October 6, 2009 (the "Acquisition Date"), the Predecessor (i) consummated the transactions contemplated by the Modified Plan (as defined in Note 1. General and Acquisition of Predecessor Businesses to the consolidated financial statements), and (ii) emerged from chapter 11 as DPHH, except that two of the Predecessor's debtor subsidiaries became subsidiaries of Delphi. A summary of significant terms of the Modified Plan follows:

- Delphi acquired the businesses (other than the global steering business and the manufacturing facilities in the U.S. in which the hourly employees are represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW")) of the Predecessor pursuant to the master disposition agreement (including all schedules and exhibits thereto, the "MDA"), and received $1,833 million from GM, of which $1,689 million was received on the Acquisition Date and $144 million was received during the Successor period from August 19 to December 31, 2009, and $209 million from the debtor-in-possession ("DIP") lenders to the Predecessors (collectively, the "Acquisition").

- 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.

- If cumulative distributions to the members of Delphi Automotive LLP exceed $7.2 billion, Delphi, as disbursing agent on behalf of DPHH, is required to pay to the holders of allowed general unsecured claims against the Predecessor, $32.50 for every $67.50 in excess of $7.2 billion distributed to the members of Delphi Automotive LLP, up to a maximum of $300 million.

- The Predecessor's equity holders did not receive recoveries on their claims.

As a result of the Acquisition, Delphi acquired the major portion of the business of the Predecessor and this business constituted the entirety of the operations of the Successor. Accordingly, as required under the applicable accounting guidance, the financial information set forth herein reflects the consolidated results of operations of the Successor for the year ended December 31, 2010 and 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 year ended December 31, 2008. The Successor had no material or substantive transactions from its incorporation on August 19, 2009 to the Acquisition Date.

In 2009, the Predecessor recognized a gain of approximately $10.2 billion for reorganization items as a result of the process of reorganizing the Debtors (as defined and further discussed in Note 1. General and Acquisition of Predecessor Businesses to the consolidated financial statements) under chapter 11 of the United States Bankruptcy Code. This gain reflects the extinguishment of liabilities subject to compromise, workforce postretirement health care benefits and employer-paid postretirement basic life insurance benefits (collectively, “OPEB”) settlement and the sale/disposition of the Predecessor, offset by the Pension Benefit Guaranty Corporation (the “PBGC”) termination of the U.S. pension plans and professional fees directly related to the reorganization.

Delphi has recorded the assets acquired and the liabilities assumed from the Predecessor at estimated fair values in accordance with the guidance in Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 820, *Fair Value Measurements and Disclosures*. The fair values were estimated based on valuations performed by an independent valuation specialist utilizing three generally accepted business valuation approaches. For additional information see Note 1. General and Acquisition of Predecessor Businesses to the consolidated financial statements.

The consolidated financial statements of Delphi are not be comparable to the consolidated financial statements of the Predecessor due to the effects of the consummation of the Modified Plan. We have compared consolidated net sales and operating income before depreciation and amortization, including long-lived asset and goodwill impairment, transformation and rationalization charges related to plant consolidations, plant wind-downs, and discontinued operations (“EBITDAR”) of the Successor for the year ended December 31, 2010 to the pro forma total net sales and EBITDAR for the year ended December 31, 2009, including the Predecessor period from January 1 to October 6, 2009 and the Successor period from August 19 to December 31, 2009 (“Pro Forma 2009”), and the Pro Forma 2009 net sales and EBITDAR to net sales and EBITDAR of the Predecessor for the year ended December 31, 2008. We believe these comparisons are most meaningful and useful in providing a thorough understanding of the financial statements. Where applicable, “Operations Not Acquired” is included in the tables below explaining the variance attributable to the acquisition by GM on October 6, 2009 of the manufacturing facilities in the U.S. at which the hourly employees were represented by the UAW.

Consolidated Results of Operations

2010 versus 2009

The results of operations for the year ended December 31, 2010 and the periods from August 19 to December 31, 2009 ("Successor Period of 2009") and January 1 to October 6, 2009 ("Predecessor Period of 2009") were as follows:

	Successor				Predecessor	
	Year Ended December 31, 2010		Period from August 19 to December 31, 2009		Period from January 1 to October 6, 2009	
	(Dollars in millions)				(Dollars in millions)	
Net sales						
General Motors and affiliates	$ 2,838		$ 668		$ 2,197	
Other customers	10,979		2,753		6,137	
Total net sales	13,817		3,421		8,334	
Cost of sales	11,768		3,047		8,480	
Gross margin	2,049	14.8%	374	10.9%	(146)	(1.8)%
Selling, general and administrative	815		242		734	
Amortization	70		16		3	
Restructuring	224		126		235	
Operating income (loss)	940		(10)		(1,118)	
Interest expense	(30)		(8)		—	
Other income (expense), net	34		(17)		24	
Reorganization items	—		—		10,210	
Income (loss) from continuing operations before income taxes and equity income/loss	944		(35)		9,116	
Income tax (expense) benefit	(258)		27		311	
Income (loss) from continuing operations before equity income/loss	686		(8)		9,427	
Equity income (loss), net of tax	17		5		(36)	
Income (loss) from continuing operations	703		(3)		9,391	
Loss from discontinued operations, net of tax	—		—		(44)	
Net income (loss)	703		(3)		9,347	
Net income attributable to noncontrolling interest	72		15		29	
Net income (loss) attributable to Successor/Predecessor	$ 631		$ (18)		$ 9,318	

Delphi typically experiences fluctuations in sales due to changes in customer production schedules, sales mix and the net of new and lost business (which we refer to collectively as volume), increased prices attributable to escalation clauses in our supply contracts for recovery of increased commodity costs (which we refer to as commodity pass-through), fluctuations in foreign currency exchange rates (which we refer to as FX), contractual reductions of the sales price to the customer (which we refer to as contractual price reductions) and design changes.

Delphi typically experiences fluctuations in operating income due to changes in volume, contractual price reductions (which typically range from 1% to 3% of net sales), changes to costs for materials and commodities or manufacturing variances (which we refer to collectively as operational performance), and restructuring activities resulting in employee termination benefits and other exit costs.

Delphi expects commodity cost volatility, particularly related to copper, aluminum and petroleum-based resin products, to have a continual impact on future earnings and/or operating cash flows. As such, Delphi continually seeks to mitigate its material-related cost exposures using a number of approaches, including combining purchase requirements with customers and/or other suppliers, using alternate suppliers or product designs, negotiating commodity cost contract escalation clauses into our vehicle manufacturer supply contracts, and hedging.

Total Net Sales

Total net sales for the year ended December 31, 2010 as compared to Pro Forma 2009 were as follows:

	Successor		Predecessor		Variance Due To:					
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	2010 Versus Pro Forma 2009 Favorable/ (Unfavorable)	Operations Not Acquired	Volume, net of Contractual Price Reductions	FX	Commodity Pass-Through	Other	Total
	(In millions)		(In millions)		(In millions)					
Total net sales	$13,817	$3,421	$8,334	$2,062	$(639)	$2,725	$(91)	$145	$(78)	$2,062

Total net sales in 2010 increased 18% compared to Pro Forma 2009 net sales. Excluding the sales impacts of the Operations Not Acquired, sales increased 24% in 2010. The increase in total net sales resulted primarily from increased volume as a result of rebounding VM production schedules throughout 2010.

Operating Results

The information below summarizes the operating results for the year ended December 31, 2010, the Successor Period of 2009 and the Predecessor Period of 2009.

Gross Margin

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(Dollars in millions)		(Dollars in millions)
Gross margin	$2,049	$ 374	$(146)
Percentage of net sales	14.8%	10.9%	(1.8)%

Successor

Gross margin as a percentage of net sales ("Gross Margin Percentage") in the year ended 2010 was driven by improved volume and product mix that resulted in increased total net sales during 2010 as compared to Pro Forma 2009, as well as improved operational performance. Additionally, as a result of previous restructuring actions and the favorable cost structure impacts of the Acquisition, the Successor's reduced cost structure enabled the translation of net sales improvements into significantly improved Gross Margin Percentage. However, gross margin was adversely impacted by the following items:

- Warranty costs of $142 million;
- Depreciation of fixed assets, including tooling, of $323 million; and
- Pension and OPEB costs of $71 million.

Gross margin in the Successor Period of 2009 was driven by improved volume and product mix, in addition to improved operational performance. However, gross margin was adversely impacted by the following items:

- Warranty costs of $24 million;
- Non-recurring $34 million non-cash charge as a result of the sale of inventory acquired from the Predecessor, which was required to be recorded at fair value as a result of the Acquisition;
- Depreciation of fixed assets, including tooling, of $115 million; and
- Pension and OPEB costs of $23 million.

Predecessor

Negative gross margin in the Predecessor Period of 2009 resulted from historically low sales volumes resulting from the economic and credit crises of 2008 and 2009 that adversely impacted VM production levels, and the relatively fixed cost nature of the Predecessor's operations that inhibited the Predecessor's ability to flex its cost structure appropriately to the reduced volumes. In addition, gross margin was adversely impacted by the following items:

- Warranty costs of $114 million;
- Depreciation of fixed assets, including tooling, and including impairments, of $502 million; and
- Pension and OPEB costs of $134 million.

Selling, General and Administrative Expense

	Successor		**Predecessor**
	Year Ended December 31, 2010	**Period from August 19 to December 31, 2009**	**Period from January 1 to October 6, 2009**
	(Dollars in millions)		**(Dollars in millions)**
Selling, general and administrative expense	$815	$242	$734
Percentage of net sales	5.9%	7.1%	8.8%

Successor

Selling, general and administrative ("SG&A) expense includes administrative expenses, information technology costs and incentive compensation related costs, and continues to decline as a percent of sales during the Successor periods as a result of the positive effects of cost savings initiatives.

Predecessor

During the Predecessor Period of 2009, the impact of cost saving and restructuring initiatives had not yet been fully realized. In addition, reduced volumes during 2009 resulted in SG&A being a larger percentage of net sales due to the fixed nature of certain SG&A costs.

Amortization

	Successor		**Predecessor**
	Year Ended December 31, 2010	**Period from August 19 to December 31, 2009**	**Period from January 1 to October 6, 2009**
	(In millions)		**(In millions)**
Amortization	$70	$16	$3

Successor

Amortization for the year ended December 31, 2010 and the Successor Period of 2009 is a result of the recognition at fair value of approximately $750 million of intangible assets that were acquired by the Successor as a part of the Acquisition.

Predecessor

During the Predecessor Period of 2009, amortization was insignificant.

Refer to Note 8. Intangible Assets and Goodwill to the consolidated financial statements for additional information.

Restructuring

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(Dollars in millions)		(Dollars in millions)
Restructuring	$224	$126	$235
Percentage of net sales	1.6%	3.7%	2.8%

Successor

During the year ended December 31, 2010, the Successor continued its restructuring actions to align its manufacturing operations with current VM production levels as well as continuing to relocate its manufacturing and engineering processes to lower cost locations. As such, the Successor recognized employee termination and other related exit costs in conjunction with workforce reduction programs primarily in Europe of $174 million and $78 million during the year ended December 31, 2010 and the Successor Period of 2009, respectively. Similar actions to appropriately align North American manufacturing operations were also undertaken, resulting in $28 million and $34 million of charges during the year ended December 31, 2010 and the Successor Period of 2009, respectively.

Predecessor

As part of the Predecessor's continuing restructuring activities in 2009 and in response to the depressed VM production volumes of 2009, the Predecessor undertook significant restructuring actions. As a result, during the Predecessor Period of 2009, restructuring included approximately $69 million to realign manufacturing operations within North America to lower cost markets and reduce the workforce in line with the realigned manufacturing operations. Additionally approximately $99 million of employee termination benefits and other exit costs were incurred in Europe, South America and Asia. The Predecessor also incurred $58 million for employee termination benefits resulting from the separation of certain salaried employees in North America.

Refer to Note 11. Restructuring to the consolidated financial statements for additional information.

Interest Expense

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(In millions)		(In millions)
Interest expense	$(30)	$(8)	$—

Successor

Interest expense for the year ended December 31, 2010 and the Successor Period of 2009 reflects the financing costs relating to the outstanding indebtedness of the Successor subsequent to the Acquisition,

including the $41 million in senior unsecured five-year notes (the “Notes”) issued as part of the Acquisition as well as receivable factoring programs.

Predecessor

Interest expense for the Predecessor Period of 2009 includes the amortization of financing costs related to outstanding debtor-in-possession financing during the period and interest on debtor-in-possession financing, offset by the reversal of $415 million of accrued postpetition interest on prepetition debt and allowed unsecured claims, as more fully described in Note 2. Significant Accounting Policies to the consolidated financial statements.

Other Income, net

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(In millions)		(In millions)
Other income (expense), net	$34	$(17)	$24

Successor

Other income, net during 2010 included $29 million of interest income, partially offset by a $9 million impairment of an investment in available-for-sale securities and an $8 million loss on the early extinguishment of debt that was revalued to fair value as part of acquisition accounting. Additionally, other income, net includes insurance and other recoveries and income from royalties.

During the Successor Period of 2009, other expense, net included $5 million of interest income, offset by $19 million of transactions costs related to the Acquisition.

Predecessor

Other income, net for the Predecessor Period of 2009 included $10 million of interest income.

Reorganization Items

	Predecessor
	Period from January 1 to October 6, 2009
	(In millions)
Reorganization items, net	$10,210

Predecessor

The following table details the components of bankruptcy-related reorganization items (refer to Note 1. General and Acquisition of Predecessor Businesses to the consolidated financial statements for additional information):

	Predecessor (Income)/Expense Period from January 1 to October 6, 2009
	(In millions)
Sale/disposition of the Predecessor	$ (794)
Extinguishment of liabilities subject to compromise	(11,159)
PBGC termination of U.S. pension plans	2,818
Salaried OPEB settlement	(1,168)
Professional fees directly related to reorganization	68
Other	25
Total reorganization items	$(10,210)

Income Taxes

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(In millions)		(In millions)
Income tax (expense) benefit	$(258)	$27	$311

Delphi's tax rate in all periods is affected by the tax rates in the U.S. and foreign jurisdictions, the relative amount of income we earn in such jurisdictions and the relative amount of losses for which no tax benefit was recognized due to a valuation allowance.

Successor

The annual effective tax rate in the year ended December 31, 2010 was impacted by a $2 million benefit related to tax contingencies for favorable tax settlements in various jurisdictions, a $21 million benefit related to valuation allowance changes in various countries outside the U.S., a $29 million benefit for U.S. primarily related to research and development credit, and a $15 million benefit due to changes in estimate related to tax law changes in Mexico.

Predecessor

The annual effective tax rate for the Predecessor Period of 2009 was favorably impacted by the recognition of a $306 million and $52 million tax benefit in continuing operations due to the elimination of the disproportionate tax effects in accumulated other comprehensive income related to the salaried pension and OPEB obligations, respectively, which were settled during the same period.

During the Predecessor Period of 2009, income tax benefit was impacted by the elimination of $358 million of disproportionate tax benefits in other comprehensive income related to the pension plans and salaried OPEB obligations that were recognized on a pro rata basis based on the amount of the respective obligations that were settled. Refer to Note 16. Income Taxes to the consolidated financial statements.

Equity Income (Loss)

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(In millions)		(In millions)
Equity income (loss), net of tax	$17	$5	$(36)

Successor

During both the year ended 2010 and the Successor Period of 2009, equity income reflects Delphi's interest in the results of ongoing operations of entities accounted for as equity-method investments, principally from its Korean and Mexican joint ventures.

Predecessor

The Predecessor Period of 2009 includes a $23 million impairment charge related to an investment in a non-consolidated affiliate, as well as the overall, negative economic impacts resulting from the industry downturn during 2009.

Loss from Discontinued Operations

	Predecessor
	Period from January 1 to October 6, 2009
	(In millions)
Loss from discontinued operations	$(44)

Predecessor

The loss from discontinued operations reflected in the Predecessor Period of 2009 includes the losses related to the operations and assets held for sale of the halfshaft and steering system products (the "Steering Business") and the Automotive Holdings Group ("AHG"), which included various non-core product lines and plant sites that did not fit the Predecessor's strategic framework.

Results of Operations by Segment

Effective December 2010, Delphi realigned its segment reporting to reflect certain items previously included in the Eliminations and Other segment within its core business segments. Delphi operates its core business along the following operating segments, which are grouped on the basis of similar product, market and operating factors, follows:

- Electronics and Safety, which includes component and systems integration expertise in audio and infotainment, body controls and security systems, displays, mechatronics, safety electronics and electric and hybrid electric vehicle power electronics, as well as advanced development of software.
- Powertrain Systems, which includes extensive systems integration expertise in gasoline, diesel and fuel handling and full end-to-end systems including fuel injection, combustion, electronics controls, exhaust handling, test and validation capabilities, diesel and automotive aftermarket, and original equipment service.
- Electrical/Electronic Architecture, which includes complete electrical architecture and component products.
- Thermal Systems, which includes heating, ventilating and air conditioning ("HVAC") systems, components for multiple transportation and other adjacent markets, and powertrain cooling and related technologies.

- Eliminations and Other, which includes i) the elimination of inter-segment transactions, and ii) certain other expenses and income of a non-operating or strategic nature.

Prior to the Acquisition Date, the Predecessor also had the Steering Business and AHG that were reported in discontinued operations. Previously, the Steering Business was a separate operating segment and AHG was a separate operating segment. Refer to Note 21. Discontinued Operations to the consolidated financial statements for more information.

Our management relies on segment EBITDAR as a key performance measure. Delphi's management believes that EBITDAR is a meaningful measure of performance and it is used by management and our Board of Managers to analyze Company and stand-alone segment operating performance and for planning and forecasting purposes. Segment EBITDAR should not be considered a substitute for results prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and should not be considered an alternative to income from continuing operations before income taxes and equity income, which is the most directly comparable financial measure to EBITDAR that is in accordance with U.S. GAAP. Segment EBITDAR, as determined and measured by Delphi, should also not be compared to similarly titled measures reported by other companies.

The reconciliation of EBITDAR to income from continuing operations before income taxes and equity income, as follows, includes other transformation and rationalization costs related to 1) the implementation of information technology systems to support finance, manufacturing and product development initiatives, 2) certain plant consolidations and closures costs, and 3) consolidation of many staff administrative functions into a global business service group:

	Successor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
2010:						
EBITDAR	$ 293	$ 423	$ 758	$165	$ (6)	$1,633
Depreciation and amortization	(100)	(170)	(108)	(42)	(1)	(421)
Transformation and rationalization charges:						
Employee termination benefits and other exit costs	(29)	(49)	(94)	(52)	—	(224)
Other transformation and rationalization costs	(17)	(13)	(14)	(4)	—	(48)
Operating income (loss)	$ 147	$ 191	$ 542	$ 67	$ (7)	940
Interest expense						(30)
Other income, net						34
Income from continuing operations before income taxes and equity income						$ 944

	Successor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
August 19 — December 31, 2009:						
EBITDAR	$ 56	$ 79	$155	$ 21	$ 2	$ 313
Depreciation and amortization	(39)	(52)	(31)	(17)	—	(139)
Transformation and rationalization charges:						
Employee termination benefits and other exit costs	(20)	(50)	(50)	(5)	(1)	(126)
Other transformation and rationalization costs	(19)	(20)	(11)	(8)	—	(58)
Operating (loss) income	$(22)	$(43)	$ 63	$ (9)	$ 1	(10)
Interest expense						(8)
Other expense, net						(17)
Loss from continuing operations before income taxes and equity income						$ (35)

	Predecessor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
January 1 — October 6, 2009:						
EBITDAR	$(214)	$ (9)	$ (18)	$ 17	$ (5)	$ (229)
Depreciation and amortization	(177)	(163)	(147)	(53)	—	(540)
Transformation and rationalization charges:						
Employee termination benefits and other exit costs	(91)	(45)	(99)	(11)	11	(235)
Other transformation and rationalization costs	(14)	(17)	(15)	(2)	(2)	(50)
Discontinued operations	—	—	—	—	(64)	(64)
Operating loss	$(496)	$(234)	$(279)	$(49)	$(60)	(1,118)
Other income, net						24
Reorganization items						10,210
Income from continuing operations before income taxes and equity loss						$ 9,116

Net sales and gross margin as a percentage of net sales for the year ended December 31, 2010 and periods from August 19 to December 31 and January 1 to October 6, 2009 by segment are as follows:

Net Sales by Segment

	Successor		Predecessor		Variance Due To:					
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	2010 Versus Pro Forma 2009 Favorable/ (Unfavorable)	Operations Not Acquired	Volume, net of Contractual Price Reductions	Commodity Pass-Through	FX	Other	Total
	(In millions)		(In millions)		(In millions)					
Electronics and Safety	$ 2,721	$ 761	$1,801	$ 159	$ (96)	$ 294	$ —	$(38)	$ (1)	$ 159
Powertrain Systems	4,086	957	2,667	462	(384)	879	—	(36)	3	462
Electrical/Electronic Architecture	5,620	1,325	2,970	1,325	—	1,215	135	(26)	1	1,325
Thermal Systems	1,603	365	1,008	230	(172)	384	10	8	—	230
Eliminations and Other	(213)	13	(112)	(114)	13	(47)	—	1	(81)	(114)
Total	$13,817	$3,421	$8,334	$2,062	$(639)	$2,725	$145	$(91)	$(78)	$2,062

- Eliminations and Other includes $75 million of keep site facilitation reimbursements recognized by the Predecessor during the period from January 1 to October 6, 2009 as a result of the Amended MRA, which became effective in September 2008 (refer to Note 3. Elements of Predecessor Transformation Plan to the consolidated financial statements for more information.)

