

# DELPHI

October 8, 2005

Dear Delphi Supplier:

All of our suppliers play a significant role in our ability to continue to serve the needs of our customers. Because I value our relationship, I wanted to let you know directly about an important action Delphi has taken to preserve the value of the company and complete its transformation plan designed to resolve Delphi's existing legacy issues and the resulting high cost of its U.S. operations. Today Delphi and certain of its domestic U.S. subsidiaries filed voluntary petitions for business reorganization under chapter 11 of the U.S. Bankruptcy Code.

As part our transformation plan, we will need to realign our global product portfolio and manufacturing footprint to preserve our core businesses. This will require a substantial segment of our U.S. manufacturing operations to be divested, consolidated or wound-down through the chapter 11 process.

I want to assure you that we have adequate cash to continue paying for goods and services we need to operate and serve our customers. We plan to finance our global operations by utilizing our access to a total of \$4.5 billion in credit facilities, including a new \$2 billion debtor-in-possession (DIP) financing facility being provided by a group of lenders led by JPMorgan Chase Bank and Citigroup Global Markets, Inc., and \$2.5 billion borrowed from pre-existing revolving and term loan credit facilities. The proceeds from the DIP financing together with cash generated from daily operations and cash on hand will be used to fund post-petition operating expenses, including supplier obligations and employee wages, salaries and benefits.

The overall liquidity includes more than \$1 billion on hand outside the U.S. which Delphi does not plan to repatriate to fund U.S. operations. These funds will support its global operations outside the U.S. and help ensure the continued adequacy of working capital throughout its global business units.

We want to make sure that you understand that:

- 1) Delphi is not going out of business. We took this action to address the legacy issues faced by our U.S. operations. We will continue to purchase and pay for goods and services in the normal course of business. Similarly, we will continue to provide the products and services to meet the needs of our customers.
- 2) Our chapter 11 business reorganization is well financed, well planned and well organized.
- 3) We are determined to achieve competitiveness for Delphi's core U.S. operations, and the key to accomplishing that goal is reducing these costs as soon as possible.



- 4) This is a U.S. cost structure problem that Delphi is taking action to address – it does not involve our non-U.S. subsidiaries in 39 countries outside of the U.S. Delphi's subsidiaries and operations in Asia Pacific, Canada, Europe, South America and Mexico are not included in the filing and are not subject to the requirements of chapter 11.
- 5) We believe this action will enable Delphi to become a more competitive company in our industries and a stronger, more viable business partner for you.
- 6) We will continue discussions with our unions. In fact, we will be making a further proposal this month to each of our unions to transform our labor agreements to a competitive labor cost structure and to address non-profitable and non-strategic U.S. operations.

With respect to our ongoing business relationship, the Bankruptcy Code provides **priority status** for post-petition orders and shipments (goods and services received after the chapter 11 filing date) that you provide to us. Therefore, you can be assured that we can and will pay for the goods and services you provide to us after the October 8, 2005 filing date.

Unfortunately, federal law prohibits payment for goods and services received before the filing date except pursuant to a Plan of Reorganization that is accepted by creditors and approved by the Court. We sincerely regret any hardship this may cause.

However, we want to assure you that if you also supply goods and services to any of our subsidiaries in Asia Pacific, Canada, Europe, South America or Mexico, normal payment terms will continue for those shipments and services during these proceedings. Our non-U.S. subsidiaries are not included in the chapter 11 filing and will continue to purchase and pay for goods and services in the ordinary course of business.

We value our relationship with you and I personally want to thank you for your patience during our restructuring. We will do our best to keep you fully informed of developments relating to our progress.

If you have any questions or concerns, you may contact your primary Delphi buyer. We have also established a special supplier information line at 866-688-8679 or 248-813-2601. For access to certain Court documents and other information about our chapter 11 case, please visit [www.delphidocket.com](http://www.delphidocket.com). For general information on our restructuring you may also visit [www.delphi.com](http://www.delphi.com).

Attached is the news release that we issued. On behalf of our entire management team, I would like to thank you in advance for your continued support.

Sincerely,

Delphi Corporation