

Delphi Automotive PLC
Form 10-Q
July 31, 2014
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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 June 30, 2014

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: 001-35346

DELPHI AUTOMOTIVE PLC
(Exact name of registrant as specified in its charter)

Jersey (State or other jurisdiction of incorporation or organization)	98-1029562 (I.R.S. Employer Identification No.)
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Courteney Road

Hoath Way

Gillingham, Kent ME8 0RU

United Kingdom

(Address of principal executive offices)

011-44-163-423-4422

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

The number of the registrant's ordinary shares outstanding, \$0.01 par value per share as of July 25, 2014, was 299,631,922.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DELPHI AUTOMOTIVE PLC

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions, except per share amounts)			
Net sales	\$4,451	\$4,240	\$8,727	\$8,264
Operating expenses:				
Cost of sales	3,611	3,464	7,119	6,803
Selling, general and administrative	272	241	533	471
Amortization	25	26	51	52
Restructuring (Note 7)	55	26	77	58
Total operating expenses	3,963	3,757	7,780	7,384
Operating income	488	483	947	880
Interest expense	(33)	(36)	(68)	(72)
Other income (expense), net (Note 16)	3	5	(13)	(29)
Income before income taxes and equity income	458	452	866	779
Income tax expense	(62)	(73)	(137)	(110)
Income before equity income	396	379	729	669
Equity income, net of tax	10	10	18	18
Net income	406	389	747	687
Net income attributable to noncontrolling interest	24	22	45	44
Net income attributable to Delphi	\$382	\$367	\$702	\$643
Basic net income per share:				
Basic net income per share attributable to Delphi	\$1.26	\$1.18	\$2.31	\$2.05
Weighted average number of basic shares outstanding	302.68	311.93	304.26	313.30
Diluted net income per share:				
Diluted net income per share attributable to Delphi	\$1.26	\$1.17	\$2.30	\$2.05
Weighted average number of diluted shares outstanding	303.74	312.69	305.30	314.02
Cash dividends declared per share	\$0.25	\$0.17	\$0.50	\$0.34

See notes to consolidated financial statements.

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DELPHI AUTOMOTIVE PLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
	(in millions)			
Net income	\$406	\$389	\$747	\$687
Other comprehensive income (loss):				
Currency translation adjustments	21	(39)	7	(117)
Net change in unrecognized gain (loss) on derivative instruments, net of tax (Note 14)	40	(45)	7	(39)
Employee benefit plans adjustment, net of tax	1	(1)	2	16
Other comprehensive income (loss)	62	(85)	16	(140)
Comprehensive income	468	304	763	547
Comprehensive income attributable to noncontrolling interests	26	22	43	44
Comprehensive income attributable to Delphi	\$442	\$282	\$720	\$503

See notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

	June 30, 2014 (Unaudited)	December 31, 2013
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,166	\$1,389
Restricted cash	5	4
Accounts receivable, net	3,049	2,662
Inventories (Note 3)	1,262	1,093
Other current assets (Note 4)	600	604
Total current assets	6,082	5,752
Long-term assets:		
Property, net	3,311	3,216
Investments in affiliates	248	234
Intangible assets, net (Note 2)	669	723
Goodwill (Note 2)	489	496
Other long-term assets (Note 4)	653	626
Total long-term assets	5,370	5,295
Total assets	\$11,452	\$11,047
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (Note 8)	\$32	\$61
Accounts payable	2,696	2,595
Accrued liabilities (Note 5)	1,270	1,238
Total current liabilities	3,998	3,894
Long-term liabilities:		
Long-term debt (Note 8)	2,420	2,351
Pension benefit obligations	965	959
Other long-term liabilities (Note 5)	385	409
Total long-term liabilities	3,770	3,719
Total liabilities	7,768	7,613
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred shares, \$0.01 par value per share, 50,000,000 shares authorized, none issued and outstanding	—	—
Ordinary shares, \$0.01 par value per share, 1,200,000,000 shares authorized, 301,015,232 and 306,389,149 issued and outstanding as of June 30, 2014 and December 31, 2013, respectively		3
Additional paid-in-capital	1,695	1,699
Retained earnings	1,646	1,446
Accumulated other comprehensive loss	(219)	(237)
Total Delphi shareholders' equity	3,125	2,911
Noncontrolling interest	559	523
Total shareholders' equity	3,684	3,434

Total liabilities and shareholders' equity	\$ 11,452	\$ 11,047
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See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
	2014	2013
	(in millions)	
Cash flows from operating activities:		
Net income	\$747	\$687
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	240	211
Amortization	51	52
Amortization of deferred debt issuance costs	5	6
Restructuring expense, net of cash paid	(7	) (17
Deferred income taxes	3	3
Pension and other postretirement benefit expenses	45	42
Income from equity method investments, net of dividends received	(8	) 2
Loss on extinguishment of debt	34	39
Gain on sale of assets	(1	) (1
Share-based compensation	33	24
Changes in operating assets and liabilities:		
Accounts receivable, net	(387	) (443
Inventories	(169	) (96
Other assets	(35	) 2
Accounts payable	225	296
Accrued and other long-term liabilities	(14	) (31
Other, net	44	(63
Pension contributions	(43	) (41
Net cash provided by operating activities	763	672
Cash flows from investing activities:		
Capital expenditures	(470	) (336
Proceeds from sale of property / investments	5	4
Cost of business and technology acquisitions, net of cash acquired	—	2
(Increase) decrease in restricted cash	(1	) 3
Net cash used in investing activities	(466	) (327
Cash flows from financing activities:		
Net proceeds (repayments) under other short- and long-term debt agreements	6	(74
Repayments under long-term debt agreements	(164	) (1,346
Repayment of senior notes	(526) —
Proceeds from issuance of senior secured term loans, net of issuance costs	—	560
Proceeds from issuance of senior notes, net of issuance costs	691	788
Dividend payments of consolidated affiliates to minority shareholders	(7	) (8
Repurchase of ordinary shares	(358	) (240
Distribution of cash dividends	(153	) (106
Taxes withheld and paid on employees' restricted share awards	(8	) (14
Net cash used in financing activities	(519	) (440
Effect of exchange rate fluctuations on cash and cash equivalents	(1	) (9
Decrease in cash and cash equivalents	(223) (104
Cash and cash equivalents at beginning of the period	1,389	1,105