- Foreign exchange fluctuations are primarily related to the Euro.

Gross Margin Percentage by Segment

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
Electronics and Safety	12.8%	7.9%	(12.9)%
Powertrain Systems	13.8%	10.1%	2.6%
Electrical/Electronic Architecture	16.8%	14.5%	1.4%
Thermal Systems	12.4%	5.5%	3.2%
Eliminations and Other	1.4%	38.5%	49.1%
Total	14.8%	10.9%	(1.8)%

EBITDAR by Segment

	Successor		Predecessor		Variance Due To:				
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	2010 Versus 2009 Pro Forma Favorable/ (Unfavorable)	Operations Not Acquired	Volume, net of Contractual Price Reductions	Operational Performance	Other	Total
	(In millions)		(In millions)		(In millions)				
Electronics and Safety	$ 293	$ 56	$(214)	$ 451	$(10)	$118	$211	$132	$ 451
Powertrain Systems	423	79	(9)	353	23	283	70	(23)	353
Electrical/Electronic Architecture	758	155	(18)	621	—	358	161	102	621
Thermal Systems	165	21	17	127	14	75	41	(3)	127
Eliminations and Other	(6)	2	(5)	(3)	(99)	—	—	96	(3)
Total	$1,633	$313	$(229)	$1,549	$(72)	$834	$483	$304	$1,549

As noted in the table above, 2010 EBITDAR as compared to Pro Forma 2009 EBITDAR was impacted by Operations Not Acquired by the Successor, volume and contractual price reductions, and operational performance improvements, which include favorable manufacturing and engineering performance offset by

unfavorable material and freight economics, as well as the following items included in Other in the table above:

- $137 million of decreased costs associated with restructuring activities resulting in employee termination benefit costs reductions, including $82 million, $46 million and $55 million in the Electronics and Safety, Powertrain Systems and Electrical/Electronic Architecture, respectively, offset by increased costs of $36 million and $10 million in the Thermal Systems and Eliminations and Other segments, respectively.
- Favorable foreign currency exchange impact of $29 million, including $24 million, $4 million and $10 million in the Electronics and Safety, Powertrain Systems and Electrical/Electronic Architecture segments, respectively, which were partially offset by $9 million of unfavorable foreign currency exchange in the Thermal Systems segment.
- $150 million of decreases in pension and OPEB; offset by favorable EBITDAR from discontinued operations of $64 million in the Eliminations and Other segment.

2009 versus 2008

The results of operations for the Successor Period of 2009 from August 19 to December 31, 2009 and the Predecessor Period of 2009 from January 1 to October 6, 2009 and the year ended December 31, 2008 were 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	
	(Dollars in millions)		(Dollars in millions)			
Net sales						
General Motors and affiliates	$ 668		$ 2,197		$ 5,053	
Other customers	2,753		6,137		11,755	
Total net sales	3,421		8,334		16,808	
Cost of sales	3,047		8,480		16,157	
Gross margin	374	10.9%	(146)	(1.8)%	651	3.9%
Selling, general and administrative	242		734		1,420	
Amortization	16		3		5	
Goodwill impairment	—		—		325	
Restructuring	126		235		326	
Operating loss	(10)		(1,118)		(1,425)	
Interest expense	(8)		—		(434)	
Other (expense) income, net	(17)		24		9	
Reorganization items	—		10,210		5,147	
(Loss) income from continuing operations before income taxes and equity income	(35)		9,116		3,297	
Income tax benefit (expense)	27		311		(163)	
Income (loss) from continuing operations before equity income	(8)		9,427		3,134	
Equity income (loss), net of tax	5		(36)		29	
Income (loss) from continuing operations	(3)		9,391		3,163	
Loss from discontinued operations, net of tax	—		(44)		(97)	
Net income (loss)	(3)		9,347		3,066	
Net income attributable to noncontrolling interest	15		29		29	
Net income (loss) attributable to Successor/Predecessor	$ (18)		$ 9,318		$ 3,037	

Production volumes globally were significantly lower due to economic and credit market impacts. Consequently, during 2008 and 2009, Delphi's operational challenges intensified as a result of the continued downturn in general economic conditions, including reduced consumer spending and confidence, high oil prices, particularly during 2008, and the credit market crisis, all of which resulted in global vehicle manufacturers reduced production and taking other restructuring actions (which hereinafter we refer to as recent consumer trends and market conditions).

Total Net Sales

Total net sales for Pro Forma 2009 as compared to the year ended December 31, 2008 were as follows:

	Successor	Predecessor			Variance Due To:					
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Pro Forma 2009 Versus 2008 Favorable/ (Unfavorable)	Operations Not Acquired	Volume, net of Contractual Price Reductions	FX	Commodity Pass-Through	Other	Total
	(In millions)	(In millions)			(In millions)					
Total net sales	$3,421	$8,334	$16,808	$(5,053)	$(160)	$(4,017)	$(685)	$(183)	$(8)	$(5,053)

Total Pro Forma 2009 net sales decreased 30% compared to 2008 net sales. Excluding the sales impact of the Operations Not Acquired, sales decreased 29% in the Pro Forma 2009 period. The decrease in total net sales resulted primarily from decreased volume and contractual price reductions as a result of recent consumer trends and market conditions. In addition, Pro Forma 2009 net sales were impacted by unfavorable foreign currency exchange rates, decreased commodity pass-through costs, and the net sales related to Operations Not Acquired by Delphi.

Operating Results

The information below summarizes the operating results for the Successor Period of 2009, the Predecessor Period of 2009 and the year ended December 31, 2008.

Gross Margin

	Successor	Predecessor	
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(Dollars in millions)	(Dollars in millions)	
Gross margin	$ 374	$(146)	$651
Percentage of net sales	10.9%	(1.8)%	3.9%

Successor

Gross Margin Percentage in the Successor Period of 2009 was driven by improved volume and product mix, in addition to improved operational performance. Additionally, as a result of previous restructuring actions and the cost structure impacts of the Acquisition, the Successor's reduced cost structure enabled the translation of net sales improvements into significantly improved Gross Margin Percentage. However, gross margin was adversely impacted by the following items:

- Warranty costs of $24 million;
- Non-recurring $34 million non-cash charge as a result of the sale of inventory acquired from the Predecessor, which was required to be recorded at fair value as a result of the Acquisition;
- Depreciation of fixed assets, including tooling, of $115 million; and
- Pension and OPEB costs of $23 million.

Predecessor

Negative gross margin in the Predecessor Period of 2009 resulted from historically low sales volumes resulting from the economic and credit crises of 2008 and 2009 that adversely impacted VM production levels, and the relatively fixed cost nature of the Predecessor's operations that inhibited the Predecessor's ability to

flex its cost structure appropriately to the reduced volumes. In addition, gross margin was adversely impacted by the following items:

- Warranty costs of $114 million;
- Depreciation of fixed assets, including tooling, and impairments, of $502 million; and
- Pension and OPEB costs of $134 million.

Gross margin in the year ended December 31, 2008 was driven by volumes associated with recent consumer trends and market conditions. In addition, gross margin was impacted by the following items:

- Warranty costs of $100 million, offset by the forgiveness of $112 million due under the warranty settlement agreement with GM;
- Upon effectiveness of the Amended MRA (as defined and further discussed in Note 3. Elements of Predecessor Transformation Plan to the consolidated financial statements), the Predecessor recorded a reduction to operating expenses of $189 million;
- Employee workforce transition program costs of $69 million;
- Depreciation of fixed assets, including tooling, and impairments, of $760 million; and
- Pension and OPEB costs of $618 million.

Selling, General and Administrative Expense

	Successor	Predecessor	
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(Dollars in millions)	(Dollars in millions)	
Selling, general and administrative expense	$242	$734	$1,420
Percentage of net sales	7.1%	8.8%	8.4%

Successor

SG&A expense includes administrative expenses, information technology costs and incentive compensation related costs, and declined as a percent of sales during the Successor Period of 2009 as a result of the positive effects of cost savings initiatives.

Predecessor

During the Predecessor Period of 2009 and the year ended December 31, 2008, the impact of cost saving and restructuring initiatives had not yet been realized. In addition, reduced volumes during 2009 resulted in SG&A being a larger percentage of net sales due to the fixed nature of certain SG&A costs.

Amortization

	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)	
Amortization	$16	$3	$5

Successor

During the Successor Period of 2009, amortization is a result of the recognition at fair value of approximately $750 million of intangible assets that were acquired by the Successor as part of the Acquisition.

Predecessor

During the Predecessor Period of 2009 and the year ended December 31, 2008, amortization was insignificant.

Refer to Note 8. Intangible Assets and Goodwill to the consolidated financial statements for additional information.

Goodwill impairment

	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)	
Goodwill impairment	$—	$—	$325

Predecessor

Goodwill impairment of $325 million were recorded in 2008, of which approximately $168 million related to our Electrical/Electronic Architecture segment and approximately $157 million related to our Electronics and Safety segment. The goodwill impairment was the result of a reduction in the estimated fair value of these segments due to consumer trends and market conditions experienced in 2008. Refer to Note 8. Intangible Assets and Goodwill to the consolidated financial statements.

Restructuring

	Successor	Predecessor	
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(Dollars in millions)	(Dollars in millions)	
Restructuring	$126	$235	$326
Percentage of net sales	3.7%	2.8%	1.9%

Successor

During the Successor Period of 2009, the Successor continued its restructuring actions to align its manufacturing operations with current VM production levels as well as continuing to rationalize its manufacturing and engineering processes to lower cost locations. As such, the Successor recognized employee termination and other related exit costs in conjunction with workforce reduction programs primarily in Europe of $78 million. Similar actions to appropriately align North American manufacturing operations were also undertaken, resulting in $34 million of charges.

Predecessor

As part of the Predecessor's continuing restructuring activities in 2009 and in response to the depressed VM production volumes of 2009, the Predecessor undertook significant restructuring actions. As a result, during the Predecessor Period of 2009, restructuring included approximately $69 million to realign manufacturing operations within North America to lower cost markets and reduce the workforce in line with the realigned manufacturing operations. Additionally approximately $99 million of employee termination benefits and other exit costs were incurred in Europe, South America and Asia. The Predecessor also incurred $58 million for employee termination benefits resulting from the separation of certain salaried employees in North America.

Restructuring during the year ended December 31, 2008, included approximately $104 million to realign manufacturing operations within North America to lower cost markets and reduce the workforce in line with the realigned manufacturing operations. During 2008, the Predecessor identified certain salaried employees in North America for involuntary separation and recorded $131 million in employee termination benefits. Additionally approximately $39 million of employee termination benefits and other exit costs were incurred in Europe, South America and Asia. The Predecessor also incurred $22 million of contract termination costs.

Refer to Note 11. Restructuring to the consolidated financial statements for additional information.

Interest Expense

	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)	
Interest expense	$(8)	$—	$(434)

Successor

During the Successor Period of 2009, interest expense reflects the financing cost relating to the significantly lower outstanding indebtedness of the Successor subsequent to the Acquisition, including the Notes issued as part of the Acquisition as well as receivable factoring programs.

Predecessor

Interest expense for the Predecessor Period of 2009 includes financing costs related to outstanding debtor in possession financing during the period, offset by the reversal of $415 million of accrued postpetition interest on prepetition debt and allowed unsecured claims, as more fully described in Note 2. Significant Accounting Policies to the consolidated financial statements.

Interest expense for the year ended December 31, 2008 primarily relates to interest on outstanding debtor in possession financing.

Other Income, net

	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)	
Other income (expense), net	$(17)	$24	$9

Successor

During the Successor Period of 2009, other expense, net included $5 million of interest income, offset by $19 million of transactions costs related to the Acquisition.

Predecessor

Other income, net for the Predecessor Period of 2009 included $10 million of interest income.

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 outstanding debtor-in-possession financing during the period and a $32 million gain from the sale of an investment accounted for under the cost method that had been previously fully impaired, partially offset by $16 million of expense related to an allowance recorded against a note receivable.

Reorganization Items

	Predecessor	
	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(In millions)	
Other income (expense), net	$10,210	$5,147

Predecessor

The following table details the components of bankruptcy-related reorganization items (refer to Note 1. General and Acquisition of Predecessor Businesses to the consolidated financial statements for additional information):

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

Income Taxes

	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)	
Income tax benefit (expense)	$27	$311	$(163)

Delphi's tax rate in all periods is affected by the tax rates in the U.S. and foreign jurisdictions, the relative amount of income earned in such jurisdictions and the relative amount of losses for which no tax benefit was recognized due to a valuation allowance.

Successor

During the Successor Period of 2009, Delphi's tax rate in both years is affected by the tax rates in foreign jurisdictions, the relative amount of income we earn in such jurisdictions and the relative amount of losses for which no tax benefit would be recognized due to a valuation allowance.

Predecessor

The annual effective tax rate for the Predecessor Period of 2009 was favorably impacted by the recognition of a $306 million and $52 million tax benefit in continuing operations due to the elimination of the disproportionate tax effects in accumulated other comprehensive income related to the salaried pension and OPEB obligations, respectively, which were settled during the same period.

Although the Predecessor recorded a net reorganization gain of $5.3 billion in 2008 related to the effectiveness of the Amended GSA (as defined and further discussed in Note 3. Elements of Predecessor Transformation Plan to the consolidated financial statements) which created approximately $1.2 billion of taxable income, it did not generate any U.S. tax expense due to the impact of a related change to the U.S. deferred tax assets for which a full valuation allowance is recorded. The Predecessor maintained a full valuation allowance for its deferred tax assets in certain foreign jurisdictions as it is more likely than not that the benefits will not be recognized.

Equity Income (Loss)

	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)	
Equity income (loss)	$5	$(36)	$29

Successor

During the Successor Period of 2009, equity income reflects Delphi's interest in the results of ongoing operations of entities accounted for as equity-method investments, principally from its Korean and Mexican joint ventures.

Predecessor

The Predecessor Period of 2009 includes a $23 million impairment charge related to an investment in a non-consolidated affiliate, as well as the overall, negative economic impacts resulting from the industry downturn during 2009.

The year ended December 31, 2008, includes equity income reflects Delphi's interest in the results of ongoing operations of entities accounted for as equity-method investments, principally from its Korean and Mexican joint ventures.

Loss from Discontinued Operations

	Predecessor	
	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(In millions)	
Loss from discontinued operations	$(44)	$(97)

Predecessor

The loss from discontinued operations reflected in the Predecessor Period of 2009 and the year ended December 31, 2008, includes the losses related to the operations and assets held for sale of the Steering Business and AHG, which includes various non-core product lines and plant sites that did not fit the Predecessor's strategic framework.

Results of Operations by Segment

The reconciliation of EBITDAR to income from continuing operations before income taxes and equity income, as follows, includes other transformation and rationalization costs related to 1) the implementation of information technology systems to support finance, manufacturing and product development initiatives, 2) certain plant consolidations and closures costs, and 3) consolidation of many staff administrative functions into a global business service group:

	Successor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
August 19 — December 31, 2009:						
EBITDAR	$ 56	$ 79	$155	$ 21	$ 2	$ 313
Depreciation and amortization	(39)	(52)	(31)	(17)	—	(139)
Transformation and rationalization charges:						
Employee termination benefits and other exit costs	(20)	(50)	(50)	(5)	(1)	(126)
Other transformation and rationalization costs	(19)	(20)	(11)	(8)	—	(58)
Operating (loss) income	$(22)	$(43)	$ 63	$ (9)	$ 1	(10)
Interest expense						(8)
Other expense, net						(17)
Loss from continuing operations before income taxes and equity income						$ (35)

	Predecessor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
January 1 — October 6, 2009:						
EBITDAR	$(214)	$ (9)	$ (18)	$ 17	$ (5)	$ (229)
Depreciation and amortization	(177)	(163)	(147)	(53)	—	(540)
Transformation and rationalization charges:						
Employee termination benefits and other exit costs	(91)	(45)	(99)	(11)	11	(235)
Other transformation and rationalization costs	(14)	(17)	(15)	(2)	(2)	(50)
Discontinued operations	—	—	—	—	(64)	(64)
Operating loss	$(496)	$(234)	$(279)	$(49)	$(60)	(1,118)
Other income, net						24
Reorganization items						10,210
Income from continuing operations before income taxes and equity loss						$ 9,116

	Predecessor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
2008:						
EBITDAR	$ —	$ 251	$ 195	$ 76	$(253)	$ 269
Depreciation and amortization	(261)	(269)	(205)	(87)	—	(822)
Goodwill impairment	(157)	—	(168)	—	—	(325)
Transformation and rationalization charges:						
U.S. employee workforce transition program charges	—	—	—	—	(69)	(69)
GM settlement — MRA	42	94	15	88	(50)	189
Employee termination benefits and other exit costs	(150)	(69)	(82)	(25)	—	(326)
Loss on divestitures	(13)	(14)	—	—	—	(27)
Other transformation and rationalization costs	(78)	(44)	(63)	(14)	(48)	(247)
Discontinued operations	—	—	—	—	(67)	(67)
Operating (loss) income	$(617)	$ (51)	$(308)	$ 38	$(487)	(1,425)
Interest expense						(434)
Other income, net						9
Reorganization items						5,147
Income from continuing operations before income taxes and equity income						$ 3,297

Net sales and gross margin as a percentage of net sales for the periods from August 19 to December 31 and January 1 to October 6, 2009 and the year ended December 31, 2008 by segment are as follows:

Net Sales by Segment

	Successor	Predecessor			Variance Due To:					
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Pro Forma 2009 Versus 2008 Favorable/ (Unfavorable)	Operations Not Acquired	Volume, net of Contractual Price Reductions	Commodity Pass-Through	FX	Other	Total
	(In millions)		(In millions)				(In millions)			
Electronics and Safety	$ 761	$1,801	$ 4,048	$(1,486)	$ (67)	$(1,263)	$ —	$(155)	$(1)	$(1,486)
Powertrain Systems	957	2,667	5,368	(1,744)	(186)	(1,224)	—	(328)	(6)	(1,744)
Electrical/Electronic Architecture	1,325	2,970	5,649	(1,354)	—	(1,043)	(160)	(152)	1	(1,354)
Thermal Systems	365	1,008	2,121	(748)	(110)	(558)	(23)	(58)	1	(748)
Eliminations and Other	13	(112)	(378)	279	203	71	—	8	(3)	279
Total	$3,421	$8,334	$16,808	$(5,053)	$(160)	$(4,017)	$(183)	$(685)	$(8)	$(5,053)

- Eliminations and Other includes $75 million of keep site facilitation reimbursements recognized by the Predecessor during the period from January 1 to October 6, 2009 as a result of the Amended MRA, which became effective in September 2008 (refer to Note 3. Elements of Predecessor Transformation Plan to the consolidated financial statements for more information.)
- Foreign exchange fluctuations are primarily related to the Mexican Peso, Euro, Chinese Renmenbi, Turkish Lira and Brazilian Real.

