DELPHI CORP
Form 424B5
July 22, 2003

The information in this prospectus is not complete and may be changed. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant To Rule 424(b)(5)
Registration Statement No. 333-101478

SUBJECT TO COMPLETION, DATED JULY 21, 2003

PRELIMINARY PROSPECTUS SUPPLEMENT

(To prospectus dated December 16, 2002)

$

Delphi Corporation

% Notes due

The Notes will bear interest at the rate of % per year. Interest on the Notes is payable on and of each year, beginning on . The Notes will mature on . We may redeem some or all of the Notes at any time or in part from time to time. The redemption prices are discussed under the caption Description of Notes Optional Redemption.

The Notes will be senior unsubordinated indebtedness and will rank equally with all of our other unsecured senior indebtedness.

Investing in the Notes involves risks. See Risk Factors beginning on page S-7.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public Offering Price	%	$
Underwriting Discount	%	$
Proceeds to Delphi Corporation (before expenses)	%	$

Interest on the Notes will accrue from , 2003 to date of delivery.

The underwriters expect to deliver the Notes to purchasers on or about , 2003 through the facilities of The Depository Trust Company, including for the accounts of Euroclear S.A./N.V. and Clearstream Banking S.A.

Joint Bookrunners

Barclays Capital

Citigroup

Banc of America Securities LLC

Credit Suisse First Boston **JPMorgan**
Morgan Stanley **UBS Investment Bank**

Tokyo-Mitsubishi International plc	**BNP PARIBAS**	**Deutsche Bank Securities**
HSBC	**McDonald Investments Inc.**	**Ramirez & Co., Inc.**
	a KeyCorp Company	
	The Royal Bank of Scotland	

, 2003

TABLE OF CONTENTS

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the related prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the related prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

TABLE OF CONTENTS

We are responsible for the accuracy of the information in this document and confirm that to the best of our knowledge we have included all facts that should be included not to mislead potential investors.

The Luxembourg Stock Exchange takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document and the related prospectus.

The Trustee assumes no responsibility for this document and has not reviewed or undertaken to verify any information contained in this document.

Offers and sales of the Notes are subject to restrictions in relation to the United Kingdom, details of which are set out in Underwriting below. The distribution of this prospectus supplement and the related prospectus and the offering of the Notes in certain other jurisdictions may also be restricted by law. This prospectus supplement and the related prospectus do not constitute an offer, or an invitation on our behalf or on behalf of the underwriters or any of them to subscribe for and purchase, any of the Notes, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Each underwriter has confirmed that it understands that the Notes offered in this prospectus supplement have not been registered under the Securities and Exchange Law of Japan. Accordingly, each underwriter has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, the Notes in Japan or to or for the account of any resident of Japan, except (1) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (2) in compliance with any other applicable requirements of Japanese law.

We cannot guarantee that the application to the Luxembourg Stock Exchange will be approved, and the sale of the Notes is not conditioned on obtaining this listing.

References in this prospectus supplement and the related prospectus to we, us, our, the company and Delphi are to Delphi Corporation.