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Cash and cash equivalents at end of the period	\$1,166	\$1,001
See notes to consolidated financial statements.		

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DELPHI AUTOMOTIVE PLC
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)

	Ordinary Shares	Number of Shares	Amount Paid in Capital	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Delphi Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
	(in millions)								
Balance at January 1, 2014	306	\$ 3	\$ 1,699	\$ 1,446	\$ (237)	\$ 2,911	\$ 523	\$ 3,434	
Net income	—	—	—	702	—	702	45	747	
Other comprehensive income	—	—	—	—	18	18	(2)	16	
Dividends on ordinary shares	—	—	1	(154)	—	(153)	—	(153)	
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	—	—	—	(7)	(7)	
Taxes withheld on employees' restricted share award vestings	—	—	(8)	—	—	(8)	—	(8)	
Repurchase of ordinary shares	(5)	—	(30)	(348)	—	(378)	—	(378)	
Share based compensation	—	—	33	—	—	33	—	33	
Balance at June 30, 2014	301	\$ 3	\$ 1,695	\$ 1,646	\$ (219)	\$ 3,125	\$ 559	\$ 3,684	

See notes to consolidated financial statements.

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DELPHI AUTOMOTIVE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

General and basis of presentation—“Delphi,” the “Company,” “we,” “us” and “our” refer to Delphi Automotive PLC, a public limited company which was formed under the laws of Jersey on May 19, 2011, together with its subsidiaries, including Delphi Automotive LLP, a limited liability partnership incorporated under the laws of England and Wales which was formed on August 19, 2009 for the purpose of acquiring certain assets of the former Delphi Corporation (“the Acquisition”), and became a subsidiary of Delphi Automotive PLC in connection with the completion of the Company’s initial public offering on November 22, 2011. The former Delphi Corporation (now known as DPH Holdings Corp. (“DPHH”)) and, as the context may require, its subsidiaries and affiliates, are referred to herein as the “Predecessor.” The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The consolidated financial statements and notes thereto included in this report should be read in conjunction with Delphi’s 2013 Annual Report on Form 10-K.

Nature of operations—Delphi is a leading global vehicle components manufacturer and provides electrical and electronic, powertrain, safety and thermal technology solutions to the global automotive and commercial vehicle markets. Delphi operates manufacturing facilities and technical centers utilizing a regional service model that enables the Company to efficiently and effectively serve its global customers from low cost countries. In line with the growth in emerging markets, Delphi has been increasing its focus on these markets, particularly in China, where the Company has a major manufacturing base and strong customer relationships.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation—The consolidated financial statements include the accounts of Delphi and U.S. 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 adjustments, consisting of only normal recurring items, which are necessary for a fair presentation, have been included. All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated.

During the six months ended June 30, 2014, Delphi received a dividend of \$10 million from one of its equity method investments. During the three and six months ended June 30, 2013, Delphi received dividends of \$11 million and \$20 million from two of its equity method investments, respectively. The dividends were recognized as a reduction to the investment and represented a return on investment included in cash flows from operating activities.

Use of estimates—Preparation of consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect amounts reported therein. Generally, matters subject to estimation and judgment include amounts related to accounts receivable realization, inventory obsolescence, asset impairments, useful lives of intangible and fixed assets, deferred tax asset valuation allowances, income taxes, pension benefit plan assumptions, accruals related to litigation, warranty costs, environmental remediation costs, worker’s compensation accruals and healthcare accruals. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from those estimates.

Net income per share—Basic net income per share is computed by dividing net income attributable to Delphi by the weighted average number of ordinary shares outstanding during the period. Diluted net income per share reflects the weighted average dilutive impact of all potentially dilutive securities from the date of issuance and is computed using the treasury stock method by dividing net income attributable to Delphi by the diluted weighted average number of ordinary shares outstanding. Share amounts included in these notes are on a diluted basis. See Note 12. Shareholders’ Equity and Net Income Per Share for additional information including the calculation of basic and diluted net income per share.

Cash and cash equivalents—Cash and cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less.

Intangible assets—Intangible assets were \$669 million and \$723 million as of June 30, 2014 and December 31, 2013, respectively. Delphi amortizes definite-lived intangible assets over their estimated useful lives. Delphi has definite-lived intangible assets related to patents and developed technology, customer relationships, trade names and in-process research and development. Delphi does not amortize indefinite-lived in-process research and development, but tests for impairment annually, or more frequently when indicators of potential impairment exist. Costs to renew or extend the term of acquired intangible assets are recognized as expense as incurred. Amortization expense was \$25 million and \$51 million for the three and six months ended June 30, 2014 and \$26 million and \$52 million for the three and six months ended June 30, 2013, respectively.