Gross Margin Percentage by Segment

	Successor	Predecessor	
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
Electronics and Safety	7.9%	(12.9)%	0.7%
Powertrain Systems	10.1%	2.6%	9.1%
Electrical/Electronic Architecture	14.5%	1.4%	6.4%
Thermal Systems	5.5%	3.2%	9.7%
Eliminations and Other	38.5%	49.1%	114.3%
Total	10.9%	(1.8)%	3.9%

EBITDAR by Segment

	Successor	Predecessor							
	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009	Year Ended December 31, 2008	Pro Forma 2009 Versus 2008 Favorable/ (Unfavorable)	Operations Not Acquired	Volume, net of Contractual Price Reductions	Operational Performance	Other	Total
	(In millions)		(In millions)			(In millions)			
Electronics and Safety	$ 56	$(214)	$ —	$(158)	$ 2	$ (485)	$ 363	$ (38)	$(158)
Powertrain Systems	79	(9)	251	(181)	17	(503)	338	(33)	(181)
Electrical/Electronic Architecture	155	(18)	195	(58)	—	(418)	294	66	(58)
Thermal Systems	21	17	76	(38)	3	(173)	138	(6)	(38)
Eliminations and Other	2	(5)	(253)	250	137	(321)	260	174	250
Total	$313	$(229)	$ 269	$(185)	$159	$(1,900)	$1,393	$163	$(185)

As noted in the table above, Pro Forma 2009 EBITDAR as compared to 2008 was impacted by divestitures, volume, contractual price reductions, and operational performance improvements, which include favorable manufacturing and engineering performance offset by unfavorable material and freight economics, as well as the following items included in Other in the table above:

- Increased warranty costs, primarily due to the forgiveness of $112 million due under the warranty settlement agreement with GM during 2008 and the absence of $28 million in warranty recovery in the Thermal Systems segment from an affiliated supplier recognized in 2008 related to previously incurred warranty costs.
- $35 million of increased costs associated with restructuring activities resulting in employee termination benefit costs, including $26 million and $67 million in the Powertrain Systems and Electrical/Electronic Architecture segments, respectively, offset by decreased costs of $39 million, $9 million and $10 million in the Electronics and Safety, Thermal Systems and Eliminations and Other segments, respectively
- Unfavorable foreign currency exchange impact of $174 million including $66 million, $78 million, $22 million and $8 million in the Electronics and Safety, Powertrain Systems, Electrical/Electronic Architecture and Thermal Systems segments, respectively.
- Approximately $200 million of decreases in pension and OPEB in the Eliminations and Other segment.

Liquidity and Capital Resources

Overview of Capital Structure

As of December 31, 2010, Delphi had cash and cash equivalents of $3.2 billion and time deposits of $550 million and net cash (defined as cash and cash equivalents and time deposits less outstanding debt) of

$3.5 billion. Additionally, the full $890 million under the DDTL, as defined and further discussed below, remained available for borrowing as of December 31, 2010. We believe we possess sufficient liquidity to fund our operations, restructuring initiatives and capital investments in 2011 and beyond.

In conjunction with the Acquisition, Delphi issued Class A, Class B and Class C membership interests. 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 DDTL (as defined below);
- 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 expects that its cash flows from operating activities will continue to be positive for six months following the distribution date.

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 under the Credit Agreement (the "DDTL") with a syndicate of lenders. The Notes pay 12% interest and mature on October 6, 2014 and are recorded at $47 million in the consolidated balance sheet as of December 31, 2010. The DDTL includes maximum available borrowing of $890 million, which is split into a U.S. tranche of up to $267 million in borrowings and a foreign tranche of up to $623 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. A majority of the holders of the Notes and the lenders under the DDTL are related parties as holders of the Class A and Class B membership interests.

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 as well as certain foreign 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 and Delphi has begun to deliver such guarantees. 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. 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, make distributions or repurchase stock or stock equivalents. As of December 31, 2010, Delphi was in compliance with the covenants of the NPA and DDTL, no amounts were drawn under the DDTL, and the full $890 million remained available.

Other Financing and Liquidity

Letters of Credit — As of December 31, 2010, the Company had $26 million in letters of credit outstanding under a letter of credit agreement with JP Morgan. The letter of credit agreement is secured by cash collateral held by JPMorgan.

Accounts Receivable Factoring — Delphi maintains various accounts receivable factoring facilities in Europe that are accounted for as short-term debt. These uncommitted factoring facilities are available through

various financial institutions. As of December 31, 2010, $112 million was outstanding under these accounts receivable factoring facilities.

German Loan Agreement — During 2009, two of Delphi's German subsidiaries entered into a loan agreement for up to €125 million with a German financial institution. This loan was drawn upon as needed during 2009 and 2010 to fund restructuring initiatives, capital investment and other ongoing cash needs. During 2010, Delphi repaid the loan in full and terminated the loan agreement.

Capital Leases and Other — As of December 31, 2010, approximately $130 million of other debt issued by certain international subsidiaries was outstanding, primarily related to bank lines in Asia Pacific and capital lease obligations.

DOE Grant — As part of the American Recovery & Reinvestment Act of 2009, Delphi and the U.S. Department of Energy ("DOE") finalized a grant agreement through which the DOE will reimburse Delphi for 50% of project costs up to total reimbursements of $89 million associated with the development and manufacturing of power electronics related to electric and hybrid electric vehicles. The project period for this grant is January 2010 through December 2012. As of December 31, 2010, Delphi has received from the DOE related project cost reimbursements of $26 million. During 2011 and 2012, Delphi expects to receive related project cost reimbursements from the DOE of approximately $36 million and $27 million, respectively.

Cash Requirements

The following table summarizes our expected cash outflows resulting from financial contracts and commitments. We have not included information on our recurring purchases of materials for use in our manufacturing operations. These amounts are generally consistent from year to year, closely reflect our levels of production, and are not long-term in nature. The amounts below exclude as of December 31, 2010, the gross liability for uncertain tax positions of $82 million related to the items below. The amounts below also exclude estimated interest costs, which are approximately $20 million for 2011, primarily related to debt and capital lease obligations. Additionally, the principal maturities of debt exclude accretion of approximately $6 million related to the Notes. We do not expect a significant payment related to these obligations to be made within the next twelve months. We are not able to provide a reasonably reliable estimate of the timing of future payments relating to the non-current portion of obligations associated with uncertain tax positions. For more information, refer to Note 16. Income Taxes to the consolidated financial statements.

	Payments Due by Period				
	Total	2011	2012 & 2013	2014 & 2015	Thereafter
	(In millions)				
Debt and capital lease obligations	$283	$218	$ 13	$ 48	$ 4
Operating lease obligations	301	80	119	78	24
Contractual commitments for capital expenditures	116	116	—	—	—
Other contractual purchase commitments, including information technology	129	81	44	4	—
Total	$829	$495	$176	$130	$28

Capital Expenditures

Supplier selection in the auto industry is generally finalized several years prior to the start of production of the vehicle. Therefore, current capital expenditures are based on customer commitments entered into previously, generally several years ago when the customer contract was awarded. As of December 31, 2010, Delphi had approximately $116 million in outstanding cancelable and non-cancelable capital commitments.

We expect capital expenditures to be between $500 million and $600 million in 2011. Capital expenditures by operating segment and geographic region for the periods presented were:

	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
Electronics and Safety	$ 59	$14	$ 58	$166
Powertrain Systems	186	41	167	310
Electrical/Electronic Architecture	202	21	60	179
Thermal Systems	35	8	29	98
Eliminations and Other	18	4	7	18
Continuing operations capital expenditures	500	88	321	771
Discontinued operations	—	—	99	187
Total capital expenditures	$500	$88	$420	$958
North America	$140	$21	$ 91	$278
Europe, Middle East & Africa	236	51	187	329
Asia Pacific	87	6	28	123
South America	37	10	15	41
Continuing operations capital expenditures	500	88	321	771
Discontinued operations	—	—	99	187
Total capital expenditures	$500	$88	$420	$958

Cash Flows

Intra-month cash flow cycles vary by region, but in general Delphi's operations are users of cash through the first half of a typical month and generate cash during the latter half of a typical month. Delphi's cash balance typically peaks at month end.

Cash in the U.S. is managed centrally through a U.S. cash pooling arrangement. During 2010, Delphi began the process of establishing a pan-European cash pool. As of December 31, 2010, the legal agreements necessary to effectuate the cash pool were exercised by our subsidiaries in all participating countries; however, the banking structure was not finalized. As such, as of December 31, 2010, only selected countries were participating in the cash pool. Delphi anticipates that the pan-European cash pool will become fully operational in 2011. Outside the U.S. and those countries participating in the pan-European cash pool, cash may be managed through a country cash pool, a self-managed cash flow arrangement or a combination of the two depending on Delphi's presence in the respective country.

Operating Activities. Net cash provided by operating activities totaled $1,142 million for the year ended December 31, 2010, which resulted primarily from improved operating earnings resulting from increased sales growth and improved operational performance resulting from previous restructuring activities. These improvements resulted in the significant cash flow generated from operations which consists of net earnings of $703 million increased by $421 million for non-cash charges for depreciation and amortization, partially offset by $9 million related to changes in operating assets and liabilities, net of restructuring and pension and other postretirement contributions.

Net cash provided by operating activities totaled $159 million for the Successor period from August 19 to December 31, 2009, which resulted primarily from the improvements in VM production volumes during the

fourth quarter of 2009, resulting in near break-even net earnings increased by $139 million for non-cash charges for depreciation and amortization. Net cash used in operating activities totaled $257 million for the Predecessor period from January 1 to October 6, 2009, which primarily reflected the decreased VM production volumes during this period.

Net cash provided by operating activities totaled $455 million for the year ended December 31, 2008, reflecting the net cash received from GM totaling $1.1 billion as a result of the effectiveness of the Amended GSA and the Amended MRA as further described in Note 3. Elements of Predecessor Transformation Plan to the consolidated financial statements. Offsetting this cash received, cash flow from operating activities was negatively impacted by operating challenges due to lower North American production volumes, related pricing pressures stemming from increasingly competitive markets, and the overall slowdown in the global economy. Cash flow from operating activities was further reduced for the year ended December 31, 2008 by contributions to our U.S. and non-U.S. pension plans of $383 million and OPEB payments of $216 million, cash paid to employees in conjunction with the U.S. employee workforce transition programs of $219 million, payments of $442 million of interest and $78 million of incentive compensation to executives and U.S. salaried employees, and payments of $104 million of reorganization related costs.

Investing Activities. Net cash used in investing activities totaled $911 million for the year ended December 31, 2010, which resulted primarily from capital expenditures of $500 million, or approximately 3.6% of net sales. Delphi continually focuses on selectively expending capital to support new business as well as to maximize cost efficiencies and currently plans to spend between $500 million and $600 million in 2011. Net cash used was also impacted by the purchase of $550 million of time deposits, net of time deposit maturities during the year. Partially offsetting these items were net proceeds of $93 million received from divestitures and sales of property, principally the sale of the occupant protection systems business in Asia.

Net cash provided by investing activities totaled $885 million for the Successor period from August 19 to December 31, 2009, which resulted primarily from $862 million acquired from the Predecessor as a result of the Acquisition. In addition, cash used for capital expenditures of $88 million for the Successor period from August 19 to December 31, 2009 were offset by $74 million in proceeds from the sale of the brakes and suspensions and occupant protection systems businesses and a $28 million decrease in restricted cash. Net cash used in investing activities totaled $1,052 million for the Predecessor period from January 1 to October 6, 2009, which resulted primarily from $862 million acquired by the Successor as a result of the Acquisition. Additionally, cash used for capital expenditures of $321 million for the Predecessor period from January 1 to October 6, 2009 was offset by decreases in restricted cash of $142 million.

Cash flows used in investing activities totaled $958 million for the year ended December 31, 2008. The principal use of cash in 2008 reflected capital expenditures related to ongoing operations and an increase in restricted cash related to the U.S. employee workforce transition programs of approximately $230 million. The increase in restricted cash during the year ended December 31, 2008 primarily related to a total of the $323 million of cash collateral required under the debtor-in-possession credit facility, including $123 million related to outstanding letters of credit at December 31, 2008, offset by attrition payments. Offsetting the cash flows used in investing activities were proceeds from divestitures.

Financing Activities. Net cash used in financing activities totaled $126 million for the year ended December 31, 2010, which resulted from $99 million of net repayments under debt agreements and $27 million of dividend payments to minority shareholders of consolidated affiliates.

Net cash provided by financing activities totaled $2,062 million for the Successor period from August 19 to December 31, 2009, which resulted from the $2,042 million of cash received associated with the issuance of Class A and Class B membership interests in Delphi. Net cash provided by financing activities totaled $315 million for the Predecessor period from January 1 to October 6, 2009. During this period the Predecessor received $850 million under GM liquidity support agreements and repaid $488 million under the amended and restated debtor-in-possession facility and short-term debt agreements.

Net cash provided by financing activities was $465 million for the year ended December 31, 2008 and primarily reflected increased borrowings under the amended and restated debtor-in-possession credit facility.

Pension Plans and Other Postretirement Benefits

Prior to the PBGC termination of the U.S. pension plans, the Predecessor sponsored pension plans covering 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 qualified for retirement before normal retirement age. Certain employees also participated in non-qualified pension plans covering executives, which are based on targeted wage replacement percentages and are unfunded. The Predecessor froze the salaried plan, the Supplemental Executive Retirement Program, the ASEC Manufacturing Retirement Program, the Delphi Mechatronics Retirement Program and the PHI Non-Bargaining Retirement Plan (collectively, the "Pension Plans") effective September 30, 2008. Additionally, the Predecessor reached agreement with its labor unions resulting in a freeze of traditional benefit accruals under the Delphi hourly-rate employees pension plan effective as of November 30, 2008.

The PBGC terminated the Pension Plans on July 31, 2009. Accordingly, the Predecessor recognized a pension curtailment and settlement loss of $2.8 billion included in reorganization items in the consolidated statements of operations for the three and nine month periods ended September 30, 2009. This loss included the reversal of $5.2 billion of liabilities subject to compromise related to the 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.

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 United States Bankruptcy Court for the Southern District of New York (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. Pursuant to the Settlement, the Predecessor agreed to provide the Retirees' Committee with consideration of $9 million to resolve pending litigation. 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 from January 1 to 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.

Certain of Delphi's non-U.S. subsidiaries sponsor 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 the United Kingdom, Germany and Mexico. Delphi anticipates making required pension contributions of approximately $80 million in 2011.

Refer to Note 14. Pension and Other Postretirement Benefits to the consolidated financial statements for further information on (1) historical benefit costs of the pension plans and other postretirement benefit plans, (2) 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, (3) a sensitivity analysis of potential changes to pension obligations and expense that would result from changes in key assumptions and (4) funding obligations.

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. These include laws regulating air emissions, water discharge and waste management. We have an environmental management structure designed to facilitate and support our compliance with these requirements globally. Although it is our intent to comply with all such requirements and regulations, we cannot provide assurance that we are at all times in compliance. Environmental requirements are complex, change frequently and have tended to become more stringent over time. Accordingly, we cannot assure that environmental requirements will not change or become more stringent over time or that our eventual environmental remediation costs and liabilities will not be material.

As of December 31, 2010 and December 31, 2009, the reserve for environmental investigation and remediation was approximately $23 million (of which $5 million was recorded in accrued liabilities and $18 million was recorded in other long-term liabilities) and $21 million (of which $3 million was recorded in accrued liabilities and $18 million was recorded in other long-term liabilities), respectively. 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. With respect to warranty matters, although Delphi cannot ensure that the future costs of warranty claims by customers will not be material, Delphi believes its established reserves are adequate to cover potential warranty settlements. However, the final amounts required to resolve these matters could differ materially from the Company's recorded estimates.

Although Delphi has recognized its best estimate for its total aggregate warranty reserves across all of its operating segments as of December 31, 2010, the estimated reasonably possible amounts to ultimately resolve all matters is approximately $75 million in excess of the recorded reserves.

Brazil Matters

Delphi conducts significant business operations in Brazil that are subject to the Brazilian federal labor, social security, environmental, tax and customs laws, as well as a variety of state and local laws. While Delphi believes it complies with such laws, they are complex, subject to varying interpretations, and the Company is often engaged in litigation with government agencies regarding the application of these laws to particular circumstances. In addition, Delphi also is a party to commercial and labor litigation with private parties. As of December 31, 2010, related claims totaling approximately $240 million have been asserted against Delphi. As of December 31, 2010, the Company maintains reserves for these asserted claims that are substantially less than the amount of the claims asserted. While the Company believes its reserves are adequate, the final amounts required to resolve these matters could differ materially from the Company's recorded estimates and Delphi's results of operations could be materially affected.

Romania Value Added Tax ("VAT") Assessment

During the first quarter of 2010, as a result of a tax audit for years 2006 — 2008, the Company received a tax assessment from the Romanian tax authorities in the amount of approximately $42 million based on the taxing authority's assessment that the Company underpaid its VAT (mostly on export sales) by approximately $24 million and owes accrued interest and penalties of $18 million. The Company filed an appeal contesting the assessment and during October, 2010, the Romanian tax authorities substantially reduced the amount of the assessment and decided to re-audit the Company. As of December 31, 2010, the Company maintains a

reserve for this contingency that is substantially less than the amount of the initial assessment. While the Company believes its reserve is adequate, the final amounts required to resolve this initial assessment could differ materially from the Company's recorded estimate.

Fair Value Measurements of Derivative Instruments

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, 2010 and 2009, Delphi was in a net derivative asset position of $76 million and $4 million, respectively, and there were no adjustments recorded for nonperformance risk as exposures were to counterparties with investment grade credit ratings. Refer to Note 18. Fair Value of Financial Instruments, Derivatives and Hedging Activities to the consolidated financial statements for more information.

Recently Issued Accounting Pronouncements

Refer to Note 2. Significant Accounting Policies to the consolidated financial statements for a complete description of recent accounting standards which we have not yet been required to implement which may be applicable to our operations. Additionally the significant accounting standards that have been adopted during 2010 are described.

Significant Accounting Policies and Critical Accounting Estimates

Our significant accounting policies are described in Note 2. Significant Accounting Policies to the consolidated financial statements. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our evaluation of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate.

We consider an accounting estimate to be critical if:

- It requires us to make assumptions about matters that were uncertain at the time we were making the estimate, and
- Changes in the estimate or different estimates that we could have selected would have had a material impact on our financial condition or results of operations.

Acquisition Accounting

Upon the Acquisition, as defined in Note 1. General and Acquisition of Predecessor Businesses to the consolidated financial statements, the recorded amounts for the assets acquired and the liabilities assumed from the Predecessor were adjusted to reflect estimated fair values in accordance with the provisions of FASB ASC 805, *Business Combinations*. The fair values were estimated in accordance with the guidance in FASB ASC 820, *Fair Value Measurements and Disclosures*, and were based on three generally accepted business valuation approaches: the income, market, and cost approaches. Generally, the income and market approaches were used and weighted by the independent valuation specialists as appropriate.

The discounted cash flow ("DCF") method is a form of the income approach commonly used to value business interests. 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.

Other estimates used in determining fair value include, but are not limited to, future cash flows or income related to intangibles, market rate assumptions, actuarial assumptions for benefit plans and appropriate discount rates. Delphi's estimates of fair value are based upon assumptions believed to be reasonable, but that are inherently uncertain. Acquisition accounting along with the consummation of the Modified Plan and the disposition of the Predecessor has had a material effect on the financial statements. Refer to Note 1. General and Acquisition of Predecessor Businesses to the consolidated financial statements for additional information.

Warranty Obligations

Estimating warranty obligations requires us to forecast the resolution of existing claims and expected future claims on products sold. We base our estimate on historical trends of units sold and payment amounts, combined with our current understanding of the status of existing claims and discussions with our customers. The key factors which impact our estimates are (1) the stated or implied warranty period; (2) VM source; (3) VM policy decisions regarding warranty claims; and (4) VMs seeking to hold suppliers responsible for product warranties. These estimates are re-evaluated on an ongoing basis. Actual warranty obligations could differ from the amounts estimated requiring adjustments to existing reserves in future periods. Due to the uncertainty and potential volatility of the factors contributing to developing these estimates, changes in our assumptions could materially affect our results of operations.

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. 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.

Restructuring

Accruals have been recorded in conjunction with Delphi's restructuring actions. These accruals include estimates primarily related to employee termination costs, contract termination costs and other related exit costs in conjunction with workforce reduction and programs related to the rationalization of manufacturing and engineering processes. Actual costs may vary from these estimates. These accruals are reviewed on a quarterly basis and changes to restructuring actions are appropriately recognized when identified.

