

DELPHI CORP  
Form 10-Q/A  
June 30, 2005

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549-1004  
FORM 10-Q/ A  
(Amendment No. 1)**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2004  
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.  
Commission file No. 1-14787  
DELPHI CORPORATION  
(Exact name of registrant as specified in its charter)**

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**38-3430473**  
(IRS employer Identification Number)

**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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

As of June 30, 2004 there were 561,192,179 outstanding shares of the registrant's \$0.01 par value common stock.

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**Table of Contents****Explanatory Note**

This Amendment No. 1 on Form 10-Q/ A ( Form 10-Q/ A ) to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, initially filed with the Securities and Exchange Commission (the SEC ) on July 16, 2004 (the Original Filing ), is being filed to reflect the restatement of our consolidated balance sheets at June 30, 2004 and December 31, 2003, our consolidated statements of income, and our consolidated statements of cash flows for each of the three months and six months ended June 30, 2004 and June 30, 2003, and the notes related thereto. The decision to restate Delphi s consolidated financial statements was previously announced in our Current Report on Form 8-K filed with the SEC on March 4, 2005. The decision to restate was based on the findings of an internal investigation conducted by Delphi s Audit Committee of the Board of Directors. For a more detailed description of these restatements, see Note 2 Restatement to the accompanying consolidated financial statements contained in this Form 10-Q/ A.

Although this Form 10-Q/ A sets forth the Original Filing in its entirety, this Form 10-Q/ A only amends and restates Items 1, 2 and 4 of Part I, and Item 6 of Part II of the Original Filing, in each case, solely as a result of, and to reflect the restatement, and no other information in the Original Filing is amended hereby. Accordingly, the items have not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events.

Except for the foregoing amended information, this Form 10-Q/ A continues to describe conditions as of the date of the Original Filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date. Other events occurring after the filing of the Original Filing or other disclosures necessary to reflect subsequent events have been or will be addressed in either our amended Quarterly Report on Form 10-Q/ A for the quarterly period ended March 31, 2004, Form 10-Q for the quarterly period ended September 30, 2004 and/ or by our Annual Report on Form 10-K for the year ended December 31, 2004, which are being filed concurrently with the filing of this Form 10-Q/ A, or other reports filed with the SEC subsequent to the date of this filing.

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**DELPHI CORPORATION  
INDEX**

	<b>Page</b>
<b><u>Part I Financial Information</u></b>	
Item 1.	Financial Statements (Unaudited)
	<u>Consolidated Statements of Income for the Three and Six Months Ended June 30, 2004 and 2003</u> 4
	<u>Consolidated Balance Sheets at June 30, 2004 and December 31, 2003</u> 5
	<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2004 and 2003</u> 6
	<u>Notes to Consolidated Financial Statements</u> 7
<u>Item 2.</u>	<u>Management s Discussion and Analysis of Financial Condition and Results of Operations</u> 25
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 35
<u>Item 4.</u>	<u>Controls and Procedures</u> 35
<b><u>Part II Other Information</u></b>	
<u>Item 1.</u>	<u>Legal Proceedings</u> 36
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 36
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u> 36
<u>Item 6.</u>	<u>Exhibits and Reports on Form 8-K</u> 37

Signature

39

Delphi Corporation Annual Incentive Plan

Section 302 Certification of Chief Executive Officer

Section 302 Certification of Chief Financial Officer

Section 906 Certification of Chief Executive Officer

Section 906 Certification of Chief Financial Officer

3

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**Table of Contents**

**PART I. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**DELPHI CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(As Restated See Note 2)	(As Restated See Note 2)	(As Restated See Note 2)	(As Restated See Note 2)
(in millions, except per share amounts)				
<b>Net sales:</b>				
General Motors and affiliates	\$ 4,133	\$ 4,314	\$ 8,322	\$ 8,869
Other customers	3,409	2,777	6,625	5,399
Total net sales	7,542	7,091	14,947	14,268
<b>Operating expenses:</b>				
Cost of sales, excluding items listed below	6,607	6,209	13,171	12,530
Selling, general and administrative	410	419	788	782
Depreciation and amortization	283	263	565	518
Employee and product line charges	32		70	
Total operating expenses	7,332	6,891	14,594	13,830
Operating income	210	200	353	438
Interest expense	(55)	(49)	(117)	(97)
Other income (expense), net	(5)	1	(11)	(3)
Income before income taxes, minority interest, and equity income	150	152	225	338
Income tax expense	(17)	(50)	(40)	(116)
Minority interest, net of tax	(15)	(11)	(26)	(22)
Equity income	25	15	47	30
Net income	\$ 143	\$ 106	\$ 206	\$ 230
<b>Earnings per share</b>				
Basic and diluted	\$ 0.25	\$ 0.19	\$ 0.37	\$ 0.41

See notes to consolidated financial statements.