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Goodwill—Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Delphi tests goodwill for impairment annually or more frequently when indications of potential impairment exist. Delphi monitors the existence of potential impairment indicators throughout the fiscal year. The Company tests for goodwill impairment at the reporting unit level. Our reporting units are the components of operating segments which constitute businesses for which discrete financial information is available and is regularly reviewed by segment management. No components were aggregated in arriving at our reporting units.

The impairment test involves first qualitatively assessing goodwill for impairment. If the qualitative assessment is not met the Company then performs a quantitative assessment by first comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value reflects the price a market participant would be willing to pay in a potential sale of the reporting unit. If the fair value exceeds carrying value, then we conclude that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, a second step is required to measure possible goodwill impairment loss. The second step includes hypothetically valuing the tangible and intangible assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying value of that goodwill. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, the Company recognizes an impairment loss in an amount equal to the excess, not to exceed the carrying value. There were no indicators of potential goodwill impairment as of June 30, 2014. Goodwill was \$489 million and \$496 million as of June 30, 2014 and December 31, 2013, respectively.

Warranty—Expected warranty costs for products sold are recognized at the time of sale of the product based on an estimate of the amount that eventually will be required to settle such obligations. These accruals are based on factors such as past experience, production changes, industry developments and various other considerations. This estimate is adjusted from time to time based on facts and circumstances that impact the status of existing claims. Refer to Note 6. Warranty Obligations.

Income taxes—Deferred tax assets and liabilities reflect temporary differences between the amount of assets and liabilities for financial and tax reporting purposes. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. A valuation allowance is recorded to reduce our deferred tax assets to the amount that is more likely than not to be realized. In the event we determine it is more likely than not that the deferred tax assets will not be realized in the future, the valuation adjustment to the deferred tax assets will be charged to earnings in the period in which we make such a determination. In determining the provision for income taxes for financial statement purposes, the Company makes certain estimates and judgments which affect its evaluation of the carrying value of its deferred tax assets, as well as its calculation of certain tax liabilities. Refer to Note 11. Income Taxes.

Restructuring—Delphi continually evaluates alternatives to align the business with the changing needs of its customers and to lower operating costs. This includes the realignment of its existing manufacturing capacity, facility closures, or similar actions, either in the normal course of business or pursuant to significant restructuring programs. These actions may result in employees receiving voluntary or involuntary employee termination benefits, which are mainly pursuant to union or other contractual agreements. Voluntary termination benefits are accrued when an employee accepts the related offer. Involuntary termination benefits are accrued upon the commitment to a termination plan and the benefit arrangement is communicated to affected employees, or when liabilities are determined to be probable and estimable, depending on the existence of a substantive plan for severance or termination. Contract termination costs are recorded when contracts are terminated or when Delphi ceases to use the leased facility and no longer derives economic benefit from the contract. All other exit costs are expensed as incurred. Refer to Note 7. Restructuring.

Customer concentrations—As reflected in the table below, combined net sales to General Motors Company ("GM") and Volkswagen Group ("VW"), Delphi's two largest customers, totaled approximately 28% and 27% of our total net sales for the three and six months ended June 30, 2014, respectively, and 26% and 26% for the three and six months ended June 30, 2013, respectively.

Percentage of Total Net Sales

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	Three Months Ended June		Six Months Ended June 30,		Accounts and Other Receivables	
	30, 2014	2013	2014	2013	June 30, 2014	December 31, 2013
					(in millions)	
GM	18	% 16	% 17	% 16	% \$517	\$ 377
VW	10	% 10	% 10	% 10	% 257	199

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Recently issued accounting pronouncements—In March 2013, the Financial Accounting Standards Board ("FASB") issued ASU 2013-05, Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This guidance requires a reporting entity that ceases to have a controlling financial interest in a business with a foreign entity, other than a sale of in substance real estate or conveyance of oil and gas mineral rights, to release any related cumulative translation adjustment into net income. The guidance is effective for fiscal years beginning after December 15, 2013. Delphi adopted this guidance effective January 1, 2014, and it did not have a significant impact on Delphi's financial statements.

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This guidance limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have a major effect on an entity's operations and financial results. The amendments also require expanded disclosures for discontinued operations with more information about the assets, liabilities, revenues, and expenses of discontinued operations. The amendments also require an entity to disclose the pretax profit or loss attributable to a disposal of an individually significant component of an entity that does not qualify for discontinued operations reporting. The guidance is effective for fiscal years beginning after December 15, 2014 and should be applied prospectively. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on Delphi's financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This ASU supersedes most of the existing guidance on revenue recognition in Accounting Standards Codification ("ASC") Topic 605, Revenue Recognition and establishes a broad principle that would require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, an entity identifies the contract with a customer, identifies the separate performance obligations in the contract, determines the transaction price, allocates the transaction price to the separate performance obligations and recognizes revenue when each separate performance obligation is satisfied. The guidance is effective for fiscal years beginning after December 15, 2016 and is to be applied retrospectively at the entity's election either to each prior reporting period presented or with the cumulative effect of application recognized at the date of initial application. Early adoption is not permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition of the award. A reporting entity should apply existing guidance in ASC Topic 718, Compensation-Stock Compensation, as it relates to such awards. The guidance is effective for fiscal years beginning after December 15, 2015, and may be applied either prospectively or retrospectively. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on Delphi's financial statements.