Pensions

We use actuarial estimated and related actuarial methods to calculate our obligation and expense. We are required to select certain actuarial assumptions, which are determined based on current market conditions, historical information and consultation with and input from our actuaries and asset managers. Refer to Note 14. Pension and Other Postretirement Benefits to the consolidated financial statements for additional details. The key factors which impact our estimates are (1) discount rates; (2) asset return assumptions; and (3) actuarial assumptions such as retirement age and mortality which are determined as of the current year measurement date. Delphi reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when appropriate. 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 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 plans 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			
	2010	2009	2010	2009	2010	2009
Weighted-average discount rate	4.10%	5.00%	5.69%	6.00%	4.52%	5.26%
Weighted-average rate of increase in compensation levels	N/A	N/A	3.88%	3.90%	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					
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Weighted-average discount rate	5.00%	6.16%	6.35%	5.97%	6.22%	5.99%	5.20%	6.12%	6.41%
Weighted-average rate of increase in compensation levels	N/A	N/A	4.45%	3.89%	3.95%	4.16%	4.50%	4.50%	4.50%
Expected long-term rate of return on plan assets	N/A	8.25%	8.75%	7.14%	7.81%	8.28%	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.

In 2010, Delphi no longer has any U.S. pension assets; therefore no U.S. asset rate of return calculation was necessary for 2010. The primary funded non-U.S. plans are in the United Kingdom and Mexico. For the determination of 2010 expense, Delphi assumed a long-term asset rate of return of approximately 6.75% and 10.0% for the United Kingdom and Mexico, respectively. Delphi evaluated input from local actuaries and asset managers, including consideration of recent fund performance and historical returns, in developing the long-term rate of return assumptions. The assumptions for the United Kingdom and Mexico are primarily conservative long-term, prospective rates.

Delphi's pension expense for 2011 is determined at the December 31, 2010 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	+ $2 million	+ $63 million
25 bp increase in discount rate	- $3 million	- $59 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.

Based on information provided by our actuaries and asset managers, Delphi believes that the assumptions used are reasonable; however, changes in these assumptions could impact the Company's financial position, results of operations or cash flows. Refer to Note 14. Pension and Other Postretirement Benefits to the consolidated financial statements for additional information.

Accounts Receivable Allowance

Establishing valuation allowances for doubtful accounts requires the use of estimates and judgment in regard to the risk exposure and ultimate realization. The allowance for doubtful accounts is established based upon analysis of trade receivables for known collectability issues, including bankruptcies, and aging of receivables at the end of each period. Changes to our assumptions could materially affect our recorded allowance.

Valuation of Long-lived Assets, Intangible Assets and Investments in Affiliates and Expected Useful Lives

Delphi periodically reviews the recoverability of our long-lived and indefinite-lived assets based on projections of anticipated future cash flows, including future profitability assessments of various manufacturing sites when events and circumstances warrant such a review. We estimate cash flows and fair value using internal budgets based on recent sales data, independent automotive production volume estimates and customer commitments and review of appraisals. The key factors which impact our estimates are (1) future production estimates; (2) customer preferences and decisions; (3) product pricing; (4) manufacturing and material cost estimates; and (5) product life / business retention. Any differences in actual results from the estimates could result in fair values different from the estimated fair values, which could materially impact Delphi's future results of operations and financial condition. Delphi believes that the projections of anticipated future cash flows and fair value assumptions are reasonable; however, changes in assumptions underlying these estimates could affect the evaluations.

Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market, including direct material costs and direct and indirect manufacturing costs, refer to Note 4. Inventories, Net to the consolidated financial statements. Obsolete inventory is identified based on analysis of inventory for known obsolescence issues, and, generally, as of December 31, 2010, 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.

Income Taxes

Delphi estimates whether recoverability of our deferred tax assets is more likely than not. We use historical and projected future operating results, based upon approved business plans, including a review of the eligible carryforward period, tax planning opportunities and other relevant considerations. The key factors which impact our

estimates are (1) variances in future projected profitability, including by taxable entity; (2) tax attributes; and (3) tax planning alternatives. The valuation of deferred tax assets requires judgment and accounting for the deferred tax effect of events that have been recorded in the financial statements or in the tax returns and our future projected profitability represents our best estimate of those future events. Changes in our estimates, due to unanticipated events or otherwise, could have a material effect on our financial condition and results of operations.

Additionally, the calculation of our tax expense/benefits and liabilities includes uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. We recognize tax expense/benefits and liabilities based on our estimate of whether and to what extent additional taxes will be due. We adjust these liabilities based on changing facts and circumstances; however due to the complexity of some of the uncertainties and the impact of the settlement of any tax audits, the ultimate resolutions may be materially different from our estimated liabilities. Refer to Note 16. Income Taxes to the consolidated financial statements for additional information.

Fair Value Measurement of Derivative Instruments

In determining the fair value of its derivatives, Delphi utilizes valuation techniques as prescribed by FASB ASC 820-10, *Fair Value Measurements and Disclosures*, and also prioritizes the use of observable inputs. The availability of observable inputs varies amongst derivatives and depends on the type of derivative and how actively traded the derivative is. For many of Delphi's derivatives, the valuation does not require significant management judgment as the valuation inputs are readily observable in the market. For other derivatives, however, valuation inputs are not as readily observable in the market, and significant management judgment may be required.

All derivative instruments are required to be reported on the balance sheet at fair value unless the transactions qualify and are designated as normal purchases or sales. Changes in fair value are reported currently through earnings unless they 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 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.

Share-Based Compensation

Delphi expenses the estimated fair value of the Value Creation Plan (as defined and further discussed in Note 22. Share-Based Compensation to the consolidated financial statements), a long-term incentive plan for key employees. Estimating the fair value for share-based payments requires Delphi to make assumptions regarding the nature of the payout of the award as well as the enterprise value of Delphi. Any differences in actual results from management's estimates could result in fair values different from estimated fair values, which could materially impact the Company's future results of operations and financial condition. The following highlights the sensitivity to changes in the enterprise value of Delphi:

Change in Estimate of Enterprise Value	Impact on 2011 Operating Expense
+ 20%	+ $23 million
- 20%	- $23 million

Refer to Note 22. Share-Based Compensation to the consolidated financial statements for additional information.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks from changes in currency exchange rates and certain commodity prices. In order to manage these risks, we operate a centralized risk management program that consists of entering into a variety of derivative contracts with the intent of mitigating our risk to fluctuations in currency exchange rates and commodity prices. Delphi does not enter into derivative transactions for speculative or trading purposes.

A discussion of our accounting policies for derivative instruments is included in Note 2. Significant Accounting Policies to the consolidated financial statements and further disclosure is provided in Note 18. Fair Value of Financial Instruments, Derivatives and Hedging Activities to the consolidated financial statements. We maintain risk management control systems to monitor exchange and commodity risks and related hedge positions. Positions are monitored using a variety of analytical techniques including market value and sensitivity analysis. The following analyses are based on sensitivity tests, which assume instantaneous, parallel shifts in currency exchange rates and commodity prices. For options and instruments with non-linear returns, appropriate models are utilized to determine the impact of shifts in rates and prices. Currently, Delphi does not have any options or instruments with non-linear returns.

We have currency exposures related to buying, selling and financing in currencies other than the local currencies in which we operate. Historically, we have reduced our exposure through financial instruments (hedges) that provide offsets or limits to our exposures, which are opposite to the underlying transactions. We also face an inherent business risk of exposure to commodity prices risks, and have historically offset our exposure, particularly to changes in the price of various non-ferrous metals used in our manufacturing operations, through fixed price purchase agreements, commodity swaps and option contracts. We continue to manage our exposures to changes in currency rates and commodity prices using these derivative instruments.

Currency Exchange Rate Risk

Currency exposures may impact future earnings and/or operating cash flows. In some instances, we choose to reduce our exposures through financial instruments (hedges) that provide offsets or limits to our exposures. Currently our most significant currency exposures relate to the Mexican Peso, Euro, Chinese Yuan (Renminbi), Turkish Lira and Great Britain Pound. As of December 31, 2010 the net fair value asset of all financial instruments (hedges and underlying transactions) with exposure to currency risk was approximately $794 million and the net fair value asset at December 31, 2009 was $566 million. The potential loss or gain in fair value for such financial instruments from a hypothetical 10% adverse or favorable change in quoted currency exchange rates would be approximately $137 million and $87 million at December 31, 2010 and 2009, respectively. The impact of a 10% change in rates on fair value differs from a 10% change in the net fair value asset due to the existence of hedges. The model assumes a parallel shift in currency exchange rates; however, currency exchange rates rarely move in the same direction. The assumption that currency exchange rates change in a parallel fashion may overstate the impact of changing currency exchange rates on assets and liabilities denominated in currencies other than the U.S. dollar.

Commodity Price Risk

Commodity swaps/average rate forward contracts are executed to offset a portion of our exposure to the potential change in prices mainly for various non-ferrous metals used in the manufacturing of automotive components. The net fair value of our contracts was an asset of approximately $48 million and an asset of approximately $5 million at December 31, 2010 and 2009, respectively. If the price of the commodities that are being hedged by our commodity swaps/average rate forward contracts changed adversely or favorably by 10%, the fair value of our commodity swaps/average rate forward contracts would decrease or increase by $24 million and $11 million at December 31, 2010 and 2009, respectively. The changes in the net fair value liability differ from 10% of those balances due to the relative differences between the underlying commodity prices and the prices in place in our commodity swaps/average rate forward contracts. These amounts exclude the offsetting impact of the price risk inherent in the physical purchase of the underlying commodities.

Interest Rate Risk

Our exposure to market risk associated with changes in interest rates relates primarily to our debt obligations. We currently have approximately $300 million of fixed rate debt, accounts receivable factoring facilities, and other debt. An increase or decrease of 25 basis points in the interest rates on this fixed rate debt would not materially impact our consolidated financial position, results of operations or cash flows.

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, 2010 and 2009 and the related consolidated statements of operations, owners' equity/stockholders' deficit and comprehensive income (loss), and cash flows for the year ended December 31, 2010 and the period from August 19, 2009 to December 31, 2009, and of the former Delphi Corporation (now known as DPH Holdings Corp.) (Predecessor) for the period from January 1, 2009 to October 6, 2009 and the year ended December 31, 2008. 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, 2010 and 2009 and the consolidated results of its operations and its cash flows for the year ended December 31, 2010 and the period from August 19, 2009 to December 31, 2009, and of the former Delphi Corporation (now known as DPH Holdings Corp.) (Predecessor) for the period from January 1, 2009 to October 6, 2009 and year ended December 31, 2008, 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 consolidated net income (loss) attributed to the parent and non-controlling interests.

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, 2010, 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 18, 2011 expressed an unqualified thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP

Detroit, Michigan
February 18, 2011

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, 2010, 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, 2010, based on the COSO criteria.

We also have audited, in accordance with the 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, 2010 and 2009 and the related consolidated statements of operations, owners' equity/stockholders' deficit and comprehensive income (loss), and cash flows for the year ended December 31, 2010 and the period from August 19, 2009 to December 31, 2009, and of the former Delphi Corporation (now known as DPH Holdings Corp.) (Predecessor) for the period from January 1, 2009 to October 6, 2009 and the year ended December 31, 2008 and our report dated February 18, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP

Detroit, Michigan
February 18, 2011

DELPHI AUTOMOTIVE LLP

CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
Net sales:				
General Motors and affiliates	$ 2,838	$ 668	$ 2,197	$ 5,053
Other customers	10,979	2,753	6,137	11,755
Total net sales	13,817	3,421	8,334	16,808
Operating expenses:				
Cost of sales	11,768	3,047	8,480	16,157
Selling, general and administrative	815	242	734	1,420
Amortization (Note 8)	70	16	3	5
Goodwill impairment (Note 8)	—	—	—	325
Restructuring	224	126	235	326
Total operating expenses	12,877	3,431	9,452	18,233
Operating income (loss)	940	(10)	(1,118)	(1,425)
Interest expense (Note 2)	(30)	(8)	—	(434)
Other income (expense), net (Note 19)	34	(17)	24	9
Reorganization items, net (Note 1)	—	—	10,210	5,147
Income (loss) from continuing operations before income taxes and equity income (loss)	944	(35)	9,116	3,297
Income tax (expense) benefit	(258)	27	311	(163)
Income (loss) from continuing operations before equity income (loss)	686	(8)	9,427	3,134
Equity income (loss), net of tax	17	5	(36)	29
Income (loss) from continuing operations	703	(3)	9,391	3,163
Loss from discontinued operations, net of tax	—	—	(44)	(97)
Net income (loss)	703	(3)	9,347	3,066
Net income attributable to noncontrolling interest	72	15	29	29
Net income (loss) attributable to Successor/Predecessor	$ 631	$ (18)	$ 9,318	$ 3,037
Amounts attributable to Successor/Predecessor:				
Income (loss) from continuing operations	$ 631	$ (18)	$ 9,363	$ 3,134
Discontinued operations (Note 21)	—	—	(45)	(97)
Net income (loss) attributable to Successor/Predecessor	$ 631	$ (18)	$ 9,318	$ 3,037
Net income (loss) attributable to Membership Interest:				
Class A	$ 114	$ (3)	NM*	NM*
Class B	410	(12)	NM*	NM*
Class C	107	(3)	NM*	NM*
Class E-1	—	—	NM*	NM*
Total	$ 631	$ (18)	$ 9,318	$ 3,037

* Non-measurable

See notes to consolidated financial statements.

DELPHI AUTOMOTIVE LLP

CONSOLIDATED BALANCE SHEETS

	Successor December 31, 2010	Successor December 31, 2009
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,219	$ 3,107
Restricted cash (Note 2)	47	96
Time deposits	550	—
Accounts receivable, net:		
General Motors and affiliates	393	354
Other	1,914	1,859
Inventories, net (Note 4)	988	876
Other current assets (Note 5)	555	543
Total current assets	7,666	6,835
Long-term assets:		
Property, net (Note 7)	2,067	1,960
Investments in affiliates (Note 6)	281	270
Intangible assets, net (Note 8)	665	750
Other long-term assets (Note 5)	403	492
Total long-term assets	3,416	3,472
Total assets	$11,082	$10,307
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Short-term debt (Note 12)	$ 218	$ 302
Accounts payable	2,236	1,872
Accrued liabilities (Note 9)	1,265	1,252
Total current liabilities	3,719	3,426
Long-term liabilities:		
Pension and other postretirement benefit obligations (Note 14)	677	811
Other long-term liabilities (Note 9)	587	704
Total long-term liabilities	1,264	1,515
Total liabilities	4,983	4,941
Commitments and contingencies (Note 15)		
Owners' equity:		
Membership interests (Note 17)	5,550	4,914
Accumulated other comprehensive income (loss):		
Employee benefit plans (Note 14)	59	33
Other	32	(9)
Total accumulated other comprehensive income	91	24
Total Delphi owners' equity	5,641	4,938
Noncontrolling interest	458	428
Total owners' equity	6,099	5,366
Total liabilities and owners' equity	$11,082	$10,307

See notes to consolidated financial statements.

DELPHI AUTOMOTIVE LLP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
Cash flows from operating activities:				
Net income (loss)	$ 703	$ (3)	$ 9,347	$ 3,066
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	351	123	537	817
Amortization	70	16	3	5
Restructuring expense, net of cash paid	(67)	(23)	57	(123)
Goodwill impairment	—	—	—	325
Deferred income taxes	(14)	(93)	(380)	(15)
Pension and other postretirement benefit expenses	59	23	315	598
Equity (income) loss, net of dividends received	(7)	(5)	44	(18)
Reorganization items (Note 3)	—	—	(10,210)	(5,147)
GM settlement (Note 3)	—	—	—	(189)
GM warranty settlement (Note 15)	—	—	—	(56)
U.S. employee workforce transition program charges	—	—	—	69
Loss on extinguishment of debt	8	—	—	49
(Gain) loss on investments / assets held for sale	(20)	—	3	(8)
Changes in operating assets and liabilities:				
Accounts receivable, net	(184)	(85)	122	1,168
Inventories, net	(130)	40	149	416
Other current assets	66	138	154	230
Accounts payable	354	277	(123)	(457)
Accrued and other long-term liabilities	88	(94)	(353)	(375)
Other, net	(19)	(111)	223	(215)
U.S. employee workforce transition program payments, net of reimbursement by GM	—	—	(28)	(219)
Pension contributions and other postretirement benefit payments	(117)	(44)	(111)	(599)
(Payments) receipts for GM settlement and reorganization items, net	—	—	(70)	1,115
Other, net	1	—	(4)	—
Discontinued operations (Note 21)	—	—	68	18
Net cash provided by (used in) operating activities	1,142	159	(257)	455
Cash flows from investing activities:				
Capital expenditures	(500)	(88)	(321)	(771)
Purchase of time deposits	(750)	—	—	—
Maturity of time deposits	200	—	—	—
Proceeds from sale of property	22	—	20	53
Proceeds from divestitures, net	71	74	16	133
Decrease (increase) in restricted cash	49	28	142	(230)
Cash acquired from Delphi Corporation	—	862	(862)	—
Other, net	(3)	9	(11)	(36)
Discontinued operations	—	—	(36)	(107)
Net cash (used in) provided by investing activities	(911)	885	(1,052)	(958)
Cash flows from financing activities:				
(Repayments of) proceeds from amended and restated debtor-in-possession facility	—	—	(244)	3,528
Net repayments of borrowings from refinanced debtor-in-possession facility	—	—	—	(2,746)
Accommodation agreement issuance costs	—	—	(40)	(58)
Net borrowings under GM liquidity support agreements	—	—	850	—
Net repayments under other short-term debt agreements	(49)	(21)	(244)	(202)
Repayments under long-term debt agreements	(50)	—	—	—
Proceeds from issuance of membership interests	—	2,042	—	—
Proceeds from issuance of five-year notes	—	41	—	—
Dividend payments of consolidated affiliates to minority shareholders	(27)	—	(13)	(47)
Discontinued operations	—	—	6	(10)
Net cash (used in) provided by financing activities	(126)	2,062	315	465
Effect of exchange rate fluctuations on cash and cash equivalents	7	1	35	(39)
Increase (decrease) in cash and cash equivalents	112	3,107	(959)	(77)
Cash and cash equivalents at beginning of period	3,107	—	959	1,036
Cash and cash equivalents at end of period	$3,219	$3,107	$ —	$ 959

See notes to consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss			Treasury Stock	Non-Controlling Interest	Total Stockholders' Equity (Deficit)
	Shares	Amount			Employee Benefit Plans	Other	Total			
	(In millions)									
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 158, 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.

See notes to consolidated financial statements.

DELPHI AUTOMOTIVE LLP

SUCCESSOR CONSOLIDATED STATEMENTS OF OWNERS' EQUITY AND COMPREHENSIVE INCOME

	Membership Interests					Accumulated Other Comprehensive Income (Loss)	Total Delphi Owners' Equity	Noncontrolling Interest	Total Owners' Equity
	Class A	Class B	Class C	Class E-1	Total				
	(In millions)								
Balance at August 19, 2009	$ —	$ —	$ —	$—	$ —	$ —	$ —	$ —	$ —
Net income (loss)	(3)	(12)	(3)	—	(18)	—	(18)	15	(3)
Currency translation adjustments and other, net of tax of $0 million	—	—	—	—	—	(14)(a)	(14)	(2)	(16)
Net change in unrecognized income on derivative instruments, net of tax of $0 million	—	—	—	—	—	5(b)	5	—	5
Employee benefit plans liability adjustment, net of tax of $10 million	—	—	—	—	—	33(c)	33	—	33
Total comprehensive income							6	13	19
Issuance of membership interests (Note 17)	1,972	2,418	542	—	4,932	—	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(d)	$4,938	$428	$5,366
Net income	114	410	107	—	631	—	631	72	703
Currency translation adjustments and other, net of tax of $0 million	—	—	—	—	—	(7)(a)	(7)	3	(4)
Net change in unrecognized income on derivative instruments, net of tax of $31 million	—	—	—	—	—	48(b)	48	—	48
Employee benefit plans liability adjustment, net of tax of $7 million	—	—	—	—	—	26(c)	26	—	26
Total comprehensive income							698	75	773
Dividends	—	—	—	—	—	—	—	(45)	(45)
Restricted interests recognized (Note 22)	—	—	—	5	5	—	5	—	5
Balance at December 31, 2010	$2,083	$2,816	$646	$ 5	$5,550	$ 91(d)	$5,641	$458	$6,099

(a) Accumulated Other Comprehensive Income includes a loss of $21 million (net of a $0 million tax effect) and $14 million (net of a $0 million tax effect) of currency translation adjustments and other for the year ended December 31, 2010 and the Successor period from August 19 to December 31, 2009, respectively.