**Table of Contents**

**DELPHI CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2004 (Unaudited)</b>	<b>December 31, 2003</b>
	<b>(As Restated See Note 2)</b>	<b>(As Restated See Note 2)</b>
	<b>(in millions)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 681	\$ 893
Accounts receivable, net:		
General Motors and affiliates	2,469	2,327
Other customers	1,657	1,501
Retained interest in receivables, net	586	717
Inventories, net:		
Productive material, work-in-process and supplies	1,430	1,318
Finished goods	464	478
Deferred income taxes	360	367
Prepaid expenses and other	247	269
<b>Total current assets</b>	<b>7,894</b>	<b>7,870</b>
Long-term assets:		
Property, net	6,147	6,399
Deferred income taxes	4,077	3,961
Goodwill	791	773
Other intangible assets	47	81
Pension intangible assets	1,167	1,167
Other	830	815
<b>Total assets</b>	<b>\$ 20,953</b>	<b>\$ 21,066</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 660	\$ 892
Accounts payable	3,291	3,133
Accrued liabilities	2,400	2,684
<b>Total current liabilities</b>	<b>6,351</b>	<b>6,709</b>
Long-term liabilities:		
Long-term debt	2,071	2,152
Junior subordinated notes due to Delphi Trust I and II	412	412
Pension benefits	3,541	3,577
Postretirement benefits other than pensions	5,989	5,697
Other	868	905

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Total liabilities	19,232	19,452
Commitments and contingencies (Note 10)		
Minority interest	182	168
Stockholders' equity:		
Common stock, \$0.01 par value, 1,350 million shares authorized, 565 million shares issued in 2004 and 2003	6	6
Additional paid-in capital	2,653	2,660
Retained earnings	1,124	997
Minimum pension liability	(2,006)	(2,006)
Accumulated other comprehensive loss, excluding minimum pension liability	(177)	(136)
Treasury stock, at cost (3.8 million and 4.7 million shares in 2004 and 2003, respectively)	(61)	(75)
Total stockholders' equity	1,539	1,446
Total liabilities and stockholders' equity	\$ 20,953	\$ 21,066

See notes to consolidated financial statements.



**Table of Contents**

**DELPHI CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2004</b>	<b>2003</b>
	<b>(As Restated See Note 2)</b>	<b>(As Restated See Note 2)</b>
	<b>(in millions)</b>	
<b>Cash flows from operating activities:</b>		
Net income	\$ 206	\$ 230
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	565	518
Deferred income taxes	(101)	44
Employee and product line charges	70	
Equity income	(47)	(30)
Changes in operating assets and liabilities:		
Accounts receivable and retained interests in receivables, net	(167)	(420)
Inventories, net	(101)	(55)
Prepaid expenses and other	66	(31)
Accounts payable	158	205
Employee and product line charge obligations	(215)	(24)
Accrued and other long-term liabilities	112	(57)
Other	43	18
Net cash provided by operating activities	589	398
<b>Cash flows from investing activities:</b>		
Capital expenditures	(430)	(499)
Proceeds from sale of property	31	27
Other	14	41
Net cash used in investing activities	(385)	(431)
<b>Cash flows from financing activities:</b>		
Repayment of debt securities	(500)	
Net proceeds from (repayments of) borrowings under credit facilities and other debt	194	(190)
Dividend payments	(79)	(79)
Issuances of treasury stock	2	1
Other	(19)	(12)
Net cash used in financing activities	(402)	(280)
Effect of exchange rate fluctuations on cash and cash equivalents	(14)	29

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Decrease in cash and cash equivalents	(212)	(284)
Cash and cash equivalents at beginning of period	893	1,028
Cash and cash equivalents at end of period	\$ 681	\$ 744

See notes to consolidated financial statements.