3. INVENTORIES

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market, including direct material costs and direct and indirect manufacturing costs. A summary of inventories is shown below:

	June 30, 2014	December 31, 2013
	(in millions)	
Productive material	\$691	\$584
Work-in-process	155	142
Finished goods	416	367
Total	\$1,262	\$1,093

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4. ASSETS

Other current assets consisted of the following:

	June 30, 2014	December 31, 2013
	(in millions)	
Value added tax receivable	\$184	\$177
Deferred income taxes	142	133
Prepaid insurance and other expenses	51	59
Reimbursable engineering costs	69	76
Notes receivable	40	45
Income and other taxes receivable	56	57
Deposits to vendors	10	9
Derivative financial instruments (Note 14)	14	15
Other	34	33
Total	\$600	\$604

Other long-term assets consisted of the following:

	June 30, 2014	December 31, 2013
	(in millions)	
Deferred income taxes	\$272	\$283
Debt issuance costs (Note 8)	37	43
Income and other taxes receivable	136	123
Reimbursable engineering costs	96	79
Value added tax receivable	36	29
Derivative financial instruments (Note 14)	9	5
Other	67	64
Total	\$653	\$626

5. LIABILITIES

Accrued liabilities consisted of the following:

	June 30, 2014	December 31, 2013
	(in millions)	
Payroll-related obligations	\$307	\$269
Employee benefits, including current pension obligations	83	130
Income and other taxes payable	247	280
Warranty obligations (Note 6)	83	75
Restructuring (Note 7)	103	94
Customer deposits	34	38
Deferred income taxes	3	1
Derivative financial instruments (Note 14)	11	16
Accrued interest	31	24
Other	368	311
Total	\$1,270	\$1,238

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Other long-term liabilities consisted of the following:

	June 30, 2014	December 31, 2013
	(in millions)	
Environmental (Note 10)	\$19	\$18
Extended disability benefits	10	9
Warranty obligations (Note 6)	80	94
Restructuring (Note 7)	26	45
Payroll-related obligations	11	12
Accrued income taxes	30	34
Deferred income taxes	170	151
Derivative financial instruments (Note 14)	—	6
Other	39	40
Total	\$385	\$409

6. WARRANTY OBLIGATIONS

Expected warranty costs for products sold are recognized at the time of sale of the product based on an estimate of the amount that eventually will be required to settle such obligations. These accruals are based on factors such as past experience, production changes, industry developments and various other considerations. This estimate is adjusted from time to time based on facts and circumstances that impact the status of existing claims. Delphi has recognized its best estimate for its total aggregate warranty reserves across all of its operating segments as of June 30, 2014. The estimated reasonably possible amount to ultimately resolve all matters is not materially different from the recorded reserves as of June 30, 2014.

The table below summarizes the activity in the product warranty liability for the six months ended June 30, 2014:

	Warranty Obligations
	(in millions)
Accrual balance at beginning of period	\$169
Provision for estimated warranties incurred during the period	29
Provision for changes in estimate for pre-existing warranties	1
Settlements made during the period (in cash or in kind)	(37)
Foreign currency translation and other	1
Accrual balance at end of period	\$163

7. RESTRUCTURING

Delphi's restructuring activities are undertaken as necessary to implement management's strategy, streamline operations, take advantage of available capacity and resources, and ultimately achieve net cost reductions. These activities generally relate to the realignment of existing manufacturing capacity and closure of facilities and other exit or disposal activities, as it relates to executing Delphi's strategy, either in the normal course of business or pursuant to significant restructuring programs.

As part of Delphi's continued efforts to optimize its cost structure, it has undertaken several restructuring programs which include workforce reductions as well as plant closures. The Company recorded employee-related and other restructuring charges related to these programs totaling approximately \$55 million and \$77 million during the three and six months ended June 30, 2014, respectively. These charges were primarily related to Delphi's on-going restructuring programs focused on aligning manufacturing capacity and footprint with the current automotive production levels in Europe and South America. These charges also include the recognition of approximately \$32

million of employee-related and other costs during the three months ended June 30, 2014 related to the initiation of a workforce reduction at a European manufacturing site within the Powertrain Systems segment.

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Restructuring costs of approximately \$26 million and \$58 million were recorded during the three and six months ended June 30, 2013, respectively, primarily related to European restructuring programs, as well as to programs resulting from the integration of Motorized Vehicle Division (“MVL”), which was acquired in the third quarter of 2012. Restructuring charges for employee separation and termination benefits are paid either over the severance period or in a lump sum in accordance with either statutory requirements or individual agreements. Delphi incurred cash expenditures related to its restructuring programs of approximately \$84 million and \$75 million in the six months ended June 30, 2014 and 2013, respectively.

The following table summarizes the restructuring charges recorded for the three and six months ended June 30, 2014 and 2013 by operating segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Electrical/Electronic Architecture	\$13	\$8	\$26	\$19
Powertrain Systems	37	4	39	12
Electronics and Safety	3	14	9	25
Thermal Systems	2	—	3	2
Total	\$55	\$26	\$77	\$58

The table below summarizes the activity in the restructuring liability for the six months ended June 30, 2014:

	Employee Termination Benefits Liability	Other Exit Costs	Liability	Total
	(in millions)			
Accrual balance at January 1, 2014	\$135	\$4		\$139
Provision for estimated expenses incurred during the period	76	1		77
Payments made during the period	(83)	(1)		(84)
Foreign currency and other	(2)	(1)		(3)
Accrual balance at June 30, 2014	\$126	\$3		\$129