In this prospectus supplement and the related prospectus, unless otherwise specified or the context otherwise requires, references to dollars, $ and U.S. $ are to United States dollars.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Delphi and its representatives may periodically make written or oral statements that are forward-looking, including statements included in this prospectus supplement and the related prospectus and other filings with the Securities and Exchange Commission, or SEC, and in reports to our stockholders. All statements contained or incorporated in this prospectus supplement and the related prospectus which address operating performance, events or developments that we expect or anticipate may occur in the future (including statements relating to future sales, earnings expectations, savings expected as a result of our global restructurings or other initiatives, portfolio restructuring plans, volume growth, awarded sales contracts and earnings per share expectations or statements expressing general optimism about future operating results) are forward-looking statements. These statements are made on the basis of management s current views and assumptions with respect to future events. Important factors, risks and uncertainties which may cause actual results to differ from those expressed in our forward-looking statements are set forth in this prospectus supplement and the documents incorporated by reference into this prospectus supplement and the related prospectus. In particular, the achievement of projected levels of revenue, earnings, cash flow and debt levels will depend on our ability to execute our portfolio and other global restructuring plans in a manner which satisfactorily addresses any resultant antitrust or labor issues and customer concerns, any contingent liabilities related to divestitures or integration costs associated with acquisitions, and other matters; the success of our efforts to diversify our customer base and still maintain existing GM business; the continued protection and exploitation of our intellectual property to develop new products and enter new markets; and our ability to capture expected benefits of our cost reduction initiatives so as to maintain flexibility to respond to adverse and cyclical changes in general economic conditions and in the automotive industry in each market in which we operate, including customer cost reduction initiatives, potential increases in warranty costs, funding requirements and pension contributions, healthcare costs, disruptions in the labor, commodities or transportation markets caused by terrorism, war or labor unrests, other changes in the political and regulatory environments where we do business; and other factors, risks and uncertainties discussed in our Annual Report on Form 10-K for the year ended December 31, 2002 and other filings with the SEC incorporated by reference in this prospectus supplement and the related prospectus. Delphi does not intend or assume any obligation to update any of these forward-looking statements.

SUMMARY

The information contained in this summary is qualified in its entirety by and should be read together with the more detailed information and financial statements incorporated by reference in this prospectus supplement and the related prospectus.

The Company

Delphi is a leading global supplier of vehicle electronics, transportation components, integrated systems and modules and other electronic technology. Delphi s common stock is listed on the New York Stock Exchange under the symbol DPH . It was incorporated in Delaware in late 1998, as a wholly owned subsidiary of General Motors Corporation, or GM. Prior to January 1, 1999, GM conducted its business through various divisions and subsidiaries. Effective January 1, 1999, the assets and liabilities of the Delphi business sector were transferred to Delphi and its subsidiaries in accordance with the terms of a Master Separation Agreement to which Delphi and GM are parties. Delphi became an independent company during 1999 in two stages, the first of which involved an initial public offering on February 5, 1999, and the second of which involved the distribution of Delphi s remaining shares owned by GM on May 28, 1999.

Delphi s net sales for 2002 were $27.4 billion, up 5% from 2001, with $9.6 billion or 35% of sales to non-GM customers. Delphi s GM sales in 2002 were $17.9 billion and were stable relative to 2001. Net income for 2002 was $343 million. Delphi s results for 2002 benefited from stable production in the U.S. automotive market, steady growth in its non-GM business, and savings related to ongoing restructuring and cost containment.

Delphi s extensive technical expertise in a broad range of product lines and strong systems integration skills enables it to provide comprehensive, systems-based solutions to vehicle manufacturers. It has established an expansive global presence, with a network of manufacturing sites, technical centers, sales offices and joint ventures located in every major region of the world.

Delphi s principal executive offices are located at 5725 Delphi Drive, Troy, Michigan 48098, and its telephone number is (248) 813-2000.

Recent Developments

Delphi s net sales for the six months ended June 30, 2003 were $14.3 billion, up 2% from the comparable period in 2002. Delphi s non-GM sales were $5.4 billion, or 38% of net sales, for the first six months of 2003, up 15% from the comparable period of 2002. Delphi s net income was $215 million for the six months ended June 30, 2003.

On May 22, 2003, Standard & Poor s Rating Services lowered its corporate credit rating on Delphi to BBB- with a negative outlook. On February 6, 2003, Fitch Ratings reaffirmed its corporate credit rating on Delphi of BBB with a stable outlook. On July 15, 2003, Moody s Investors Service, Inc. reaffirmed its corporate credit rating on Delphi of Baa2 with a stable outlook.

