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Mecel AB announces its intent to Sell its Engine Systems Business Area

Sweden – Today, Mecel AB, a wholly-owned subsidiary of Delphi Corporation announced its intent to sell its Engine Systems business area. The business is planned to be sold to a newly created company owned by one of Mecel AB's founders, Jan Nytomt. The new company will operate as an independently-owned company under the name Mecel Engine Systems AB and will not be affiliated with Delphi Corporation. Existing Mecel AB employees associated with the business will transfer as part of the proposed transaction. Existing customer contracts and other relationships will also transfer as part of the business sale. The transaction is anticipated to be completed by July 1, 2006. Terms of the sale remain private between Delphi and Mecel Engine Systems AB.

Prior to the transaction, Mecel AB was structured in two business areas: Automotive Systems and Engine Systems. After analysis of the long term plans for customer growth, technical focus and investment priorities, the decision to sell Mecel Engine Systems business area was made to improve the ability of the two units to focus on their core customers and growth plans.

As part of the proposed transaction, Mecel AB will restructure support activities, as the Engine Systems unit will no longer rely on Mecel for certain administrative support. As a result, the company anticipates a small reduction of staff members in Åmål and Göteborg.

For Mecel Engine Systems AB, the transaction will allow the business to focus on its base of customers in the industrial engine, automotive combustion engine and related electronics, software and systems markets. The separation will enable Mecel Engine Systems AB to further capitalize on its technical expertise with freedom to implement growth and investment plans without internal competition for resources with other business units focusing on other market segments.

For Mecel AB, based on today's Automotive Systems Business Area, this transaction will mean a streamlined organization with a special focus on existing customers in electronics integration, software and support for vehicle electronics, mobile communications and entertainment. Mecel AB plans to be a leading "System House" for software, integration and expert services upon completion of the AUTOSAR standardization of software architecture for vehicles.

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