(b) Accumulated Other Comprehensive Income includes income of $53 million (net of a $31 million tax effect) and $5 million (net of a $0 million tax effect) of net changes in unrecognized income on derivative instruments for the year ended December 31, 2010 and the Successor period from August 19 to December 31, 2009, respectively.

(c) Accumulated Other Comprehensive Income includes income of $59 million (net of a $17 million tax effect) and $33 million (net of a $10 million tax effect) of employee benefit plans liability adjustments for the year ended December 31, 2010 and the Successor period from August 19 to December 31, 2009, respectively.

(d) Accumulated Other Comprehensive Income totals $91 million (net of a $48 million tax effect), and $24 million (net of a $10 million tax effect) at December 31, 2010 and 2009, respectively.

See 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"), the former Delphi Corporation (now known as DPH Holdings Corp.) (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 former Delphi Corporation (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 approved modifications to 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, GM Component Holdings LLC, Motors Liquidation Company ("Old GM"), General Motors Company, together with its subsidiaries and affiliates ("GM") and Delphi, for the sale and purchase of substantially all of the Predecessor's businesses, and completed the emergence of the Predecessor from chapter 11 in accordance with the Modified Plan. 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 constituted the entirety of the operations of the Successor. Accordingly, as required, the financial information set forth herein reflects: (i) the consolidated results of operations and cash flows of the Successor for the year ended December 31, 2010 and 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 year ended December 31, 2008 and (ii) the consolidated financial position of the Successor as of December 31, 2010 and 2009. 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 Standards 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 DPH Holdings Corp. and its subsidiaries and affiliates ("DPHH"), except that two of the Predecessor's debtor subsidiaries became subsidiaries of Delphi. A summary of significant terms of the Modified Plan follows:

- Delphi acquired the businesses (other than the global steering business and the manufacturing facilities in the U.S. in which the hourly employees are represented by the UAW) of the Predecessor pursuant to the MDA, and received $1,833 million from GM, of which $1,689 million was received on the Acquisition Date and $144 million was received during the Successor period from August 19 to December 31, 2009, and $209 million from the debtor-in-possession ("DIP") lenders to the Predecessors (collectively, the "Acquisition").
- 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.
- If cumulative distributions to the members of Delphi Automotive LLP exceed $7.2 billion, Delphi, as disbursing agent on behalf of DPHH, is required to pay to the holders of allowed general unsecured claims against the Predecessor, $32.50 for every $67.50 in excess of $7.2 billion distributed to the members of Delphi Automotive LLP, up to a maximum of $300 million.
- The Predecessor's equity holders did not receive recoveries on their claims.

Reorganization Items — The accounting guidance in FASB ASC 852 requires reorganization items such as revenues, 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:

	Predecessor	
	(Income)/Expense	
	Period from January 1 to October 6, 2009	Year Ended December 31, 2008
	(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
Write off of previously capitalized EPCA fees and expenses	—	79
Other	25	(1)
Total reorganization items	$(10,210)	$(5,147)

Disposition of the Predecessor — 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, in the case of the liabilities that were not extinguished pursuant to the Modified Plan, were retained by DPHH.
- The retirement of certain other long-term liabilities, such as workers' compensation and warranty obligations, that were not assumed by GM or Delphi.

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

Acquisition Accounting— Delphi has recorded the assets acquired and the liabilities assumed from the Predecessor at estimated fair values in accordance with the guidance in FASB ASC 820, *Fair Value*

Measurements and Disclosures. The fair values were estimated based on valuations performed by an independent valuation specialist utilizing three generally accepted business valuation approaches: the income, market, and cost approaches. Generally, the income and market approaches were used and weighted by the independent valuation specialists as appropriate. 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 estimated provisional fair values of the assets acquired and liabilities assumed based on information that was available at the Acquisition Date. Measurement period adjustments were completed in 2010 and reflect new information obtained about facts and circumstances that existed as of the Acquisition Date, primarily related to changes in deferred taxes to reflect book to tax return reconciliations. Accordingly, the carrying amount of deferred tax assets and property, plant and equipment were retrospectively adjusted as of October 6, 2009. The impact of the retrospective adjustments was not material to Delphi's results of operations or cash flows for the period from the Acquisition Date through December 31, 2009 and, therefore, was reflected in operating results in the year ended December 31, 2010.

	October 6, 2009 (As Initially Reported)	Measurement Period Adjustments	October 6, 2009 (As Adjusted)
		(In millions)	
Fair value of membership interests issued	$ 4,932	$ —	$ 4,932
Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents (a)	$ 2,801	—	$ 2,801
Restricted cash	124	—	124
Accounts receivable	2,160	—	2,160
Inventory (b)	964	—	964
Property, plant and equipment (c)	2,255	(169)	2,086
Identifiable intangible assets (d)	766	—	766
Deferred tax assets	305	169	474
Other assets	896	—	896
Accounts payable	(1,585)	—	(1,585)
Pension liabilities (e)	(882)	—	(882)
Debt (f)	(419)	—	(419)
Deferred tax liabilities	(328)	—	(328)
Other liabilities (g)	(1,710)	—	(1,710)
Noncontrolling interests	(415)	—	(415)
Total identifiable net assets	$ 4,932	$ —	$ 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.

(g) Contingent liability of up to $300 million required to be paid to the holders of allowed general unsecured claims against the Predecessor if cumulative distributions to the members exceed $7.2 billion not probable as of October 6, 2009 and therefore, recorded at zero.

Pro forma results of Consummation of the Modified Plan and Acquisition Accounting — The following table presents the unaudited pro forma results for the years ended December 31, 2009 and 2008. The unaudited pro forma financial information for the year ended December 31, 2009 adjusts the results of operations of the Predecessor through October 6, 2009 as though the consummation of the Modified Plan and

the Acquisition had occurred at the beginning of fiscal 2008 and combines that with the results of operations of the Successor from the Acquisition Date through December 31, 2009. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the consummation of the Modified Plan and the Acquisition had occurred at the beginning of fiscal 2009. The unaudited pro forma results presented include adjustments to remove the businesses that were not acquired by the Successor, reductions to cost of sales related to the elimination of primarily all of the Predecessor's U.S. pension and workforce postretirement health care benefits and employer-paid postretirement basic life insurance benefits (collectively "OPEB") costs, an increase in interest expense related to the Successor's new debt and the reversal of pre-petition interest expense, an elimination of the bankruptcy-related reorganization items and adjustments to depreciation and amortization expense related to the reduction in fair value of the property, plant and equipment and the increase in intangible assets on the Successor's balance sheet.

	2009	2008
	(In millions)	
Net sales	$11,116	$15,125
Net loss	(846)	(1,373)

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 has evaluated all events that have occurred subsequent to December 31, 2010 through February 18, 2011 (the date the financial statements were available to be issued).

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 collectability 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.

We collect and remit taxes assessed by different governmental authorities that are both imposed on and concurrent with a revenue-producing transaction between us and our customers. These taxes may include, but are not limited to, sales, use, value-added, and some excise taxes. We report the collection of these taxes on a net basis (excluded from revenues).

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, 2010 and 2009, Delphi's investors held membership interests of $5.6 billion and $4.9 billion, respectively. 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 $1.0 billion, $0.3 billion, $1.0 billion and $1.8 billion for the year ended December 31, 2010, the periods August 19 to December 31, 2009, January 1 to October 6, 2009, and the year ended December 31, 2008, respectively.

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

Time Deposits — During 2010, Delphi entered into various time deposit agreements whereby certain of Delphi's funds on deposit with financial institutions may not be withdrawn for a specified period of time. Time deposits with original maturity periods of three months or less have been included as Cash and cash equivalents in the consolidated balance sheet as of December 31, 2010, while time deposits with original maturity periods greater than three months have been separately stated in the consolidated balance sheet as of December 31, 2010. The carrying value of time deposits approximates fair value as of December 31, 2010.

Marketable Securities — Marketable securities with maturities of three months or less are classified as cash and cash equivalents for financial statement purposes. Debt securities with maturities greater than three months are classified as held-to-maturity, and accordingly are recorded at cost in the consolidated financial statements. Equity securities with maturities greater than three months 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 $13 million and $26 million and a carrying value of $12 million and $23 million were held as of December 31, 2010 and 2009, 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. In 2010, Delphi recognized an other-than-temporary impairment of $9 million.

Restricted Cash — Restricted cash includes balances on deposit at financial institutions that have issued letters of credit in favor of Delphi.

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, 2010 and 2009. 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, 2010 and 2009, the accounts receivable reserve was $64 million and $33 million, respectively and the provision for doubtful accounts was $45 million, $33 million, $22 million and $63 million for the year ended December 31, 2010,

the periods August 19 to December 31, 2009, January 1 to October 6, 2009, and the year ended December 31, 2008, respectively.

The Company exchanges certain amounts of accounts receivable, primarily in the Asia/Pacific region, for bank notes with original maturities greater than three months. The collection of such bank notes are included in operating cash flows based on the substance of the underlying transactions, which are operating in nature.

Inventories — As of December 31, 2010 and 2009, inventories are stated at the lower of cost, determined on a first-in, first-out basis, 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, 2010, 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 in subsequent periods. 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 under capital leases are depreciated over the period of the lease or the life of the property, whichever is shorter, with the depreciation applied directly to the asset account.

At December 31, 2010 and 2009, the special tools balance was $247 million and $258 million, respectively, included within property, net in the consolidated balance sheet. Special tools balances represent Delphi-owned tools, dies, jigs and other items used in the manufacture of customer components. 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 depreciated 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 depreciated 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, 2010 and 2009, the Delphi-owned special tools balances were $220 million and $240 million, respectively, and the customer-owned special tools balances were $27 million and $18 million, respectively.

Valuation of Long-Lived Assets — The carrying value of long-lived assets held for use including intangible assets is 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 21. Discontinued Operations and Note 7. Property, Net for more information.

Intangible Assets — Intangible assets were $665 million and $750 million as of December 31, 2010 and 2009, respectively. In general, definite-lived intangible assets are being amortized over their useful lives, normally 6-20 years. 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 that use a currency other than U.S. dollars as their functional currency 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 losses of $20 million, $2 million, $5 million and $29 million were included in the consolidated statements of operations for the year ended December 31, 2010, the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008, respectively.

Restructuring — 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 existence of a substantive plan for severance or termination. Contract termination costs are recorded when contracts are terminated or when Delphi ceases to use the leased facility and no longer derives economic benefit from the contract. All other exit costs are expensed as incurred. Refer to Note 11. Restructuring. Refer to Note 3. Elements of Predecessor Transformation Plan for employee termination benefits and other exit costs related to non-core product lines. Pursuant to the Amended MRA (as defined in Note 3. Elements of Predecessor Transformation Plan), 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, if applicable, 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 $4 million and $3 million at December 31, 2010 and 2009, respectively.

Customer Concentrations — GM is Delphi's largest customer and accounted for 21% of its total net sales from continuing operations during the year ended December 31, 2010. 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.

Global sales to Ford Motor Company were approximately 9% of total sales during the year ended December 31, 2010.

Filings for reorganization relief under chapter 11 of the Bankruptcy Code by domestic customers and other companies in the automotive parts industry have not had a significant impact on Delphi's results of operations for the year ended December 31, 2010, 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 required to be reported on the balance sheet at fair value unless the transactions qualify and are designated as normal purchases or sales. Changes in fair value are reported currently through earnings unless they meet 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, sales contracts, 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 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, 2010 and 2009, 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 3. Elements of Predecessor Transformation Plan), 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 remained liabilities of DPHH. Pursuant to the Amended MRA (as defined in Note 3. Elements of Predecessor

Transformation Plan), GM reimbursed the Predecessor for workers compensation benefits paid by the Predecessor from January 1, 2009 through October 6, 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 AHG 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 21. 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, *Reorganizations*. Contractual interest expense was $494 million and $558 million for the period from January 1 to October 6, 2009, and the year ended December 31, 2008, 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 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.

Reclassifications — Certain prior period amounts have been reclassified in the consolidated statements of operations within operating expenses for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009, and the year ended December 31, 2008 to conform to the current year presentation. The Company has reclassified amounts from cost of sales and selling, general and administrative expenses to restructuring and has also included depreciation expense in cost of sales and selling, general and administrative expenses, as applicable.

Recently Issued Accounting Pronouncements— In June 2009, the Financial Accounting Standards Board ("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, *Consolidation*, and FASB ASC 860, *Transfers and Servicing*. The adoption of this guidance on January 1, 2010 did not have a significant impact on Delphi's financial statements.

In October 2009, the FASB issued Accounting Standards Update ("ASU") 2009-13, *Revenue Recognition — Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force*, which amends FASB ASC 605, *Revenue Recognition*, by modifying the criteria used to separate elements in a multiple-element arrangement, introducing the concept of "best estimate of selling price" for determining the selling price of a deliverable, establishing a hierarchy of evidence for determining the selling price of a deliverable, requiring use of the relative selling price method and prohibiting use of the residual method to allocate arrangement consideration among units of accounting, and expanding the disclosure requirements for all multiple-element arrangements within the scope of FASB ASC 605-25. The amended guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Alternatively, this amended guidance may be applied retrospectively for all prior periods. Delphi does not expect the adoption of ASU 2009 -13 to have a significant impact on its financial statements.

In April 2010, the FASB ratified Emerging Issues Task Force Issue No. 08-9, *Milestone Method of Revenue Recognition* ("Issue 08-9"). ASU 2010-17, *Revenue Recognition — Milestone Method*, which resulted from the ratification of Issue 08-9 and amends FASB ASC 605. ASU 2010-17 allows, but does not require, an entity to make an accounting policy election to recognize a payment that is contingent upon the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The guidance in ASU 2010-17 is effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2010, and may be applied prospectively to milestones achieved after the adoption date or retrospectively for all periods presented. Early adoption is permitted. Delphi does not expect the adoption of ASU 2010 -17 to have a significant impact on its financial statements.

In August 2010, the FASB issued ASU 2010-20, *Receivables — Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* This guidance amends required disclosures about an entity's allowance for credit losses and the credit quality of its financing receivables. The update will require entities to provide a greater level of disaggregated information about the credit quality of its financing receivables and its allowance for credit losses. The guidance is effective for public companies for interim and annual reporting periods ending on or after December 15, 2010 and for non-public companies, for annual reporting periods ending on or after December 15, 2011. In January 2011, the FASB issued ASU 2011-01 *Receivables — Deferral of the Effective Date of Disclosures* about troubled debt restructurings in ASU 2010-20. This guidance temporarily delays the effective date of the disclosures about troubled debt restructurings for public entities. An effective date has yet to be determined. Delphi does not expect the adoption of ASU 2010-20 or 2011-01 to have a significant impact on its financial statements other than providing the new disclosures as required.

3. ELEMENTS OF PREDECESSOR TRANSFORMATION PLAN

GM — The Predecessor and Old GM entered into comprehensive settlement agreements consisting of the Global Settlement Agreement dated September 6, 2007 (as amended through December 7, 2007, (the "Original GSA"), and the Master Restructuring Agreement dated September 6, 2007 (as amended through December 7, 2007 (the "Original MRA"). The Original GSA and the Original MRA were approved in the order confirming the Predecessor's initial plan of reorganization on January 25, 2008. The Original GSA and the Original MRA provided that they would not be 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, on September 12, 2008, the Predecessors and Old GM entered into an Amended and Restated Global Settlement Agreement (the "Amended GSA") and an Amended and Restated Master Restructuring Agreement (the "Amended MRA"). 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 included provisions related to the transfer of certain legacy pension and other postretirement benefit obligations and became effective independent of and in advance of substantial consummation of an amended plan of reorganization, although provisions relating to the acceleration of payment terms were not immediately effective. 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 (except that Old GM agreed to remain responsible for certain of its obligations thereunder) and the MDA and certain ancillary agreements govern certain aspects of the relationship among GM and Delphi, as purchaser of the major portion of the Predecessor's businesses.

Global Settlement Agreement — The Original GSA and the Amended GSA resolved outstanding issues between the Predecessor and Old GM, including: litigation commenced in March 2006 by the Predecessor to terminate certain supply agreements with Old GM; all potential claims and disputes with Old GM arising out of the separation of the Predecessor from Old GM in 1999, including certain post-separation claims and disputes; the proofs of claim filed by Old GM against the Predecessor in the Predecessor's chapter 11 cases; Old GM's treatment under the Predecessor's original plan of reorganization; and various other legacy U.S. hourly workforce benefit issues including commitments by the Predecessor and Old GM regarding other U.S. OPEB, pension obligations, and other Old 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, Old 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 Old 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, Old GM assumed financial responsibility for all of the Predecessor's traditional hourly OPEB liabilities from and after January 1, 2007, subject to certain reimbursement obligations by the Predecessor. Old 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 Old GM and Old 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, Old 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, Old GM and GM funded an additional $41 million of OPEB payments made to the hourly workforce. Refer to Note 14. Pension and Other Postretirement Benefits for further information.

GM General Unsecured Claim — With respect to Old GM's claims in the Predecessor's chapter 11 cases, Old 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, Old GM and GM agreed to waive the general unsecured claim in the Predecessor's chapter 11 cases. GM and certain related parties and the Predecessor and certain related parties have also 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 filed against GM in the Court on October 5, 2007. In addition, the Modified Plan contains additional mutual releases between Old GM, 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 year ended December 31, 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, Old 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 Old GM general unsecured claims of $333 million primarily related to the 2006 U.S. hourly workforce attrition programs previously reimbursed by Old GM were 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 Old 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 2008 includes a $51 million reimbursement from Old 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 of a portion of the allowed claim under the IUE-CWA labor agreement.

Master Restructuring Agreement — The Amended MRA was intended to, among other things, govern certain aspects of the commercial relationship between the Predecessor and Old GM following the effectiveness of the Amended MRA and continuing after the Predecessor's emergence from chapter 11. The Amended MRA addressed the scope of Old GM's existing and future business awards to the Predecessor and related pricing and sourcing arrangements, Old GM's 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 Old 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 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 (i) addressed the scope of existing business awards, related pricing agreements, and extensions of certain existing supply agreements, including Old GM's ability to move production to alternative suppliers, and the reorganized Predecessor's rights to bid and qualify for new business awards; (ii) eliminated the requirement to implement price-downs with respect to certain businesses and restricted Old 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; (iii) contained a commitment by Old 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 (iv) contained commitments by Old GM concerning the sale of certain of the Predecessor's non-core businesses and additional commitments by Old 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, the Predecessor 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 — Old 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. 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 more competitive operations in the U.S. 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 operating expenses 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 Old GM's production requirements and Old GM had agreed to provide 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, Old GM had agreed to reimburse capital spending in excess of $50,000 per month 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. PCBB reimbursement, including capital spending, from Old GM was recognized contemporaneously as incurred, and was treated as a reduction to operating expenses, 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 operating expenses.

Working Capital Backstop — Steering Business — Old GM agreed to provide payments to the Predecessor for the Steering Business if the sales value was less than defined estimated working capital amounts of the businesses. In addition, Old GM agreed to provide payments to the Predecessor related to the Steering Business if it was not sold prior to the effectiveness of the MRA. Old GM provided a $210 million advance on working capital recovery to the Predecessor related to the Steering Business on September 30, 2008 which was recorded as a deferred liability upon receipt. As further discussed above, under the terms of the Modified Plan, Old GM acquired the Steering Business from the Predecessor on the Acquisition Date. The Steering Business was reported as a discontinued operation, refer to Note 21. Discontinued Operations for further information.

Reimbursement of Hourly Workers' Compensation and Other Benefits — Old 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 Old 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 operating expenses during the period from January 1 to October 6, 2009.

Pensions — Subsequent to 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 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, was 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 did not violate 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 Old 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 Original GSA and the Original 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 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 were included in discontinued operations, refer to Note 21. Discontinued Operations.