The Offering

Securities Offered	$ principal amount of % Notes due .
Maturity Date	The Notes will mature on .
Interest Rate	The Notes will bear interest at the rate of % per year, accruing from , 2003.
Interest Payment Dates	
Redemption	The Notes are not subject to a sinking fund. The Notes are redeemable before maturity at the option of Delphi, in whole or in part, at the redemption price set forth herein plus accrued and unpaid interest, and are redeemable in whole, but not in part, at 100% of the principal amount plus accrued and unpaid interest on the Notes in the event of certain changes relating to United States taxation. See Description of the Notes Optional Redemption and Redemption for Tax Reasons.
Ranking	The Notes are unsecured and unsubordinated indebtedness of Delphi and will rank equally with Delphi s other unsecured and unsubordinated debt. The Notes will be effectively subordinated to indebtedness and other liabilities (including trade payables) of Delphi s subsidiaries and to secured indebtedness of Delphi to the extent of the value of the assets securing that indebtedness.
Use of Proceeds	Delphi intends to use the net proceeds from the offering of the Notes for general corporate purposes, including the repayment of short-term borrowings used for working capital that have an average interest rate of 2 1/4%.
Listing	Application has been made to list the Notes on the Luxembourg Stock Exchange. There can be no assurance that such listing will be obtained for the Notes. Currently, there is no public market for the Notes.

RISK FACTORS

In considering whether to purchase the Notes, you should carefully consider all the information we have included or incorporated by reference in this prospectus supplement and the related prospectus. In particular, you should carefully consider the risk factors described below.

The cyclical nature of automotive production and sales can adversely affect our business.

Our business is directly related to automotive sales and automotive vehicle production by our customers. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences. In addition, automotive production and sales can be affected by labor relations issues, regulatory requirements, trade agreements and other factors. Any significant economic decline that results in a reduction in automotive production and sales by our customers can have a material adverse effect on our business, results of operations and financial condition.

We depend on GM as a customer and may not be successful at attracting new customers.

GM accounted for 65% of our total net sales in 2002 and 62% for the first six months of 2003. To compete effectively, we need to continue to satisfy GM s pricing, service, technology and increasingly stringent quality and reliability requirements, which, because we are GM s largest supplier, particularly affect us. Additionally, our revenues may be affected by decreases in GM s business or market share. For these reasons, we cannot provide any assurance as to the amount of our future business with GM. While we intend to continue to focus on retaining and winning GM s business, we cannot assure you that we will succeed in doing so. To the extent that we do not maintain our existing level of business with GM, we will need to attract new customers or our results of operations and financial condition will be adversely affected. We cannot assure you that we will be successful in expanding our existing customer base.

Continued depreciation in the value of the securities held by our employee benefit plans and other factors, such as interest rates, could materially increase our pension and other postretirement benefit expense and underfunding levels.

We sponsor defined benefit pension plans covering certain hourly and salaried employees in the United States. At December 31, 2002, the projected benefit obligation exceeded the market value of plan assets by $4.1 billion, compared to $2.4 billion at December 31, 2001. The increase in the underfunded status of our plans was primarily due to a 50 basis point decline in the discount rate used to value the liabilities and the impact of the unfavorable asset return environment. Despite the underfunded status of the plans, we are not required by employee benefit and tax laws to make contributions prior to 2004. We contributed $600 million to our U.S. pension plans during the first half of 2003. Even with these contributions, however, continued declines in interest rates or the market values of the securities held by the plans, or certain other changes, could materially increase their underfunded status and affect the level and timing of required contributions in 2004 and beyond. An increase in the underfunded status of the plans could materially increase pension expense, reduce profitability and adversely affect our access to capital. In addition, we maintain other postretirement benefit plans that are not funded. At December 31, 2002 and 2001, the other postretirement benefit obligations on our balance sheet were $5.5 billion and $5.0 billion, respectively. See our 2002 Form 10-K and Form 10-Q for the quarter ended June 30, 2003 for a further discussion of pension and other postretirement benefit matters.

We may incur material losses and costs as a result of product liability and warranty claims that may be brought against us.

