

DELPHI CORP
Form 10-Q
May 09, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended March 31, 2008

OR

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

For the transition period from _____ to _____.

Commission file number: 1-14787

DELPHI CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

38-3430473

(I.R.S. Employer
Identification No.)

5725 Delphi Drive, Troy, Michigan

(Address of principal executive offices)

48098

(Zip Code)

(248) 813-2000

(Registrant's telephone number, including area code)

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

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

Large accelerated filer Accelerated filer Non-Accelerated filer Smaller reporting company .

(Do not check if a smaller reporting company)

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

As of March 31, 2008 there were 564,176,022 outstanding shares of the registrant's \$0.01 par value common stock.

WEBSITE ACCESS TO COMPANY S REPORTS

Delphi s internet website address is www.delphi.com. Our Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission.

DELPHI CORPORATION

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(DEBTOR-IN-POSSESSION)****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	Three Months Ended March 31,	
	2008	2007
	(in millions, except per share amounts)	
Net sales:		
General Motors and affiliates	\$ 1,641	\$ 2,163
Other customers	3,611	3,519
Total net sales	5,252	5,682
Operating expenses:		
Cost of sales, excluding items listed below	4,897	5,306
U.S. employee workforce transition program charges (credit)	36	(6)
Depreciation and amortization	222	233
Selling, general and administrative	364	364
Total operating expenses	5,519	5,897
Operating loss	(267)	(215)
Interest expense (contractual interest expense for the three months ended March 31, 2008 and 2007 was \$129 million and \$124 million, respectively)	(110)	(90)
Loss on extinguishment of debt		(23)
Other income, net	19	20
Reorganization items	(109)	(39)
Loss from continuing operations before income taxes, minority interest and equity income	(467)	(347)
Income tax expense	(63)	(46)
Loss from continuing operations before minority interest and equity income	(530)	(393)
Minority interest, net of tax	(11)	(12)
Equity income, net of tax	11	14
Loss from continuing operations	(530)	(391)
Loss from discontinued operations, net of tax	(59)	(142)

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Net loss	\$	(589)	\$	(533)
Basic and diluted loss per share:				
Continuing operations	\$	(0.94)	\$	(0.70)
Discontinued operations		(0.10)		(0.25)
Basic and diluted loss per share	\$	(1.04)	\$	(0.95)

See notes to consolidated financial statements.

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(DEBTOR-IN-POSSESSION)****CONSOLIDATED BALANCE SHEETS**

	March 31, 2008 (Unaudited)	December 31, 2007
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,310	\$ 1,036
Restricted cash	175	173
Accounts receivable, net:		
General Motors and affiliates	1,226	1,257
Other	2,991	2,637
Inventories, net:		
Productive material, work-in-process and supplies	1,341	1,312
Finished goods	503	496
Other current assets	592	588
Assets held for sale (Note 4)	655	720
Total current assets	8,793	8,219
Long-term assets:		
Property, net	3,820	3,863
Investments in affiliates	387	387
Goodwill	406	397
Other	798	801
Total long-term assets	5,411	5,448
Total assets	\$ 14,204	\$ 13,667
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Short-term debt (Note 11)	\$ 4,212	\$ 3,495
Accounts payable	2,960	2,904
Accrued liabilities (Note 8)	2,401	2,281
Liabilities held for sale (Note 4)	426	412
Total current liabilities	9,999	9,092
Long-Term liabilities:		
Other long-term debt (Note 11)	62	59
Employee benefit plan obligations (Note 13)	475	443
Other (Note 8)	1,201	1,185
Total long-term liabilities	1,738	1,687

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Liabilities subject to compromise (Note 10)	16,363	16,197
Total liabilities	28,100	26,976
Commitments and contingencies (Note 18)		
Minority interest	164	163
Stockholders' deficit:		
Common stock, \$0.01 par value, 1,350 million shares authorized, 565 million shares issued in 2008 and 2007	6	6
Additional paid-in capital	2,748	2,756
Accumulated deficit	(15,690)	(14,976)
Accumulated other comprehensive loss:		
Employee benefit plans (Note 13)	(1,721)	(1,679)
Other	611	446
Total accumulated other comprehensive loss	(1,110)	(1,233)
Treasury stock, at cost (850 thousand and 1.5 million shares in 2008 and 2007, respectively)	(14)	(25)
Total stockholders' deficit	(14,060)	(13,472)
Total liabilities and stockholders' deficit	\$ 14,204	\$ 13,667

See notes to consolidated financial statements.