8. DEBT

The following is a summary of debt outstanding, net of discounts of approximately \$2 million and \$0 million related to the 2014 Senior Notes, defined below, as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
	(in millions)	
Accounts receivable factoring	\$1	\$1
5.875%, senior notes, due 2019	—	500
6.125%, senior notes, due 2021	500	500
5.00%, senior notes, due 2023	800	800
4.15%, senior notes, due 2024	698	—
Tranche A Term Loan, due 2018	400	564
Capital leases and other	53	47
Total debt	2,452	2,412
Less: current portion	(32)	(61)
Long-term debt	\$2,420	\$2,351

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Credit Agreement

In March 2011, in conjunction with the redemption of membership interests from Class A and Class C membership interest holders, Delphi Corporation (the "Issuer") entered into a credit agreement with JPMorgan Chase Bank, N.A., as lead arranger and administrative agent (the "Original Credit Agreement"), which provided for \$3.0 billion in senior secured credit facilities consisting of term loans (as subsequently amended from time to time, the "Tranche A Term Loan" and the "Tranche B Term Loan," respectively) and a revolving credit facility (as subsequently amended from time to time, the "Revolving Credit Facility"). The Original Credit Agreement was amended and restated on each of May 17, 2011 (the "May 2011 Credit Agreement"), September 14, 2012 (the "2012 Credit Agreement") and March 1, 2013 (the Original Credit Agreement and each amendment and restatement of the Original Credit Agreement are individually and collectively referred to herein as the "Credit Agreement"). The May 2011 Credit Agreement, which was entered into simultaneously with the issuance of senior unsecured notes in the amount of \$1 billion (as more fully described below), reduced the total size of the senior secured credit facilities to \$2.4 billion. Under the 2012 Credit Agreement, the Company increased the Revolving Credit Facility to \$1.3 billion and the Tranche A Term Loan to \$574 million and used the incremental proceeds to pay a portion of the cost of acquiring MVL. On March 1, 2013, following an unsecured note issuance in February 2013 (as more fully described below), the Tranche B Term Loan was fully repaid, the Tranche A Term Loan was increased to \$575 million, the Revolving Credit Facility was increased to \$1.5 billion, and the terms of the Tranche A Term Loan and the Revolving Credit Facility were extended to March 1, 2018. The March 31, 2013 amendments resulted in the recognition of a loss on debt extinguishment of \$39 million during the six months ended June 30, 2013. Approximately \$14 million in issuance costs were paid in conjunction with the March 2013 amendment. In conjunction with an unsecured note issuance in March 2014 (as more fully described below), Delphi repaid a portion of its indebtedness on the Tranche A Term Loan, which resulted in the recognition of a loss on debt extinguishment related to this repayment of approximately \$1 million during the six months ended June 30, 2014.

Unamortized debt issuance costs associated with the Tranche A Term Loan and Revolving Credit Facility of \$22 million are being amortized over the term of the Credit Agreement, as extended pursuant to the March 1, 2013 amendment. At June 30, 2014, the Revolving Credit Facility was undrawn and Delphi had approximately \$12 million in letters of credit issued under the Credit Agreement. Letters of credit issued under the Credit Agreement reduce availability under the Revolving Credit Facility.

Loans under the Credit Agreement bear interest, at Delphi Corporation's option, at either (a) the Administrative Agent's Alternate Base Rate ("ABR" as defined in the Credit Agreement) or (b) the London Interbank Offered Rate (the "Adjusted LIBO Rate" as defined in the Credit Agreement) ("LIBOR") plus in either case a percentage per annum as set forth in the table below (the "Applicable Rate"). The Applicable Rates under the Credit Agreement on the specified dates are set forth below:

	June 30, 2014		December 31, 2013			
	LIBOR plus	ABR plus	LIBOR plus	ABR plus		
Revolving Credit Facility	1.25	% 0.25	% 1.25	% 0.25	%	
Tranche A Term Loan	1.25	% 0.25	% 1.25	% 0.25	%	

The Applicable Rate under the Credit Agreement may increase or decrease from time to time based on changes in credit ratings with the minimum interest level of 0.00% and maximum level of 2.25%. Accordingly, the interest rate will fluctuate during the term of the Credit Agreement based on changes in the ABR, LIBOR or future changes in our corporate credit ratings. The Credit Agreement also requires that the Issuer pay certain commitment fees on the unused portion of the Revolving Credit Facility and certain letter of credit issuance and fronting fees.

The interest rate period with respect to LIBOR interest rate options can be set at one-, two-, three-, or six-months as selected by the Issuer in accordance with the terms of the Credit Agreement (or other period as may be agreed by the applicable lenders), but payable no less than quarterly. The Issuer may elect to change the selected interest rate in accordance with the provisions of the Credit Agreement. As of June 30, 2014, the Issuer selected the one-month LIBOR interest rate option, as detailed in the table below, and the amounts outstanding, and rates effective as of June 30, 2014 were based on Delphi's current credit rating and the Applicable Rate for the Credit Agreement:

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	LIBOR plus		Borrowings as of June 30, 2014 (in millions)	Rates effective as of June 30, 2014	
Revolving Credit Facility	1.25	%	\$—	—	%
Tranche A Term Loan	1.25	%	400	1.4375	%

The Issuer was obligated to make quarterly principal payments throughout the term of the Tranche A Term Loan according to the amortization schedule in the Credit Agreement. In conjunction with the partial repayment of the Tranche A Term Loan during the six months ended June 30, 2014, all principal payment obligations have been satisfied through March 1,

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2018. Borrowings under the Credit Agreement are prepayable at the Issuer's option without premium or penalty. The Credit Agreement also contains certain mandatory prepayment provisions in the event the Company receives net cash proceeds from any asset sale or casualty event. No mandatory prepayments under these provisions have been made or are due through June 30, 2014.