Costs recorded by the Predecessor 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. Restructuring, Note 13. U.S. Employee Workforce Transition Programs and Note 21. 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 persisted in 2009, further restructuring initiatives continued to be required. The Predecessor implemented 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 a decrease in salaried severance payments in 2009. The PBGC's termination of the U.S. Pension Plans effective July 31, 2009 (refer to Note 14. Pension and Other Postretirement Benefits) also had the effect of reducing the Predecessor's cash needs.

4. INVENTORIES, NET

A summary of inventories, net is shown below:

	Successor	
	December 31, 2010	December 31, 2009
	(In millions)	
Productive material	$544	$494
Work-in-process	159	133
Finished goods	285	249
Total	$988	$876

5. ASSETS

Other current assets consisted of the following:

	Successor	
	December 31, 2010	December 31, 2009
	(In millions)	
Income and other taxes receivable	$208	$184
Prepaid insurance and other expenses	87	95
Deferred income taxes (Note 16)	136	196
Deposits to vendors	12	25
Notes receivable	33	21
Derivative financial instruments (Note 18)	59	4
Other	20	18
Total	$555	$543

Other long-term assets consisted of the following:

	Successor	
	December 31, 2010	December 31, 2009
	(In millions)	
Deferred income taxes (Note 16)	$183	$276
Notes receivable	31	33
Income and other taxes receivable	87	110
Deferred charges	4	5
Other investments	13	19
Derivative financial instruments (Note 18)	17	2
Other	68	47
Total	$403	$492

6. INVESTMENTS IN AFFILIATES

As part of Delphi's operations, it has investments in 10 non-consolidated affiliates accounted for under the equity method of accounting. 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 $281 million and $270 million at December 31, 2010 and 2009, respectively. Dividends of $10 million, $0 million, $8 million and $11 million for the year ended December 31, 2010, the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008, respectively, have been received from non-consolidated affiliates. A $23 million impairment charge was recorded in the period from January 1 to October 6, 2009 related to Delphi's investment in a non-consolidated affiliate.

The following is a summary of the combined financial information of significant affiliates accounted for under the equity method as of December 31, 2010 and 2009 and for the year ended December 31, 2010, the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008 (unaudited):

	Successor	
	December 31, 2010	December 31, 2009
	(In millions)	
Current assets	$ 888	$ 711
Non-current assets	545	490
Total assets	$1,433	$1,201
Current liabilities	$ 587	$ 376
Non-current liabilities	227	271
Stockholders' equity	619	554
Total liabilities and stockholders' equity	$1,433	$1,201

	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
Net sales	$1,750	$369	$866	$2,477
Gross profit	$ 215	$ 53	$ 56	$ 273
Net income (loss)	$ 41	$ 5	$ (44)	$ 53

A summary of transactions with affiliates is shown below:

	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
Sales to affiliates	$ 62	$ 7	$ 8	$ 48
Purchases from affiliates	$315	$51	$90	$267

7. PROPERTY, NET

Property, net consisted of:

	Estimated Useful Lives (Years)	Successor December 31, 2010	Successor December 31, 2009
		(In millions)	
Land	—	$ 163	$ 173
Land and leasehold improvements	3-20	79	61
Buildings	40	492	556
Machinery, equipment, and tooling	3-20	1,470	1,026
Furniture and office equipment	3-10	104	72
Construction in progress	—	246	195
Total		2,554	2,083
Less: accumulated depreciation		(487)	(123)
Total property, net		$2,067	$1,960

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 cost of sales related to long-lived assets held for use for the year ended December 31, 2010, the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and for the year ended December 31, 2008:

Segment	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
Electronics and Safety	$—	$—	$37	$15
Powertrain Systems	—	12	—	—
Electrical/Electronic Architecture	—	—	1	2
Thermal Systems	—	5	2	10
Eliminations and Other	—	—	1	—
Continuing operations	—	17	41	27
Discontinued operations	—	—	—	10
Total	$—	$17	$41	$37

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:

	As of December 31, 2010			As of December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In millions)			(In millions)	
Amortized intangible assets:						
Patents and developed technology	$455	$48	$407	$442	$ 9	$433
Customer relationships	137	32	105	140	6	134
Trade names	95	6	89	97	1	96
Total	687	86	601	679	16	663
Unamortized intangible assets:						
In-process research & development	64	—	64	87	—	87
Total	$751	$86	$665	$766	$16	$750

Delphi incurs costs to renew or extend the term of the acquired intangible assets which are recognized as expense and not capitalized. The estimated useful lives of the Company's amortized intangible assets range from 6 to 20 years. Amortization expense is estimated to be $70 million annually for the years ending December 31, 2011 and 2012, $68 million for the year ending December 31, 2013, $60 million for the year ending December 31, 2014 and $52 million for the year ending December 31, 2015.

A roll-forward of the gross carrying amounts for the years ended December 31, 2010 and 2009 is presented below:

	2010	2009
	(In millions)	
Balance at January 1	$766	$ —
Acquisitions	—	766
Write-offs	(3)	—
Foreign currency translation and other	(12)	—
Balance at December 31	$751	$766

A roll-forward of the accumulated amortization for the years ended December 31, 2010 and 2009 is presented below:

	2010	2009
	(In millions)	
Balance at January 1	$16	$—
Provisions	70	16
Non-recurring charges (write-offs)	—	—
Foreign currency translation and other	—	—
Balance at December 31	$86	$16

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, the January 1, 2009 balance of goodwill of $62 million was adjusted and there is no goodwill recognized in the consolidated balance sheets of the Successor as of December 31, 2010 and 2009.

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, totaling $168 million and $157 million, respectively, related to the respective segments.

9. LIABILITIES

Accrued liabilities consisted of the following:

	Successor	
	December 31, 2010	December 31, 2009
	(In millions)	
Payroll-related obligations	$ 203	$ 199
Employee benefits, including current pension obligations	167	56
Income and other taxes payable	220	248
Warranty obligations (Note 10)	243	181
Restructuring (Note 11)	115	216
Customer deposits	22	32
Deferred income taxes (Note 16)	4	20
Other	291	300
Total	$1,265	$1,252

Other long-term liabilities consisted of the following:

	Successor	
	December 31, 2010	December 31, 2009
	(In millions)	
Environmental (Note 15)	$ 18	$ 18
Extended disability benefits	8	13
Warranty obligations (Note 10)	119	151
Restructuring (Note 11)	54	13
Payroll-related obligations	11	12
Accrued income taxes	52	61
Long-term debt (Note 12)	71	94
Deferred income taxes (Note 16)	178	275
Other	76	67
Total	$587	$704

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.

Although Delphi has recognized its best estimate for its total aggregate warranty reserves across all of its operating segments as of December 31, 2010, the estimated reasonably possible amounts to ultimately resolve all matters is approximately $75 million in excess of the recorded reserves.

The table below summarizes the activity in the product warranty liability for the year ended December 31, 2010 and the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009:

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(In millions)		(In millions)
Accrual balance at beginning of period	$332	$ —	$ 364
Fair value of liabilities assumed in the Acquisition	—	344	—
Provision for estimated warranties incurred during the period	62	9	41
Provision for changes in estimate for preexisting warranties	80	15	73
Settlements made during the period (in cash or in kind)	(99)	(35)	(92)
Gain from reorganization	—	—	(395)
Foreign currency translation and other	(13)	(1)	9
Accrual balance at end of period	$362	$332	$ —

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

11. RESTRUCTURING

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 existence of a substantive plan for severance or termination. Contract termination costs are recorded when contracts are terminated or when Delphi ceases to use the leased 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, including selling or winding down non-core product lines, transforming the salaried workforce to reduce general and administrative expenses.

The following table summarizes the employee termination benefit and other exit cost charges recorded for the year ended December 31, 2010, the periods from August 19 to December 31 and January 1 to October 6, 2009 and the year ended December 31, 2008 by operating segment:

	Successor		Predecessor	
Segment	Year Ended December 31, 2010	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)	
Electronics and Safety	$ 29	$ 20	$ 91	$150
Powertrain Systems	49	50	45	69
Electrical/Electronic Architecture	94	50	99	82
Thermal Systems	52	5	11	25
Eliminations and Other	—	1	(11)	—
Continuing operations	224	126	235	326
Discontinued operations	—	—	14	146
Total	$224	$126	$249	$472

The table below summarizes the activity in the employee termination benefits and exit costs liability for the periods from January 1 to October 6, 2009 and August 19 to December 31, 2009 and the year ended December 31, 2010:

	Employee Termination Benefits Liability	Other Exit Costs Liability	Total
		(In millions)	
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
Provision for estimated expenses incurred during the period	194	31	225
Provision for changes in estimates for preexisting programs	(1)	—	(1)
Payments made during the period	(260)	(31)	(291)
Foreign currency and other	5	2	7
Accrual balance at December 31, 2010	$ 148	$ 21	$ 169

Delphi and the Predecessor have initiated several programs to streamline operations and lower costs. The following are details of significant charges during 2010.

- *Realignment of existing manufacturing capacity and closure of facilities.* As part of Delphi's ongoing efforts to lower costs and operate efficiently, the Company recorded $28 million of employee termination benefits and other related exit costs in North America, primarily related to the Electrical/Electronic Architecture segment's continued efforts to reduce the workforce. The four reporting segments recorded $174 million of employee termination costs and other related exit costs in conjunction with workforce reduction and programs related to the rationalization of manufacturing and engineering processes, including plant closures, primarily in Europe. The Electronics and Safety segment also incurred $8 million of costs related to the ongoing sales and wind-down of its occupant protection systems businesses during the year ended December 31, 2010.

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 the workforce 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 workforce 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 exited 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 workforce 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.

12. DEBT

The following is a summary of debt outstanding as of December 31, 2010 and 2009:

	Successor	
	2010	2009
	(In millions)	
Accounts receivable factoring	$ 112	$ 110
12.00%, unsecured notes, due 2014	47	49
German loan agreement	—	23
Capital leases and other	130	214
Total debt	289	396
Less: current portion	(218)	(302)
Long-term debt	$ 71	$ 94

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 under the Credit Agreement (the "DDTL") with a syndicate of lenders. The Notes pay 12% interest and mature on October 6, 2014 and are recorded at $47 million and $49 million in the consolidated balance sheet as of December 31, 2010 and 2009. The DDTL includes maximum available borrowing of $890 million, which is split into a U.S. tranche of up to $267 million in borrowings and a foreign tranche of up to $623 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. A majority of the holders of the Notes and the lenders under the DDTL are related parties as holders of the Class A and Class B membership interests.

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 as well as certain foreign 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 and Delphi has begun to deliver such guarantees. 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. 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 or stock equivalents. As of December 31, 2010, Delphi was in compliance with the covenants of the NPA and DDTL, no amounts were drawn under the DDTL, and the full $890 million under the DDTL remained available.

Accounts Receivable Factoring — Various accounts receivable factoring facilities are maintained in Europe and are accounted for as short-term debt. These uncommitted factoring facilities are available through various financial institutions. As of December 31, 2010 and 2009, $112 million and $110 million, respectively, were outstanding under these accounts receivable factoring facilities.

Capital Leases and Other — As of December 31, 2010 and 2009, approximately $130 million and approximately $214 million, respectively, of other debt issued by certain international subsidiaries was outstanding, primarily related to bank lines in Asia Pacific and capital lease obligations.

German Loan Agreement — During 2009, two of Delphi's German subsidiaries entered into a loan agreement for up to €125 million with a German financial institution. This loan was drawn upon as needed during 2009 and 2010 to fund restructuring initiatives, capital investment and other ongoing cash needs. As of December 31, 2009, $23 million was outstanding under the loan agreement. During 2010, Delphi repaid the loan in full and terminated the loan agreement.

Interest — Cash paid for interest related to amounts outstanding totaled $30 million, $8 million, $157 million and $442 million for the year ended December 31, 2010, the periods August 19 to December 31, 2009 and January 1 to October 6, 2009, and the year ended December 31, 2008, respectively.

The principal maturities of debt, at nominal value, excluding the accretion related to the Notes of approximately $6 million are as follows:

Year	Debt and Capital Lease Obligations
	(In millions)
2011	$218
2012	9
2013	4
2014	43
2015	5
Thereafter	4
Total	$283

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, 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	$ —

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 had been forgiven and were subsumed in the

overall $2.5 billion allowed general unsecured claim granted to GM, which was waived under the MDA. 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, (as further discussed in Note 3. Elements of Predecessor Transformation Plan), the Predecessor sponsored pension plans covering 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 qualified for retirement before normal retirement age. Certain employees also participated in non-qualified pension plans covering executives, which are based on targeted wage replacement percentages and are unfunded. 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. 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, Old 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 Old 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 agreed 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, Old 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 Old GM and Old 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 Old 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. Restructuring, 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.

The amounts shown below reflect the change in the U.S. defined benefit pension obligations during 2010 and 2009.

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(In millions)		(In millions)
Benefit obligation at beginning of period	$ 81	$ —	$ 11,411
Liabilities established/assumed in the Acquisition	—	81	—
Service cost	—	—	12
Interest cost	4	1	393
Actuarial loss	5	—	—
Benefits paid	(7)	(1)	(496)
Impact of transfers/settlements	—	—	(11,203)
Gain from reorganization	—	—	(117)
Benefit obligation at end of period	$ 83	$ 81	$ —
Change in plan assets:			
Fair value of plan assets at beginning of period	$ —	$ —	$ 6,147
Actual return on plan assets	—	—	547
Delphi contributions	7	1	—
Benefits paid	(7)	(1)	(496)
Impact of transfers/settlements	—	—	(6,198)
Fair value of plan assets at end of period	$ —	$ —	$ —
Underfunded status	$(83)	$(81)	$ —
Amounts recognized in the consolidated balance sheets consist of:			
Current liabilities	(8)	(7)	—
Non-current liabilities	(75)	(74)	—
Total	$(83)	$(81)	$ —
Amounts recognized in accumulated other comprehensive income consist of (pre-tax):			
Actuarial loss	$ 5	$ —	$ —
Total	$ 5	$ —	$ —

The amounts shown below reflect the change in the non-U.S. defined benefit pension obligations during 2010 and 2009.

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(In millions)		(In millions)
Benefit obligation at beginning of period	$1,533	$ —	$ 1,242
Liabilities assumed in the Acquisition	—	1,540	—
Service cost	38	13	32
Interest cost	84	21	76
Plan participants' contributions	2	1	3
Actuarial loss (gain)	4	(25)	—
Benefits paid	(66)	(21)	(106)
Impact of curtailments	(8)	(2)	48
Plan amendments and other	(9)	(6)	—
Exchange rate movements	(60)	12	118
Gain from reorganization	—	—	(1,413)
Benefit obligation at end of period	$1,518	$1,533	$ —
Change in plan assets:			
Fair value of plan assets at beginning of period	$ 798	$ —	$ 622
Assets acquired in the Acquisition	—	739	—
Actual return on plan assets	95	28	—
Expected return on plan assets	—	—	63
Delphi contributions	109	43	81
Plan participants' contributions	2	1	3
Benefits paid	(66)	(21)	(106)
Exchange rate movements and other	(28)	8	54
Gain from reorganization	—	—	(717)
Fair value of plan assets at end of period	$ 910	$ 798	$ —
Underfunded status	$ (608)	$ (735)	$ —
Amounts recognized in the consolidated balance sheets consist of:			
Current liabilities	(13)	(5)	—
Non-current liabilities	(595)	(730)	—
Total	$ (608)	$ (735)	$ —
Amounts recognized in accumulated other comprehensive income consist of (pre-tax):			
Actuarial gain	$ (75)	$ (40)	$ —
Prior service cost (credit)	—	(2)	—
Total	$ (75)	$ (42)	$ —

The amounts shown below reflect the change in the other postretirement benefit obligations during 2010 and 2009.

	Successor		Predecessor
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(In millions)		(In millions)
Benefit obligation at beginning of period	$ 7	$—	$ 1,201
Liabilities assumed in the Acquisition	—	7	—
Service cost	—	—	7
Interest cost	1	—	18
Benefits paid	(1)	—	(30)
Impact of curtailments	(1)	—	—
Impact of transfers/settlements	—	—	(1,171)
Gain from reorganization	—	—	(25)
Benefit obligation at end of period	$ 6	$ 7	$ —
Change in plan assets:			
Fair value of plan assets at beginning of period	$—	$—	$ —
Delphi contributions	1	—	30
Benefits paid	(1)	—	(30)
Fair value of plan assets at end of period	$—	$—	$ —
Underfunded status	$ (6)	$ (7)	$ —
Amounts recognized in the consolidated balance sheets consist of:			
Current liabilities	(2)	—	—
Non-current liabilities	(4)	(7)	—
Total	$ (6)	$ (7)	$ —
Amounts recognized in accumulated other comprehensive income consist of (pre-tax):			
Actuarial loss	$—	$—	$ —
Prior service credit	—	—	—
Total	$—	$—	$ —

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	
	2010	2009	2010	2009
	(In millions)			
	Plans with ABO in Excess of Plan Assets			
PBO	$83	$81	$1,402	$1,420
ABO	83	81	1,246	1,264
Fair value of plan assets at end of year	—	—	807	708
	Plans with Plan Assets in Excess of ABO			
PBO	$—	$—	$ 116	$ 113
ABO	—	—	74	77
Fair value of plan assets at end of year	—	—	103	90
	Total			
PBO	$83	$81	$1,518	$1,533
ABO	83	81	1,320	1,341
Fair value of plan assets at end of year	—	—	910	798

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

	U.S. Pension Plans			
	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
Service cost(a)	$—	$—	$ 12	$ 128
Interest cost	4	1	393	814
Expected return on plan assets	—	—	(341)	(833)
Settlement loss (gain)	—	—	(188)	494
Curtailment loss-PBO	—	—	—	75
Amortization of prior service costs	—	—	15	26
Amortization of actuarial losses	—	—	126	21
Net periodic benefit cost	$ 4	$ 1	$ 17	$ 725

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

	Non-U.S. Pension Plans			
	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
Service cost	$ 38	$ 13	$ 32	$ 50
Interest cost	84	21	76	90
Expected return on plan assets	(55)	(12)	(63)	(86)
Settlement (gain) loss	(1)	—	—	55
Curtailment (gain) loss	(9)	(2)	48	2
Amortization of transition amount	—	—	—	1
Amortization of prior service costs	—	—	2	7
Amortization of actuarial losses	3	—	14	5
Net periodic benefit cost	$ 60	$ 20	$109	$124

	Other Postretirement Benefits			
	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
Service cost	$—	$—	$ 7	$ 27
Interest cost	1	—	18	428
Settlement gain	—	—	(1,175)	(7,087)
Curtailment gain-PBO	(1)	—	—	(8)
Curtailment gain-prior service	—	—	—	(74)
Amortization of prior service costs (credit)	—	—	(30)	(108)
Amortization of actuarial losses	—	—	9	37
Net periodic benefit cost	$—	$—	$(1,171)	$(6,785)

Net periodic benefit cost above reflects $5 million and $32 million that was included in loss from discontinued operations of the Predecessor for the period from January 1 to October 6, 2009 and the year ended December 31, 2008, 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 2011 is $2 million.

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			
	2010	2009	2010	2009	2010	2009
Weighted-average discount rate	4.10%	5.00%	5.69%	6.00%	4.52%	5.26%
Weighted-average rate of increase in compensation levels	N/A	N/A	3.88%	3.90%	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					
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Weighted-average discount rate	5.00%	6.16%	6.35%	5.97%	6.22%	5.99%	5.20%	6.12%	6.41%
Weighted-average rate of increase in compensation levels	N/A	N/A	4.45%	3.89%	3.95%	4.16%	4.50%	4.50%	4.50%
Expected long-term rate of return on plan assets	N/A	8.25%	8.75%	7.14%	7.81%	8.28%	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.

In 2010, Delphi no longer has any U.S. pension assets; therefore no U.S. asset rate of return calculation was necessary for 2010. The primary funded non-U.S. plans are in the United Kingdom and Mexico. For the determination of 2010 expense, Delphi assumed a long-term asset rate of return of approximately 6.75% and 10.0% for the United Kingdom and Mexico, respectively. Delphi evaluated input from local actuaries and asset managers, including consideration of recent fund performance and historical returns, in developing the long-term rate of return assumptions. The assumptions for the United Kingdom and Mexico are primarily conservative long-term, prospective rates.