Table of Contents

**DELPHI CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**1. BASIS OF PRESENTATION**

**General** Delphi Corporation ( Delphi ) is a world-leading supplier of vehicle electronics, transportation components, integrated systems and modules and other electronic technology. The consolidated financial statements and notes thereto included in this report should be read in conjunction with our consolidated financial statements and notes thereto included in our 2004 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The consolidated financial statements include the accounts of Delphi and its subsidiaries.

All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. In the opinion of management, 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 which 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.

**Adoption of FSP 106-2** On May 19, 2004, the FASB issued FASB Staff Position ( FSP ) 106-2 Accounting and Disclosure Requirements Relating to the Medicare Prescription Drug, Improvement and Modernization Act of 2003, providing additional guidance relating to the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003, (the Act ) enacted on December 8, 2003. Because Delphi's normal measurement date for other post retirement benefit obligations is September 30 of each year, FSP 106-2 requires a one-quarter lag from the remeasurement date (December 8, 2003) before applying the effects of the Act. In connection with the adoption of the provisions of FSP 106-2 in the third quarter of 2004, Delphi retroactively reduced net income for the three months ended March 31, 2004 by \$7 million and increased net income for the three months ended June 30, 2004 by \$2 million. The adoption of FSP 106-2 did not impact net income for any period in 2003.

	<b>Three Months Ended June 30,</b>	
	<b>2004</b>	<b>2003</b>
	<b>(in millions)</b>	
Net income, as reported in Form 10-Q, filed on July 16, 2004	\$ 131	\$ 88
Effect of adoption of FSP 106-2, net	2	
Adjusted net income, prior to restatement (See Note 2)	\$ 133	\$ 88

	<b>Six Months Ended June 30,</b>	
	<b>2004</b>	<b>2003</b>
	<b>(in millions)</b>	
Net income, as reported in Form 10-Q, filed on July 16, 2004	\$ 185	\$ 215
Effect of adoption of FSP 106-2, net	(5)	
Adjusted net income, prior to restatement (See Note 2)	\$ 180	\$ 215

***Earnings Per Share*** Basic earnings per share amounts were computed using weighted average shares outstanding for each respective period. Diluted earnings per share also reflect the weighted average impact from the date of issuance of all potentially dilutive securities, unless inclusion would not have had a dilutive effect.

**Table of Contents**

Actual weighted average shares outstanding used in calculating basic and diluted earnings per share were:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>(in thousands)</b>			
Weighted average shares outstanding	560,893	560,291	560,617	559,928
Effect of dilutive securities	1,539	148	1,541	59
<b>Diluted shares outstanding</b>	<b>562,432</b>	<b>560,439</b>	<b>562,158</b>	<b>559,987</b>

Securities excluded from the computation of diluted earnings per share:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>(in thousands)</b>			
Anti-dilutive securities	72,579	83,829	72,815	87,078

The Board of Directors declared a dividend on Delphi common stock of \$0.07 per share on June 22, 2004, which was paid on August 3, 2004 to holders of record on July 6, 2004. The dividend declared on March 1, 2004 was paid on April 12, 2004.

**Stock-Based Compensation** As allowed under Statement of Financial Accounting Standards ( SFAS ) No. 123, Accounting for Stock-Based Compensation, Delphi accounts for a majority of its stock-based compensation using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Stock options granted during the three months ended June 30, 2004 were exercisable at prices equal to the fair market value of Delphi common stock on the dates the options were granted; accordingly, no compensation expense has been recognized for the stock options granted.

If we accounted for all stock-based compensation using the fair value recognition provisions of SFAS No. 123 and related amendments, our net income and basic and diluted earnings per share would have been as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>(in millions, except per share amounts)</b>			
Net income, as reported	\$ 143	\$ 106	\$ 206	\$ 230
Add: Stock-based compensation expense recognized, net of related tax effects	3	2	5	3
Less: Total stock-based employee compensation expense determined under fair value method for all awards, net of	(6)	(6)	(10)	(10)

related tax effects

Pro forma net income	\$ 140	\$ 102	\$ 201	\$ 223
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