We face an inherent business risk of exposure to warranty and product liability claims in the event that our products fail to perform as expected or such failure of our products results, or is alleged to result, in bodily injury and/or property damage. In addition, if any Delphi-designed products are or are alleged to be defective, we may be required to participate in a recall of such products. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, vehicle manufacturers are increasingly looking to their suppliers for contributions when faced with product liability claims or recalls. In addition, vehicle manufacturers, who have traditionally borne the cost associated with warranty programs offered on their vehicles, are increasingly requiring suppliers to guarantee or warrant their products and may seek to hold us responsible for some or all of the costs related to the repair and replacement of parts supplied by us to the vehicle manufacturer. In particular, GM continues to assert pre-separation warranty claims that we are challenging. A successful warranty claim or product liability claim against us in excess of our available insurance coverage or established warranty reserves or a requirement that we participate in a product recall may have a material adverse effect on our business. We establish warranty reserves for products sold using management estimates of the amount that will eventually be required to settle such obligations, which estimates are based on several factors including past experience, production changes, industry developments and various other considerations. Although we regularly evaluate the appropriateness of these reserves and make adjustments when appropriate consistent with generally accepted accounting principles, the final amounts determined to be due related to warranty matters could differ materially from management s estimates.

Restrictions in several of our labor agreements could limit our ability to pursue restructuring initiatives. Labor strikes, work stoppages or similar difficulties could significantly disrupt our operations.

Approximately 143,000, or 91%, of all hourly employees in our operations are represented by unions and are covered by collective bargaining agreements. Several of the agreements restrict our ability to close plants, restructure operations and take other steps to make our business more efficient. In addition, two of our national labor agreements, covering over 41,000 employees, expire in 2003. The negotiation of these and other new collective bargaining agreements with labor groups in the future could result in higher labor costs and more restrictive work rules than those currently in effect. A work stoppage could occur as a result of certain types of disputes under existing collective bargaining agreements or in connection with the negotiation of the new collective bargaining agreements. A work stoppage could adversely affect our business and disrupt our operations. Work stoppages at key suppliers could have similar consequences if alternative sources are not readily available.

Disruptions in the supply of materials can adversely affect our profitability.

We use a broad range of materials and supplies, including metals, castings, chemicals and electronic components in our products. A significant disruption in the supply of these materials could decrease production and shipping levels, materially increase our operating costs and materially adversely affect our profit margins.

USE OF PROCEEDS

We estimate that the net proceeds from the offering, after deducting the underwriting discount and expenses of the offering, will be approximately $. We intend to use such proceeds for general corporate purposes, including the repayment of short-term borrowings used for working capital that have an average interest rate of 2 1/4%.

CAPITALIZATION

Set forth below is the historical capitalization of our company on a consolidated basis at June 30, 2003 and as adjusted to give effect for the offering of the Notes pursuant to this prospectus supplement and for the reduction of a portion of our short-term borrowings with the net proceeds of the offering. You should read the information set forth below in conjunction with Selected Financial Data which appears elsewhere in this prospectus supplement and our consolidated financial statements, including the notes thereto, which are incorporated by reference in this prospectus supplement and the related prospectus.

	June 30, 2003	
	Actual	As Adjusted
	(unaudited) (in millions)	
Debt:		
Notes payable and current portion of long-term debt	$ 1,096	$
Long-term debt	1,533	
Notes offered hereby		
Total debt	2,629	
Stockholders Equity:		
Common stock, $0.01 par value, 1,350 million shares authorized and 565 million shares issued and outstanding	6	6
Additional paid-in capital	2,462	2,462
Retained earnings	1,666	1,666
Minimum pension liability	(2,098)	(2,098)
Accumulated other comprehensive loss, excluding pension liability	(307)	(307)
Treasury stock, at cost, 4.7 million shares	(76)	(76)
Total equity	1,653	1,653
Total capitalization	$ 4,282	$

SELECTED FINANCIAL DATA

The following selected financial data reflects our results of operations and cash flows. Selected financial data for 1998 reflects the historical results of operations and cash flows of the businesses that were considered part of the Delphi business sector of GM at that time and does not necessarily reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during that year. The historical consolidated statement of income data for 1998 does not reflect many significant changes that have occurred in our operations and funding as a result of our separation from GM and our initial public offering. The historical consolidated balance sheet data in 1998 reflects the assets and liabilities transferred to us in accordance with the terms of the agreement governing our separation from GM. The selected financial data should be read in conjunction with, and are qualified by reference to Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included in our 2002 Form 10-K and Management s Discussion and Analysis of Financial Condition and Results of Operations and the unaudited consolidated financial statements and notes thereto included in our Form 10-Q for the quarter ended June 30, 2003, which are incorporated by reference in this prospectus supplement and the related prospectus. The financial information presented may not be indicative of our future performance.