The Credit Agreement contains certain covenants that limit, among other things, the Company's (and the Company's subsidiaries') ability to incur additional indebtedness or liens, to dispose of assets, to make certain investments, to prepay certain indebtedness and to pay dividends, or to make other distributions or redemptions/repurchases, in respect of the Company's equity interests. In addition, the Credit Agreement requires that the Company maintain a consolidated leverage ratio (the ratio of Consolidated Total Indebtedness to Consolidated EBITDA, each as defined in the Credit Agreement) of less than 2.75 to 1.0. The Credit Agreement also contains events of default customary for financings of this type. The Company was in compliance with the Credit Agreement covenants as of June 30, 2014. In the first quarter of 2014, the Company satisfied credit rating-related conditions to the suspension of many of the restrictive covenants and the mandatory prepayment provisions relating to asset sales and casualty events discussed above. Such covenants and prepayment obligations are required to be reinstated if the applicable credit rating criteria are no longer satisfied.

As of June 30, 2014, all obligations under the Credit Agreement are borrowed by Delphi Corporation and jointly and severally guaranteed by its direct and indirect parent companies, subject to certain exceptions set forth in the Credit Agreement.

Prior to the first quarter of 2014, certain of Delphi Automotive PLC's direct and indirect subsidiaries, which are directly or indirectly 100% owned by Delphi Automotive PLC, fully and unconditionally guaranteed all obligations under the Credit Agreement. In addition, all obligations under the Credit Agreement, including the guaranties of those obligations, were originally secured by certain assets of Delphi Corporation and the guarantors, including substantially all of the assets of Delphi Automotive PLC, and its U.S. subsidiaries, and certain assets of Delphi Corporation's direct and indirect parent companies. All guarantees of Delphi Corporation's subsidiaries and all then-existing security interests were released during the first quarter of 2014 when the Company satisfied certain credit-rating related and other conditions under the terms of the Credit Agreement. Such security interests and subsidiary guarantees may be reinstated at the election of the lenders if the applicable credit rating criteria are no longer satisfied.

Senior Notes

On May 17, 2011, Delphi Corporation issued \$500 million of 5.875% senior unsecured notes due 2019 (the "5.875% Senior Notes") and \$500 million of 6.125% senior unsecured notes due 2021 (the "6.125% Senior Notes") (collectively, the "2011 Senior Notes") in a transaction exempt from registration under Rule 144A and Regulation S of the Securities Act of 1933 (the "Securities Act"). Delphi paid approximately \$23 million of debt issuance costs in connection with the 2011 Senior Notes. The net proceeds of approximately \$1 billion as well as cash on hand were used to pay down amounts outstanding under the Original Credit Agreement. In May 2012, Delphi Corporation completed a registered exchange offer for all of the 2011 Senior Notes. No proceeds were received by Delphi Corporation as a result of the exchange. In March 2014, Delphi redeemed for cash the entire \$500 million aggregate principal amount outstanding of the 5.875% Senior Notes. The redemption was financed by a portion of the proceeds received from the issuance of the 2014 Senior Notes, as defined below. As a result of the redemption of the 5.875% Senior Notes, Delphi recognized a loss on debt extinguishment of approximately \$33 million during the six months ended June 30, 2014.

Interest on the outstanding 2011 Senior Notes is payable semi-annually on May 15 and November 15 of each year to holders of record at the close of business on May 1 or November 1 immediately preceding the interest payment date. On February 14, 2013, Delphi Corporation issued \$800 million of 5.00% senior unsecured notes due 2023 (the "2013 Senior Notes") in a transaction registered under the Securities Act. The proceeds were primarily utilized to prepay our term loan indebtedness under the Credit Agreement. Delphi paid approximately \$12 million of issuance costs in connection with the 2013 Senior Notes. Interest is payable semi-annually on February 15 and August 15 of each year to holders of record at the close of business on February 1 or August 1 immediately preceding the interest payment date.

On March 3, 2014, Delphi Corporation issued \$700 million in aggregate principal amount of 4.15% senior unsecured notes due 2024 (the “2014 Senior Notes”) in a transaction registered under the Securities Act. The 2014 Senior Notes were priced at 99.649% of par, resulting in a yield to maturity of 4.193%. The proceeds were primarily utilized to redeem the 5.875% Senior Notes and to repay a portion of the Tranche A Term Loan. Delphi paid approximately \$6 million of issuance costs in connection with the 2014 Senior Notes. Interest is payable semi-annually on March 15 and September 15 of each year to holders of record at the close of business on March 1 or September 1 immediately preceding the interest payment date.

Although the specific terms of each indenture governing each series of senior notes vary, the indentures contain certain restrictive covenants, including with respect to Delphi's (and Delphi's subsidiaries) ability to incur liens, enter into sale and leaseback transactions and merge with or into other entities. As of June 30, 2014, the Company was in compliance with the provisions of all series of the outstanding senior notes.