Delphi's pension expense for 2011 is determined at the 2010 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	+ $2 million	+ $63 million
25 bp increase in discount rate	- $3 million	- $59 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.

Pension Funding

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)		
2011	$ 8	$ 62	$ 1
2012	9	58	1
2013	9	63	—
2014	9	67	1
2015	5	69	1
2016 — 2020	45	441	2

Inclusive of the expected benefit payments above, Delphi anticipates making required pension contributions of approximately $80 million in 2011.

Delphi sponsors and the Predecessor sponsored defined contribution plans for certain U.S. hourly and salaried employees. Expense related to the contributions for these plans was $29 million, $4 million, $38 million and $23 million for the year ended December 31, 2010, the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008, 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, 2010 and 2009, by asset category, are as follows:

		Fair Value Measurements at December 31, 2010		
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	$185	$185	$ —	$—
Equity mutual funds	388	—	388	—
Bond mutual funds	234	—	234	—
Debt securities	63	63	—	—
Equity securities	40	40	—	—
Total	$910	$288	$622	$—

		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
Actual return on plan assets:		
Relating to assets still held at the reporting date		
Relating to assets sold during the period	(35)	2
Purchases, sales, and settlements	(47)	(58)
Transfers in and/or out of Level 3	—	—
Ending balance at December 31, 2010	$ —	$ —

15. COMMITMENTS AND CONTINGENCIES

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, 2010 and December 31, 2009, the undiscounted reserve for environmental investigation and remediation was approximately $23 million (of which $5 million was recorded in accrued liabilities and $18 million was recorded in other long-term liabilities) and $21 million (of which $3 million was recorded in accrued liabilities and $18 million was recorded in other long-term liabilities), respectively. 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. With respect to warranty matters, although Delphi cannot ensure that the future costs of warranty claims by customers will not be material, Delphi believes its established reserves are adequate to cover potential warranty settlements. However, the final amounts required to resolve these matters could differ materially from the Company's recorded estimates.

GM Warranty Settlement Agreement

As previously disclosed, Old GM alleged that catalytic converters supplied to Old GM for certain 2001 and 2002 vehicle platforms did not conform to specifications. In May 2007, Old GM informed the Predecessor that it had 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 Old GM to

resolve these claims along with certain other known warranty matters. On September 27, 2007, the Court authorized the Predecessor to enter into a Warranty, Settlement, and Release Agreement (the "Warranty Settlement Agreement") with Old GM resolving these and certain other known warranty matters. Under the terms of the Warranty Settlement Agreement, the Predecessor agreed to pay Old 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 Old 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 Old GM, which as of August 10, 2007 were (i) known by Old GM, subject to certain specified exceptions, (ii) believed by GM to be the Predecessor's responsibility in whole or in part, and (iii) in Old 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 the Predecessor to emerge from chapter 11 as soon as practicable, including discussions regarding support assisting the Predecessor in remaining compliant with the global operating income before depreciation and amortization, including long-lived asset and goodwill impairment, transformation and rationalization charges related to plant consolidations, plant wind-downs, and discontinued operations ("EBITDAR") covenants in its Amended and Restated DIP Credit Facility, Old 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. Delphi assumed the Warranty Settlement Agreement in connection with the Acquisition.

Other Warranty Matters

The Predecessor began experiencing quality issues regarding parts supplied to Old 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 negotiated with its 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. The $17 million was recorded as a reduction of warranty expense in discontinued operations.

The Predecessor also 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. During 2008, the Predecessor recovered $28 million from an affiliated supplier and recorded it as a reduction of warranty expense. The reserve has subsequently been adjusted for payments, settlements and the impact of foreign currency exchange rate fluctuations. As of December 31, 2010 and 2009, the related reserve was $10 million and $11 million, respectively.

In 2009, Delphi received information regarding potential warranty claims related to certain components supplied by Delphi's Powertrain segment. Delphi has recorded its best estimate of the warranty obligation related to this matter as of December 31, 2010.

During 2010, Delphi recognized warranty expense in cost of sales of approximately $75 million related to these matters.

Brazil Matters

Delphi conducts significant business operations in Brazil that are subject to the Brazilian federal labor, social security, environmental, tax and customs laws, as well as a variety of state and local laws. While Delphi believes it complies with such laws, they are complex, subject to varying interpretations, and the Company is often engaged in litigation with government agencies regarding the application of these laws to particular circumstances. In addition, Delphi also is a party to commercial and labor litigation with private parties. As of December 31, 2010, related claims totaling approximately $240 million have been asserted against Delphi. As

of December 31, 2010, the Company maintains reserves for these asserted claims that are substantially less than the amount of the claims asserted. While the Company believes its reserves are adequate, the final amounts required to resolve these matters could differ materially from the Company's recorded estimates and Delphi's results of operations could be materially affected.

Romania Value Added Tax ("VAT") Assessment

During the first quarter of 2010, as a result of a tax audit for years 2006 — 2008, the Company received a tax assessment from the Romanian tax authorities in the amount of approximately $42 million based on the taxing authority's assessment that the Company underpaid its VAT (mostly on export sales) by approximately $24 million and owes accrued interest and penalties of $18 million. The Company filed an appeal contesting the assessment and during October, 2010, the Romanian tax authorities substantially reduced the amount of the assessment and decided to re-audit the Company. As of December 31, 2010, the Company maintains a reserve for this contingency that is substantially less than the amount of the initial assessment. While the Company believes its reserve is adequate, the final amounts required to resolve this initial assessment could differ materially from the Company's recorded estimate.

Operating Leases

Rental expense totaled $98 million, $34 million, $76 million and $132 million for the year ended December 31, 2010, the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008, respectively. As of December 31, 2010, Delphi had minimum lease commitments under noncancelable operating leases totaling $301 million, which become due as follows:

Year	Minimum Future Operating Lease Commitments
	(In millions)
2011	$ 80
2012	66
2013	53
2014	43
2015	35
Thereafter	24
Total	$301

16. INCOME TAXES

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

	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
U.S. income (loss)	$313	$(86)	$9,460	$4,067
Non-U.S. income (loss)	631	51	(344)	(770)
Income (loss) from continuing operations before income taxes and equity income/(loss)	$944	$(35)	$9,116	$3,297

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	
	Year Ended December 31, 2010	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)	
Current income tax expense:				
U.S. federal	$ 98	$ 11	$ —	$ —
Non-U.S.	150	51	53	176
U.S. state and local	10	—	—	(1)
Total current	258	62	53	175
Deferred income tax (benefit) expense, net:				
U.S. federal	(17)	(41)	(358)	(10)
Non-U.S.	3	(50)	(13)	(8)
U.S. state and local	—	(2)	—	—
Total deferred	(14)	(93)	(371)	(18)
Investment tax credits	—	—	—	(1)
Less: income tax benefit related to noncontrolling interest	14	4	7	7
Total income tax expense (benefit)	$258	$(27)	$(311)	$163

Cash paid or withheld for income taxes was $254 million, $20 million, $92 million and $141 million for the year ended December 31, 2010, the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008, respectively.

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

	Successor		Predecessor	
	Year Ended December 31, 2010	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)	
Tax at U.S. federal statutory income tax rate	$330	$(12)	$ 3,190	$ 1,154
U.S. income taxed at other rates	9	(1)	266	114
Non-U.S. income taxed at other rates	(31)	(16)	56	281
Change in valuation allowance	(21)	—	(3,464)	(1,403)
Tax credits	(29)	(10)	—	—
Change in tax law	(15)	—	(4)	—
Other changes in tax reserves	(2)	9		
Other comprehensive income adjustment	—	—	(358)	—
Withholding taxes	24	2	3	24
Other adjustments	(7)	1	—	(7)
Total income tax provision (benefit)	$258	$(27)	$ (311)	$ 163

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

Delphi's tax rate is affected by the tax rates in the U.S. and foreign jurisdictions, the relative amount of income earned by jurisdiction, and the relative amount of losses for which no tax benefit was recognized due to a valuation allowance. During the period from January 1 through October 6, 2009 and the year ended December 31, 2008, the Company provided a full valuation allowance on its deferred tax assets in the U.S. due to a history of operating losses and other negative evidence. Since the acquisition, the Company has been in a net deferred tax liability position in the U.S. and no valuation allowance has been recorded. During the period from January 1 through October 6, 2009, the Company recognized tax benefits associated with gains from Other Comprehensive Income of $358 million (see discussion in Note 14).

Delphi currently experiences tax holidays in various non-U.S. jurisdictions with expiration dates from 2012 through 2023. The income tax benefits attributable to these tax holidays are approximately $5 million in 2010, $2 million for January 1 to October 6, 2009, $1 million for August 19 to December 31, 2009, and $10 million in 2008.

Deferred income taxes

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	
	December 31,	
	2010	2009
	(In millions)	
Deferred tax assets:		
Pension and other employee benefits	$ 161	$ 220
Net operating loss carryforwards	466	460
Tax credits	19	18
Warranty	81	40
Other	149	253
Total gross deferred tax assets	876	991
Less: valuation allowances	(501)	(552)
Total deferred tax assets	$ 375	$ 439
Deferred tax liabilities:		
Fixed Assets	$ 18	$ 17
Tax on unremitted profits of certain foreign subsidiaries	16	7
Intangibles	204	238
Total gross deferred tax liabilities	238	262
Net deferred tax assets	$ 137	$ 177

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

	Successor	
	December 31,	
	2010	2009
	(In millions)	
Current assets	$ 136	$ 196
Current liabilities	(4)	(20)
Long term assets	183	276
Long term liabilities	(178)	(275)
Total deferred tax asset	$ 137	$ 177

The net deferred tax assets of $137 million as of December 31, 2010 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.

Net operating loss and tax credit carryforwards

As of December 31, 2010, Delphi has recorded deferred tax assets of approximately $466 million for non-U.S. net operating loss ("NOL") carryforwards with recorded valuation allowances of $411 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, and Luxembourg. The NOL carryforwards have expiration dates ranging from one year to an indefinite period.

Deferred tax assets include $19 million and $18 million of tax credit carryforwards at December 31, 2010 and 2009, respectively. These tax credit carryforwards expire in 2011 through 2029.

Cumulative undistributed foreign earnings

Except for withholding taxes of $16 million on undistributed earnings that are not indefinitely reinvested, no additional material provision has been made for U.S. or non-U.S. income taxes on the undistributed earnings of foreign subsidiaries as the Company has concluded that such earnings are either indefinitely reinvested or should not give rise to additional income tax liabilities as a result of the distribution of such 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
	Year Ended December 31, 2010	Period from August 19 to December 31, 2009	Period from January 1 to October 6, 2009
	(In millions)		(In millions)
Balance at beginning of period	$ 83	$—	$ 79
Liabilities assumed in the Acquisition	—	80	—
Additions related to current year	9	10	1
Additions related to prior year	11	1	6
Reductions related to prior year	(19)	(6)	(10)
Reductions due to expirations of statute of limitations	(1)	(1)	(1)
Settlements-cash	(1)	(1)	—
Gain from reorganization	—	—	(75)
Balance at end of period	$ 82	$83	$ —

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, 2010 and 2009, the amounts of unrecognized tax benefit that would reduce our effective tax rate were $52 million and $60 million, respectively.

Delphi recognizes interest and penalties as part of income tax expense. Total accrued liabilities for interest and penalties were $18 million and $20 million at December 31, 2010 and 2009, respectively. Total interest and penalties recognized as part of income tax expense (benefit) was a decrease of $3 million for the year ended December 31, 2010, 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.

Delphi files tax returns in multiple jurisdictions and is subject to examination by taxing authorities throughout the world. Taxing jurisdictions significant to Delphi include U.S., 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.

Tax return filing determinations and elections

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. On September 17, 2009, the Internal Revenue Service (the "IRS") issued Notice 2009-78 (the "Notice") announcing its intent to issue regulations under Section 7874 of the Internal Revenue Code (titled "Rules Relating to Expatriated Entities and Their Foreign Parents") 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 could 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.

Consistent with the election to be treated as a partnership for U.S. federal income tax purposes, the Company filed an informational 2009 U.S. federal partnership tax return on September 15, 2010. In light of the Notice, the IRS is currently reviewing whether section 7874 applied to Delphi’s acquisition of the automotive supply and other businesses of the Predecessor as part of the 2009 Compliance Assurance Process audit of the Predecessor. It is not clear as to when such review will be concluded or its outcome.

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 and Delphi issued membership interests in accordance with the terms of the Acquisition.

The following table summarizes the membership interests issued:

Class	Membership Interests Issued	Membership Interests as of December 31, 2010	Membership Interests as of December 31, 2009
		(In millions)	
A	1,750,000	$2,083	$1,969
B	354,500	2,816	2,406
C	100,000	646	539
E-1	24,000	5	—
	Total	$5,550	$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 and Class E-1 membership interests, entitle the holders to potential, future distributions by Delphi.

In conjunction with the initiation of certain long-term incentive plans during 2010, for the 2010 Board of Managers Class E-1 Interest Incentive Plan (the “Plan”) and the Value Creation Plan (the “VCP”), which are both long-term incentive plans designed to assist the Company in attracting, retaining, motivating and rewarding the Board of Managers and key employees of the Company, and promoting the creation of long-term value, the distribution provisions of the Second Amended and Restated Limited Liability Partnership Agreement of Delphi Automotive LLP (the “LLP Agreement”) were modified to include provisions for the Class E-1 membership interests and the VCP. The LLP Agreement includes provisions related to future distribution amounts for the Class E-1 and key employee incentive plans based on rates/amounts as defined in the agreement (approximately 2.3%), with ratable reductions in the distribution percentages applied to the Class A, B and C members. Refer to Note 22. Share-Based Compensation for further information.

Total membership interests and current period net income are allocated between the respective classes based on the cumulative distribution provisions of the LLP 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. The following table outlines the distribution

provisions of the Delphi Automotive LLP Agreement, excluding the impact of any potential ratable reductions described above:

Cumulative Distribution Amount *(excluding the impact of any potential ratable reductions)*	**Class**		
(In millions)	**A**	**B**	**C**
$0 — $1,000	49.12%	38.60%	12.28%
$1,000 — $2,000	57.78%	27.78%	14.44%
$2,000 — $2,500	61.39%	27.78%	10.83%
$2,500 — $2,642	68.61%	27.78%	3.61%
$2,642 — $3,500	24.94%	73.75%	1.31%
$3,500 — $3,642	19.69%	73.75%	6.56%
$3,642 — $4,000	26.25%	65.00%	8.75%
$4,000 — $5,500	17.50%	65.00%	17.50%
$5,500 — $6,000	26.25%	65.00%	8.75%
$6,000 — $7,000	31.50%	65.00%	3.50%
$7,000+ (a)	35.00%	65.00%	—

(a) Under the terms of the Modified Plan, if cumulative distributions to the members exceed $7.2 billion, Delphi, as disbursing agent on behalf of DPHH, is required to pay to the holders of allowed general unsecured claims against the Predecessor, $32.50 for every $67.50 in excess of $7.2 billion distributed to the members, up to a maximum amount of $300 million.

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 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 accounts receivable factoring arrangements, capital leases and other debt issued by Delphi's foreign subsidiaries and the Notes. 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, 2010 and 2009, the total of the financial instruments listed above was recorded at $289 million and $396 million, respectively, and had estimated fair values of $293 million and $396 million, respectively. For all other financial instruments recorded at December 31, 2010 and 2009, 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, 2010, Delphi has entered into derivate instruments to hedge cash flows extending out to April 2013.

As of December 31, 2010, the Company had the following outstanding notional amounts related to commodity and foreign currency forward contracts that were entered into to hedge forecasted exposures:

	Successor	
Commodity	**Quantity Hedged**	**Unit of Measure**
	(In thousands)	
Copper	41,517	pounds
Primary Aluminum	27,763	pounds
Secondary Aluminum	18,830	pounds
Silver	119	troy ounces
Gold	6	troy ounces
Platinum	1	troy ounce
Foreign Currency		
	(In millions)	
South Korean Won	47,291	KRW
Hungarian Forint	9,907	HUF
Mexican Peso	4,770	MXN
Japanese Yen	2,763	JPY
Chinese Yuan Renminbi	399	CNY
Romanian Leu	341	RON
New Turkish Lira	157	TRY
Euro	91	EUR
Brazilian Real	88	BRL
Polish Zloty	76	PLN
British Pound	55	GBP
Singapore Dollar	28	SGD

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

The fair value of derivative financial instruments recorded in the consolidated balance sheets as of December 31, 2010 and 2009 are as follows:

	Successor			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	December 31, 2010	Balance Sheet Location	December 31, 2010
	(In millions)			
Designated derivatives instruments:				
Commodity derivatives	Other Current Assets	$37	Accrued Liabilities	$—
Foreign currency derivatives	Other Current Assets	29	Accrued Liabilities	—
Foreign currency derivatives*	Accrued Liabilities	—	Other Current Assets	7
Commodity derivatives	Other Long-Term Assets	11	Other Long-Term Liabilities	—
Foreign currency derivatives	Other Long-Term Assets	10	Other Long-Term Assets	4
Total		$87		$11
Derivatives not designated:				
None				

	Successor			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	December 31, 2009	Balance Sheet Location	December 31, 2009
	(In millions)			
Designated derivatives instruments:				
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		$ 8		$ 4
Derivatives not designated:				
None				

* 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 asset position of Delphi's financial instruments increased from December 31, 2009 to December 31, 2010 primarily due to the increase in the market price of commodities and certain foreign currencies.

The effect of derivative financial instruments in the consolidated statement of operations of the Successor for the year ended December 31, 2010 is as follows:

Year Ended December 31, 2010	Successor		
	Gain Recognized in OCI (Effective Portion)	Gain Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
		(In millions)	
Designated derivatives instruments:			
Commodity derivatives	$ 58	$12	$—
Foreign currency derivatives	48	15	—
Total	$106	$27	$—

	Gain Recognized in Income
Derivatives not designated:	
Commodity derivatives	$ 1
Foreign currency derivatives	4
Total	$ 5

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:

Period from August 19 to December 31, 2009	Successor		
	Gain Recognized in OCI (Effective Portion)	Gain Reclassified from OCI into Income (Effective Portion)	Gain 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:

	Predecessor		
Period from January 1 to October 6, 2009	Loss Recognized in OCI (Effective Portion)	Loss Reclassified from OCI into Income (Effective Portion)	Gain 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
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 and the gain or loss recognized in income for the ineffective portion of designated derivative instruments excluded from effectiveness testing were recorded to cost of sales in the consolidated statements of operations for the year ended December 31, 2010 and the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009. The gain or loss recognized in income for non-designated derivative instruments was recorded in other income (expense), net for the year ended December 31, 2010 and cost of sales for the periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 in the consolidated statements of operations.

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 accumulated 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, 2010 were $54 million after-tax ($84 million pre-tax). Of this pre-tax total, a gain of approximately $61 million is expected to be included in cost of sales within the next 12 months and a gain of approximately $23 million is expected to be included in cost of sales in subsequent periods. Cash flow hedges are discontinued when Delphi determines it is no longer probable that the originally forecasted transactions will occur. The amount included in cost of sales related to hedge ineffectiveness was a insignificant for the both the year ended December 31, 2010 and the period from August 19 to December 31, 2009 and was a gain of $6 million and a loss of $12 million for the period from January 1 to October 6, 2009 and the year ended December 31, 2008, respectively.

Fair Value Measurements

Fair Value Measurements on a Recurring Basis

All derivative instruments are required to be reported on the balance sheet at fair value unless the transactions qualify and are designated as normal purchases or sales. Changes in fair value are reported currently through earnings unless they 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 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 peer companies' 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, 2010 and 2009, Delphi was in a net derivative asset position of $76 million and $4 million, respectively, and there were no adjustments recorded for nonperformance risk as exposures were to counterparties with investment grade credit ratings.