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**DELPHI CORPORATION
(DEBTOR-IN-POSSESSION)**

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended	
	March 31,	
	2008	2007
	(in millions)	
Cash flows from operating activities:		
Net loss	\$ (589)	\$ (533)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	222	233
Deferred income taxes	(4)	3
Pension and other postretirement benefit expenses	185	249
Equity income	(11)	(14)
Reorganization items	109	39
U.S. employee workforce transition program charges (credit)	36	(6)
Loss on extinguishment of debt		23
Loss on assets held for sale	30	
Changes in operating assets and liabilities:		
Accounts receivable, net	(395)	(574)
Inventories, net	(50)	(3)
Other assets	18	(55)
Accounts payable	176	304
Accrued and other long-term liabilities	108	131
Other, net	37	(21)
U.S. employee workforce transition program payments	(71)	(481)
U.S. employee workforce transition program reimbursement by GM		264
Pension contributions	(68)	(92)
Other postretirement benefit payments	(66)	(40)
Net payments for reorganization items	(16)	(30)
Dividends from equity investments	5	
Discontinued operations (Note 4)	54	189
Net cash used in operating activities	(290)	(414)
Cash flows from investing activities:		
Capital expenditures	(255)	(178)
Proceeds from sale of property	21	10
Proceeds from sale of non-U.S. trade bank notes	62	36
Proceeds from divestitures, net	87	
Increase in restricted cash	(2)	
Other, net	3	(10)
Discontinued operations	(70)	(14)
Net cash used in investing activities	(154)	(156)

Cash flows from financing activities:		
Proceeds from refinanced debtor-in-possession facility, net of issuance cost		2,739
Repayments of borrowings under debtor-in-possession facility		(250)
Repayments of borrowings under prepetition term loan facility		(988)
Repayments of borrowings under prepetition revolving credit facility		(1,508)
Net borrowings under refinanced debtor-in-possession facility	452	327
Net borrowings under other debt agreements	210	62
Dividend payments of consolidated affiliates to minority shareholders	(7)	(7)
Discontinued operations	11	
Net cash provided by financing activities	666	375
Effect of exchange rate fluctuations on cash and cash equivalents	52	12
Increase (decrease) in cash and cash equivalents	274	(183)
Cash and cash equivalents at beginning of period	1,036	1,608
Cash and cash equivalents at end of period	\$ 1,310	\$ 1,425

See notes to consolidated financial statements.

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**DELPHI CORPORATION
(DEBTOR-IN-POSSESSION)**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

	Three Months Ended March 31,	
	2008	2007
	(in millions)	
Net loss	\$ (589)	\$ (533)
Other comprehensive income:		
Currency translation adjustments, net of tax	69	26
Net change in unrecognized gain on derivative instruments, net of tax	96	3
Employee benefit plans adjustment, net of tax	(30)	
Other comprehensive income	135	29
Comprehensive loss	\$ (454)	\$ (504)

See notes to consolidated financial statements.

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**DELPHI CORPORATION
(DEBTOR-IN-POSSESSION)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

General Delphi Corporation, together with its subsidiaries and affiliates (Delphi or the Company), is a supplier of vehicle electronics, transportation components, integrated systems and modules, and other electronic technology. Delphi s most significant customer is General Motors Corporation (GM) and North America and Europe are its most significant markets. Delphi is continuing to diversify its customer base and geographic markets. The consolidated financial statements and notes thereto included in this report should be read in conjunction with Delphi s consolidated financial statements and notes thereto included in Delphi s Annual Report on Form 10-K for the year ended December 31, 2007 filed with the United States (U.S.) Securities and Exchange Commission (SEC).

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. The results for interim periods are not necessarily indicative of results that may be expected from any other interim period or for the full year and may not necessarily reflect the consolidated results of operations, financial position and cash flows of Delphi in the future.

Bankruptcy Filing On October 8, 2005 (the Petition Date), Delphi and certain of its 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 Delphi (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 reorganization cases are being jointly administered under the caption In re Delphi Corporation, et al., Case No. 05-44481 (RDD). The Debtors will continue to operate 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. Delphi s non-U.S. subsidiaries were not included in the filings, will continue their business operations without supervision from the U.S. Courts and are not subject to the requirements of the Bankruptcy Code.

American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code* (SOP 90-7), which is applicable to companies in chapter 11 of the Bankruptcy Code, generally does not change the manner in which financial statements are prepared. However, it does require, among other disclosures, that the financial statements for periods subsequent to the filing of the chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses, realized gains and losses, an