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All series of senior notes are fully and unconditionally guaranteed, jointly and severally, by Delphi Automotive PLC and by certain of Delphi Corporation's direct and indirect parent companies, subject to customary release provisions (other than in the case of Delphi Automotive PLC). Prior to the first quarter of 2014, certain of Delphi Corporation's direct and indirect subsidiaries, which were directly or indirectly 100% owned by Delphi Automotive PLC, fully and unconditionally guaranteed all series of senior notes then outstanding; however, all Delphi Corporation subsidiary guarantees were released during the first quarter of 2014 because such guarantors no longer guaranteed the Credit Agreement.

Other Financing

Accounts receivable factoring—Various accounts receivable factoring facilities are maintained in Europe and are accounted for as short-term debt. These uncommitted factoring facilities are available through various financial institutions. Additionally, in 2013 Delphi entered into a new accounts receivable factoring agreement in Europe to replace and consolidate its European factoring facilities. The new agreement is a €350 million committed facility, with borrowings under the new program being subject to the availability of eligible accounts receivable. As of June 30, 2014 and December 31, 2013, \$1 million and \$1 million, respectively, were outstanding under these European accounts receivable factoring facilities.

Capital leases and other—As of June 30, 2014 and December 31, 2013, approximately \$53 million and approximately \$47 million, respectively, of other debt issued by certain non-U.S. subsidiaries and capital lease obligations were outstanding.

Interest—Cash paid for interest related to amounts outstanding totaled \$56 million and \$49 million for the six months ended June 30, 2014 and 2013, respectively.

9. PENSION BENEFITS

Certain of Delphi's non-U.S. subsidiaries sponsor defined benefit pension plans, which generally provide benefits based on negotiated amounts for each year of service. Delphi's primary non-U.S. plans are located in France, Germany, Mexico, Portugal and the United Kingdom ("U.K."). The U.K. and certain Mexican plans are funded. In addition, Delphi has defined benefit plans in South Korea, Turkey and Italy for which amounts are payable to employees immediately upon separation. The obligations for these plans are recorded based on the vested obligation.

Delphi sponsors a Supplemental Executive Retirement Program ("SERP") for those employees who were U.S. executives of the Predecessor prior to September 30, 2008 and were U.S. executives of Delphi on October 7, 2009, the effective date of the program. This program is unfunded. Executives receive benefits over 5 years after an involuntary or voluntary separation from Delphi. The SERP is closed to new members.

The amounts shown below reflect the defined benefit pension expense for the three and six months ended June 30, 2014 and 2013:

	Non-U.S. Plans		U.S. Plans	
	Three Months Ended June 30,			
	2014	2013	2014	2013
	(in millions)			
Service cost	\$16	\$15	\$—	\$—
Interest cost	26	21	1	1
Expected return on plan assets	(21	) (18) —	—
Amortization of actuarial losses	2	2	—	—
Net periodic benefit cost	\$23	\$20	\$1	\$1
	Non-U.S. Plans		U.S. Plans	
	Six Months Ended June 30,			
	2014	2013	2014	2013

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	(in millions)			
Service cost	\$30	\$28	\$—	\$—
Interest cost	50	43	1	1
Expected return on plan assets	(40) (35) —	—
Amortization of actuarial losses	4	4	—	—
Net periodic benefit cost	\$44	\$40	\$1	\$1

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Other postretirement benefit obligations were approximately \$7 million and \$7 million at June 30, 2014 and December 31, 2013, respectively.

10. COMMITMENTS AND CONTINGENCIES

Ordinary Business Litigation

Delphi is from time to time subject to various legal actions and claims incidental to its business, including those arising out of alleged defects, alleged breaches of contracts, product warranties, intellectual property matters, and employment-related matters. It is the opinion of Delphi that the outcome of such matters will not have a material adverse impact on the consolidated financial position, results of operations, or cash flows of Delphi. With respect to warranty matters, although Delphi cannot ensure that the future costs of warranty claims by customers will not be material, Delphi believes its established reserves are adequate to cover potential warranty settlements.

GM Ignition Switch Recall

In the first quarter of 2014, GM, Delphi's largest customer, initiated a product recall related to ignition switches. Delphi has received requests for information from, and is cooperating with, various government agencies related to this ignition switch recall. In addition, Delphi has been named as a co-defendant along with GM (and in certain cases other parties) in product liability and class action lawsuits related to this matter. During the second quarter of 2014, the class action lawsuits were transferred to the United States District Court for the Southern District of New York for coordinated or consolidated pretrial proceedings. Delphi believes the allegations contained in the product liability and class action complaints are without merit, and intends to vigorously defend against them. Although no assurances can be made as to the ultimate outcome of these or any other future claims, Delphi does not believe a loss is probable and, accordingly, no reserve has been made as of June 30, 2014.

Brazil Matters

Delphi conducts significant business operations in Brazil that are subject to the Brazilian federal labor, social security, environmental, tax and customs laws, as well as a variety of state and local laws. While Delphi believes it complies with such laws, they are complex, subject to varying interpretations, and the Company is often engaged in litigation with government agencies regarding the application of these laws to particular circumstances. As of June 30, 2014, the majority of claims asserted against Delphi in Brazil relate to such litigation. The remaining claims in Brazil relate to commercial and labor litigation with private parties. As of June 30, 2014, claims totaling approximately \$225 million (using June 30, 2014 foreign currency rates) have been asserted against Delphi in Brazil. As of June 30, 2014, the Company maintains accruals for these asserted claims of \$32 million (using June 30, 2014 foreign currency rates). The amounts accrued represent claims that are deemed probable of loss and are reasonably estimable based on the Company's analyses and assessment of the asserted claims and prior experience with similar matters. While the Company believes its accruals are adequate, the final amounts required to resolve these matters could differ materially from the Company's recorded estimates and Delphi's results of operations could be materially affected.