As of December 31, 2010 and 2009, Delphi had the following assets measured at fair value on a recurring basis:

	Successor			
	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, 2010:				
Time deposits	$550	$—	$550	$—
Available-for-sale securities	12	12	—	—
Commodity derivatives	48	—	48	—
Foreign currency derivatives	28	—	28	—
Total	$638	$12	$626	$—
As of December 31, 2009:				
Available-for-sale securities	$ 23	$20	$ 3	$—
Commodity derivatives	5	—	5	—
Total	$ 28	$20	$ 8	$—

As of December 31, 2010 and 2009, Delphi had the following liabilities measured at fair value on a recurring basis:

	Successor			
	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, 2010:				
None				
As of December 31, 2009:				
Foreign currency derivatives	$1	$—	$1	$—
Total	$1	$—	$1	$—

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, goodwill and intangible assets, asset retirement obligations and liabilities for exit or disposal activities measured at fair value upon initial recognition. No impairment charges were recorded during the year ended December 31, 2010. 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	
	Year Ended December 31, 2010	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)	
Interest income	$29	$ 5	$10	$ 36
Impairment — investment in available-for-sale security	(9)	—	—	—
Loss on extinguishment of debt	(8)	—	—	(49)
Acquisition-related transaction costs	—	(19)	—	—
Other, net	22	(3)	14	22
Other income (expense), net	$34	$(17)	$24	$ 9

During the year ended December 31, 2010, Delphi repaid $12 million of interest-free government-backed debt due in 2021 which required compensating cash collateral. The debt was previously adjusted to a $4 million fair value as a result of acquisition accounting and therefore Delphi recognized an $8 million loss on early extinguishment of debt. Other, net primarily includes insurance and other recoveries and income from royalties.

The Successor recognized $19 million of transaction costs related to the Acquisition for the period from August 19 to December 31, 2009.

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. 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. DIVESTITURES

On March 31, 2010, Delphi completed the sale of its occupant protection systems business in Asia ("Asian OPS Business") to Autoliv AB. The pro forma total net sales of the Asian OPS Business for the Predecessor period from January 1 to October 6, 2009 and the Successor period from August 19 to December 31, 2009 were approximately $200 million. In total, Delphi received net proceeds of $73 million and recognized a gain on divestiture of $10 million, which is included in Cost of sales in the consolidated

statement of operations of the Successor for the year ended December 31, 2010. The results of operations, including the gain or loss on divestiture were not significant to the consolidated financial statements in any period presented, and the divestitures did not meet the discontinued operations criteria.

21. 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.

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 Businesses 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. 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.

Automotive Holdings Group

AHG included various non-core product lines and plant sites that did not fit the Predecessor's strategic framework. 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, the Predecessor 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 would 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 were also to 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 in connection with the sale, 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.

Results of Discontinued Operations

The Steering Business, through the Acquisition Date and the Automotive Holdings Group, through 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 year ended December 31, 2008.

The results of the discontinued operations are summarized as follows:

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

22. SHARE-BASED COMPENSATION

In June 2010, the 2010 Board of Managers Class E-1 Interest Incentive Plan (the "Plan") was authorized in order to attract and reward board members and to promote the creation of long-term value for interest holders of Delphi. On June 30, 2010, board members received 24,000 restricted interests of a newly created class of membership interests ("Class E-1 Interests"). The restricted interests are subject to continued service through applicable vesting dates as follows:

- 20% on November 1, 2010
- 40% on November 1, 2011
- 40% on November 1, 2012

Under certain conditions with respect to an initial public offering or a change in control, as defined in the Plan, any interests that have not yet vested may immediately become vested.

The fair market value of the Class E-1 Interests was estimated to be $19 million, based on a valuation performed by an independent valuation specialist, utilizing generally accepted valuation approaches, including income and market approaches. Beginning in the third quarter of 2010, Delphi recognized compensation cost on a straight-line basis. Compensation expense recognized during the year ended December 31, 2010 totaled $5 million, net of tax. There were no cash flow impacts for the year ended December 31, 2010.

Also during the second quarter of 2010, the Board of Managers approved and authorized the VCP, a long-term incentive plan designed to assist the Company in attracting, retaining, motivating and rewarding key employees of the Company, and promoting the creation of long-term value. The awards vest fully on December 31, 2012, but may immediately become fully vested upon a change in control, as defined in the VCP, for certain participants. The amounts to be settled under the VCP will be determined based on Delphi's enterprise value and accumulated distributions, as defined, as of December 31, 2012, compared to a target value of $8.25 billion. The authorized target amount of the awards is $135 million, but the ultimate final settlement amount of the awards could be higher or lower, depending on the value of Delphi at December 31, 2012. Final settlement can be made in cash, membership interests, common stock or a combination thereof as provided in the participation agreement or as otherwise determined by the Compensation Committee of the Board of Managers. Delphi recognized compensation cost in 2010 and will continue to recognize compensation cost, based on estimates of the enterprise value, over the requisite vesting periods of the awards. Compensation expense recognized during the year ended December 31, 2010 totaled $31 million ($21 million, net of tax). Based on estimates of enterprise value as of December 31, 2010, unrecognized compensation expense on a pretax basis of approximately $140 million is anticipated to be recognized on a straight-line basis during 2011 and 2012. There were no cash flow impacts for the year ended December 31, 2010.

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 of share-based compensation cost was recognized during the year ended December 31, 2008. In

May 2008, the Predecessor cancelled all non-vested restricted stock units, resulting in the recording of $7 million of unrecognized compensation cost.

23. SEGMENT REPORTING

Effective December 2010, Delphi realigned its segment reporting to reflect certain items previously included in the Eliminations and Other segment within its core business segments. Delphi operates its core business along the following operating segments, which are grouped on the basis of similar product, market and operating factors, follows:

- Electronics and Safety, which includes component and systems integration expertise in audio and infotainment, body controls and security systems, displays, mechatronics, safety electronics and electric and hybrid electric vehicle power electronics, as well as advanced development of software.
- Powertrain Systems, which includes extensive systems integration expertise in gasoline, diesel and fuel handling and full end-to-end systems including fuel injection, combustion, electronics controls, exhaust handling, test and validation capabilities, diesel and automotive aftermarket, and original equipment service.
- Electrical/Electronic Architecture, which includes complete electrical architecture and component products.
- Thermal Systems, which includes heating, ventilating and air conditioning ("HVAC") systems, components for multiple transportation and other adjacent markets, and powertrain cooling and related technologies.
- Eliminations and Other, which includes i) the elimination of inter-segment transactions, and ii) certain other expenses and income of a non-operating or strategic nature.

The accounting policies of the segments are the same as those described in Note 2. Significant Accounting Policies, except that the disaggregated financial results for the segments have been prepared using a management approach, which is consistent with the basis and manner in which management internally disaggregates financial information for the purposes of assisting internal operating decisions. Generally, Delphi evaluates performance based on stand-alone segment EBITDAR and accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, at current market prices. Delphi's management believes that EBITDAR is a meaningful measure of performance and it is used by management to analyze Company and stand-alone segment operating performance. Management also uses EBITDAR for planning and forecasting purposes. Segment EBITDAR should not be considered a substitute for results prepared in accordance with U.S. GAAP and should not be considered an alternative to income from continuing operations before income taxes and equity income, which is the most directly comparable financial measure to EBITDAR that is in accordance with U.S. GAAP. Segment EBITDAR, as determined and measured by Delphi, should also not be compared to similarly titled measures reported by other companies.

Included below are sales and operating data for Delphi's segments for the year ended December 31, 2010, periods from August 19 to December 31, 2009 and January 1 to October 6, 2009 and the year ended December 31, 2008, as well as balance sheet data as of December 31, 2010 and 2009.

	Successor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other(a)	Total
	(In millions)					
2010:						
Net sales to GM and affiliates	$ 597	$ 424	$1,257	$ 559	$ 1	$ 2,838
Net sales to other customers	2,049	3,659	4,250	998	23	10,979
Inter-segment net sales	75	3	113	46	(237)	—
Total net sales	$2,721	$4,086	$5,620	$1,603	$(213)	$13,817
Depreciation & Amortization	$ 100	$ 170	$ 108	$ 42	$ 1	$ 421
Operating income (loss) (b)	$ 147	$ 191	$ 542	$ 67	$ (7)	$ 940
EBITDAR	$ 293	$ 423	$ 758	$ 165	$ (6)	$ 1,633
Equity income (loss)	$ (3)	$ 2	$ 7	$ 8	$ 3	$ 17
Net income attributable to noncontrolling interest	$ 1	$ 28	$ 31	$ 12	$ —	$ 72

	Successor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other(a)	Total
	(In millions)					
August 19 — December 31, 2009:						
Net sales to GM and affiliates	$162	$ 99	$ 272	$123	$ 12	$ 668
Net sales to other customers	577	857	1,022	231	66	2,753
Inter-segment net sales	22	1	31	11	(65)	—
Total net sales	$761	$957	$1,325	$365	$ 13	$3,421
Depreciation & Amortization	$ 39	$ 52	$ 31	$ 17	$ —	$ 139
Operating (loss) income (c)	$(22)	$(43)	$ 63	$ (9)	$ 1	$ (10)
EBITDAR	$ 56	$ 79	$ 155	$ 21	$ 2	$ 313
Equity income (loss)	$ 1	$ —	$ 5	$ —	$ (1)	$ 5
Net income attributable to noncontrolling interest	$ —	$ 5	$ 9	$ 1	$ —	$ 15

	Predecessor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other(a)	Total
	(In millions)					
January 1 — October 6, 2009:						
Net sales to GM and affiliates	$ 459	$ 581	$ 656	$ 420	$ 81	$ 2,197
Net sales to other customers	1,276	2,085	2,237	539	—	6,137
Inter-segment net sales	66	1	77	49	(193)	—
Total net sales	$1,801	$2,667	$2,970	$1,008	$(112)	$ 8,334
Depreciation & Amortization	$ 177	$ 163	$ 147	$ 53	$ —	$ 540
Operating loss (d)	$ (496)	$ (234)	$ (279)	$ (49)	$ (60)	$(1,118)
EBITDAR	$ (214)	$ (9)	$ (18)	$ 17	$ (5)	$ (229)
Equity (loss) income	$ (13)	$ (9)	$ 4	$ (12)	$ (6)	$ (36)
Net income attributable to noncontrolling interest	$ 1	$ 9	$ 12	$ 6	$ 1	$ 29

	Predecessor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other(a)	Total
	(In millions)					
2008:						
Net sales to GM and affiliates	$1,165	$1,364	$1,440	$1,083	$ 1	$ 5,053
Net sales to other customers	2,739	3,995	4,064	957	—	11,755
Inter-segment net sales	144	9	145	81	(379)	—
Total net sales	$4,048	$5,368	$5,649	$2,121	$(378)	$16,808
Depreciation & Amortization	$ 261	$ 269	$ 205	$ 87	$ —	$ 822
Goodwill impairment	$ 157	$ —	$ 168	$ —	$ —	$ 325
Operating (loss) income (e)	$ (617)	$ (51)	$ (308)	$ 38	$(487)	$ (1,425)
EBITDAR	$ —	$ 251	$ 195	$ 76	$(253)	$ 269
Equity income	$ —	$ 3	$ 9	$ 6	$ 11	$ 29
Net income attributable to noncontrolling interest	$ —	$ 13	$ 12	$ 4	$ —	$ 29

	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
Balance as of:						
Successor — December 31, 2010						
Investment in affiliates	$ 61	$ 53	$ 85	$ 60	$ 22	$ 281
Capital expenditures	$ 59	$ 186	$ 202	$ 35	$ 18	$ 500
Segment assets	$1,905	$3,718	$3,336	$898	$1,225	$11,082
Successor — December 31, 2009						
Investment in affiliates	$ 66	$ 56	$ 74	$ 54	$ 20	$ 270
Capital expenditures (August 19 — December 31, 2009)	$ 14	$ 41	$ 21	$ 8	$ 4	$ 88
Segment assets	$2,326	$3,468	$3,082	$824	$ 607	$10,307
Predecessor — October 6, 2009						
Capital expenditures (January 1- October 6, 2009)	$ 58	$ 167	$ 60	$ 29	$ 7	$ 321

(a) Eliminations and Other includes the elimination of inter-segment transactions and charges related to U.S. employee workforce transition programs in the amount of $69 million in 2008 (Refer to Note 13. U.S. Employee Workforce Transition Programs).

(b) Includes charges recorded in 2010 related to costs associated with employee termination benefits and other exit costs of $29 million for Electronics and Safety, $49 million for Powertrain Systems, $94 million for Electrical/Electronic Architecture and $52 million for Thermal Systems.

(c) Includes charges recorded from August 19 to December 31, 2009 related to long-lived asset impairments and costs associated with employee termination benefits and other exit costs of $20 million for Electronics and Safety, $62 million for Powertrain Systems, $50 million for Electrical/Electronic Architecture, $10 million for Thermal Systems, and $1 million for Eliminations and Other.

(d) Includes charges recorded from January 1 to October 6, 2009 related to long-lived asset impairments and costs associated with employee termination benefits and other exit costs of $128 million for Electronics and Safety, $46 million for Powertrain Systems, $100 million for Electrical/Electronic Architecture, $13 million for Thermal Systems, and $(11) million for Eliminations and Other.

(e) Includes charges recorded in 2008 related to long-lived asset and goodwill impairments and costs associated with employee termination benefits and other exit costs of $322 million for Electronics and Safety, $69 million for Powertrain Systems, $252 million for Electrical/Electronic Architecture and $35 million for Thermal Systems.

The reconciliation of EBITDAR to income from continuing operations before income taxes and equity income, as follows, includes other transformation and rationalization costs related to 1) the implementation of information technology systems to support finance, manufacturing and product development initiatives, 2) certain plant consolidations and closures costs, and 3) consolidation of many staff administrative functions into a global business service group, and 4) employee benefit plan settlements in Mexico:

	Successor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
2010:						
EBITDAR	$ 293	$ 423	$ 758	$165	$ (6)	$1,633
Depreciation and amortization	(100)	(170)	(108)	(42)	(1)	(421)
Transformation and rationalization charges:						
Employee termination benefits and other exit costs	(29)	(49)	(94)	(52)	—	(224)
Other transformation and rationalization costs	(17)	(13)	(14)	(4)	—	(48)
Operating income (loss)	$ 147	$ 191	$ 542	$ 67	$ (7)	940
Interest expense						(30)
Other income, net						34
Income from continuing operations before income taxes and equity income						$ 944

	Successor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
August 19 — December 31, 2009:						
EBITDAR	$ 56	$ 79	$155	$ 21	$ 2	$ 313
Depreciation and amortization	(39)	(52)	(31)	(17)	—	(139)
Transformation and rationalization charges:						
Employee termination benefits and other exit costs	(20)	(50)	(50)	(5)	(1)	(126)
Other transformation and rationalization costs	(19)	(20)	(11)	(8)	—	(58)
Operating (loss) income	$(22)	$(43)	$ 63	$ (9)	$ 1	(10)
Interest expense						(8)
Other expense, net						(17)
Loss from continuing operations before income taxes and equity income						$ (35)

	Predecessor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
January 1 — October 6, 2009:						
EBITDAR	$(214)	$ (9)	$ (18)	$ 17	$ (5)	$ (229)
Depreciation and amortization	(177)	(163)	(147)	(53)	—	(540)
Transformation and rationalization charges:						
Employee termination benefits and other exit costs	(91)	(45)	(99)	(11)	11	(235)
Other transformation and rationalization costs	(14)	(17)	(15)	(2)	(2)	(50)
Discontinued operations	—	—	—	—	(64)	(64)
Operating loss	$(496)	$(234)	$(279)	$(49)	$(60)	(1,118)
Other income, net						24
Reorganization items						10,210
Income from continuing operations before income taxes and equity loss						$ 9,116

	Predecessor					
	Electronics and Safety	Powertrain Systems	Electrical/ Electronic Architecture	Thermal Systems	Eliminations and Other	Total
	(In millions)					
2008:						
EBITDAR	$ —	$ 251	$ 195	$ 76	$(253)	$ 269
Depreciation and amortization	(261)	(269)	(205)	(87)	—	(822)
Goodwill impairment	(157)	—	(168)	—	—	(325)
Transformation and rationalization charges:						
U.S. employee workforce transition program charges	—	—	—	—	(69)	(69)
GM settlement — MRA	42	94	15	88	(50)	189
Employee termination benefits and other exit costs	(150)	(69)	(82)	(25)	—	(326)
Loss on divestitures	(13)	(14)	—	—	—	(27)
Other transformation and rationalization costs	(78)	(44)	(63)	(14)	(48)	(247)
Discontinued operations	—	—	—	—	(67)	(67)
Operating (loss) income	$(617)	$ (51)	$(308)	$ 38	$(487)	(1,425)
Interest expense						(434)
Other income, net						9
Reorganization items						5,147
Income from continuing operations before income taxes and equity income						$ 3,297

Information concerning principal geographic areas is set forth below. Net sales data reflects the manufacturing location and is for the year ended December 31, 2010, the periods from August 19 to December 31 and January 1 to October 6, 2009 and year ended December 31 2008. Net property data is as of December 31.

	Successor				Predecessor		
	Year Ended December 31, 2010		Period from August 19 to December 31, 2009		Period from January 1 to December 31, 2009	Year Ended December 31, 2008	
	Net Sales	Net Property	Net Sales	Net Property	Net Sales	Net Sales	Net Property
	(In millions)					(In millions)	
North America	$ 4,605	$ 551	$1,099	$ 539	$3,131	$ 7,057	$1,396
Europe, Middle East, & Africa	5,892	1,045	1,448	1,047	3,330	6,950	1,388
Asia Pacific	2,177	325	590	272	1,223	1,747	386
South America	1,143	146	284	102	650	1,054	129
Total	$13,817	$2,067	$3,421	$1,960	$8,334	$16,808	$3,299

24. QUARTERLY DATA (UNAUDITED)

The following is a condensed summary of the Company's unaudited quarterly results of continuing operations for fiscal 2010 and 2009. The historical data included for the three months ended December 31, 2009 represents the Successor's historical financial statements for the period from August 19, 2009 to December 31, 2009 (the Successor had no material or substantive transactions from its incorporation on August 19, 2009 to the Acquisition) and the data included for the three months ended March 31, June 30 and September 30, 2009 represents the Predecessor's historical financial statements for the period from January 1, 2009 to October 6, 2009 (the activity from October 1 through October 6, 2009 is included in the three months ended September 30, 2009).

The historical data included for all 2009 periods and the data for the 2010 periods ended March 31, June 30 and September 30 has been reclassified to conform to the December 31, 2010 presentation. The Company has reclassified amounts from cost of sales and selling, general and administrative expenses to restructuring and has also included depreciation expense in cost of sales and selling, general and administrative expenses, as applicable. In addition, the 2010 periods ended March 31 and June 30 also include measurement period adjustments totaling $11 million of reduced depreciation expense.

	Successor				
	Three Months Ended				
	March 31,	June 30,	Sept. 30,	Dec. 31,	Total
	(In millions)				
2010					
Net sales	$3,410	$3,446	$3,309	$3,652	$13,817
Cost of sales	2,848	2,903	2,807	3,210	11,768
Gross profit	$ 562	$ 543	$ 502	$ 442	$ 2,049
Operating income	$ 324	$ 297	$ 206	$ 113	$ 940
Net income	$ 235	$ 233	$ 144	$ 91	$ 703
Net income attributable to Successor	$ 215	$ 214	$ 127	$ 75	$ 631

	Predecessor			Successor	
	Three Months Ended			Three Months Ended	
	March 31,	June 30,	Sept. 30,	Dec. 31,	Total
	(In millions, except per share amounts)			(In millions)	
2009					
Net sales	$2,409	$2,775	$3,150	$3,421	$11,755
Cost of sales	2,621	2,830	3,029	3,047	11,527
Gross profit	$ (212)	$ (55)	$ 121	$ 374	$ 228
Operating loss	$ (520)	$ (357)	$ (241)	$ (10)	$ (1,128)
Income (loss) from continuing operations (a)	$ 538	$ (564)	$9,417	$ (3)	$ 9,388
Income (loss) from discontinued operations, net of tax	18	(28)	(34)	—	(44)
Net income (loss)	$ 556	$ (592)	$9,383	$ (3)	$ 9,344
Net income (loss) attributable to Successor/Predecessor	$ 552	$ (603)	$9,369	$ (18)	$ 9,300
Common stock price					
High	$ 0.17	$ 0.12	$ 0.09	N/A	N/A
Low	$ 0.03	$ 0.05	$ 0.04	N/A	N/A

a) Income (Loss) from continuing operations includes the reorganization gain of $11,159 million in the third quarter of 2009 related to the extinguishment of liabilities subject to compromise.

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, 2010.

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, 2010, 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, 2010.

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, 2010.

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, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.