	Six Months Ended June 30, 2003	Year Ended December 31, 2002	2001	2000	1999	1998
		(in millions, except per share amounts)				
Statement of Income Data:(1)						
Net sales	$ 14,276	$ 27,427	$ 26,088	$ 29,139	$ 29,192	$ 28,479
Operating expenses:						
Cost of sales, excluding items listed below	12,552	24,014	23,216	24,744	25,035	26,135
Selling, general and administrative	811	1,510	1,470	1,715	1,619	1,463
Depreciation and amortization(2)	513	988	1,150	936	856	1,102
Restructuring		225	536			
Acquisition-related in-process research and development				51		
Operating income (loss)	400	690	(284)	1,693	1,682	(221)
Interest expense	(90)	(191)	(222)	(183)	(132)	(277)
Other income (expense), net	4	32	(22)	157	171	232
Income (loss) before income taxes	314	531	(528)	1,667	1,721	(266)
Income tax expense (benefit)	99	188	(158)	605	638	(173)
Net income (loss)	$ 215	$ 343	$ (370)	$ 1,062	$ 1,083	$ (93)
Basic earnings (loss) per share	$ 0.38	$ 0.61	$ (0.66)	$ 1.89	$ 1.96	$ (0.20)
Diluted earnings (loss) per share	$ 0.38	$ 0.61	$ (0.66)	$ 1.88	$ 1.95	$ (0.20)
Cash dividends declared per share(3)	$ 0.14	$ 0.28	$ 0.28	$ 0.28	$ 0.21	$ N/A
Ratio of earnings to fixed charges(4)	3.5	3.0	N/A	7.9	10.6	N/A
Statement of Cash Flows Data:						
Cash provided by (used in) operating activities(5)	$ 375	$ 2,073	$ 1,360	$ 268	$ (1,214)	$ 849
Cash used in investing activities	(439)	(981)	(1,353)	(2,054)	(1,055)	(1,216)
Cash (used in) provided by financing activities	(249)	(791)	13	1,094	2,878	384

Other Financial Data:						
EBITDA(6)	$ 907	$ 1,689	$ 811	$ 2,739	$ 2,613	$ 1,056
Balance Sheet Data:						
Total assets	$ 19,630	$ 19,316	$ 18,602	$ 18,521	$ 18,350	$ 15,506
Total debt	2,629	2,766	3,353	3,182	1,757	3,500
Stockholders equity	1,653	1,279	2,312	3,766	3,200	9

(1) We became a separate company in 1999. The data for 1998 represent results when we were an operating sector within GM.

(2) Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets and no longer amortize purchased goodwill.

(3) Because we became a public company on February 5, 1999, dividend data for 1998 is not applicable. Due to the timing of our separation from GM, only three quarters of dividends were paid in 1999.

(4) Fixed charges exceeded earnings by $561 million and $320 million for the years ended December 31, 2001 and 1998, respectively, resulting in a ratio of less than one.

(5) In 2002, cash provided by operating activities includes the sale of accounts receivable of approximately $639 million, primarily in the United States. Excluding these transactions, on a comparable basis with prior years, cash provided by operating activities would have been $1,434 million.

(6) EBITDA is defined as earnings before provision for interest expense and interest income, income taxes, depreciation and amortization. EBITDA is not presented as an alternative measure of operating results or cash flow from operations, as determined in accordance with generally accepted accounting principles, but because we believe it is a widely accepted indicator of our ability to incur and service debt. EBITDA does not give effect to cash used for debt service requirements and thus does not reflect funds available for dividends, reinvestment or other discretionary uses. In addition, EBITDA as presented herein may not be comparable to similarly titled measures reported by other companies.

The following is the calculation of EBITDA:

	Six Months Ended June 30, 2003	Year Ended December 31, 2002	2001	2000	1999	1998
		(in millions)				
Net income	$ 215	$ 343	$ (370)	$ 1,062	$ 1,083	$ (93)
Interest expense	90					