Environmental Matters

Delphi is subject to the requirements of U.S. federal, state, local and non-U.S. environmental and safety and health laws and regulations. As of June 30, 2014 and December 31, 2013, the undiscounted reserve for environmental investigation and remediation was approximately \$22 million (of which \$3 million was recorded in accrued liabilities and \$19 million was recorded in other long-term liabilities) and \$21 million (of which \$3 million was recorded in accrued liabilities and \$18 million was recorded in other long-term liabilities), respectively. Delphi cannot ensure that environmental requirements will not change or become more stringent over time or that its eventual environmental remediation costs and liabilities will not exceed the amount of its current reserves. In the event that such liabilities were to significantly exceed the amounts recorded, Delphi's results of operations could be materially affected. At June 30, 2014, the difference between the recorded liabilities and the reasonably possible range of loss was not material.

Other Matters

In 2014, Delphi identified certain payments, immaterial in amount, made by certain manufacturing facility employees in China that may violate certain provisions of the U.S. Foreign Corrupt Practices Act (the "FCPA"). Under the

oversight of Delphi's Audit Committee of the Board of Directors, Delphi engaged outside counsel and forensic auditors to assist in a review of these matters, and to evaluate existing controls and compliance policies and procedures. While this review remains ongoing, Delphi has undertaken additional compliance training and additional compliance audits to reinforce its existing compliance programs. Violations of the FCPA could result in criminal and/or civil liabilities and other forms of penalties or sanctions.

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Delphi has voluntarily disclosed these matters to the U.S. Department of Justice and the SEC, and is cooperating fully with these agencies. Although Delphi does not expect the outcome of this review to have a material adverse impact on the Company, there can be no assurance as to the ultimate outcome of these matters at this time.

11. INCOME TAXES

At the end of each interim period, the Company makes its best estimate of the annual expected effective income tax rate and applies that rate to its ordinary year-to-date earnings or loss. The income tax provision or benefit related to unusual or infrequent items, if applicable, that will be separately reported or reported net of their related tax effects are individually computed and recognized in the interim period in which those items occur. In addition, the effect of changes in enacted tax laws or rates, tax status, judgment on the realizability of a beginning-of-the-year deferred tax asset in future years or income tax contingencies is recognized in the interim period in which the change occurs. The computation of the annual expected effective income tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected pre-tax income (or loss) for the year, projections of the proportion of income (and/or loss) earned and taxed in respective jurisdictions, permanent and temporary differences, and the likelihood of the realizability of deferred tax assets generated in the current year. Jurisdictions with a projected loss for the year or a year-to-date loss for which no tax benefit or expense can be recognized due to a valuation allowance are excluded from the estimated annual effective tax rate. The impact of such an exclusion could result in a higher or lower effective tax rate during a particular quarter, based upon the composition and timing of actual earnings compared to annual projections. The estimates used to compute the provision or benefit for income taxes may change as new events occur, additional information is obtained or our tax environment changes. To the extent that the expected annual effective income tax rate changes, the effect of the change on prior interim periods is included in the income tax provision in the period in which the change occurs.

The Company's income tax expense and effective tax rate for the three and six months ended June 30, 2014 and 2013 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,		
	2014	2013	2014	2013	
	(dollars in millions)				
Income tax expense	\$62	\$73	\$137	\$110	
Effective tax rate	14	% 16	% 16	% 14	%

The Company's effective tax rate was impacted by favorable geographic income mix in 2014 as compared to 2013, primarily due to tax planning initiatives, offset by the expiration of the U.S. research and development credit in 2014. The Company's effective tax rate was also impacted by the tax expense (benefit) associated with unusual or infrequent items for the respective interim period as illustrated in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,		
	2014	2013	2014	2013	
	(in millions)				
Tax credits (1)	\$(2	) \$—	\$(2	) \$(22)
Withholding taxes (2)	(1	) —	(1	) 4	
Other change in tax reserves (3)	(3	) —	(6	) 1	
Other adjustments (4)	(3	) (3	) (4	) (2)
Income tax benefit associated with unusual or infrequent items	\$(9	) \$(3	) \$(13	) \$(19)

(1) For the six months ended June 30, 2013, the tax benefit primarily relates to the retroactive reinstatement of the U.S research and development tax credit under The American Taxpayer Relief Act of 2012.

(2) For the three and six months ended June 30, 2014 and June 30, 2013, the tax benefits and expense, respectively, relate to the adjustment of the withholding tax liability on the undistributed earnings of certain foreign subsidiaries

that are not indefinitely reinvested.

- (3) For the three and six months ended June 30, 2014 and June 30, 2013, the tax benefits and expense, respectively, primarily relate to adjustments in tax reserves which were individually insignificant.
- (4) For the three and six months ended June 30, 2014 and June 30, 2013, the tax benefits primarily relate to items which were individually insignificant.

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The Company is a U.K. resident taxpayer and, we believe, not a domestic corporation for U.S. federal income tax purposes, and as such is not subject to U.S. tax, and generally not subject to U.K. tax on remitted foreign earnings. Cash paid or withheld for income taxes was \$152 million and \$120 million for the six months ended June 30, 2014 and 2013 respectively.

Tax Return Filing Determinations and Elections

Delphi Automotive LLP, which acquired certain assets in a bankruptcy court approved transaction (the "Bankruptcy Plan") on October 6, 2009 (the "Acquisition Date"), was established on August 19, 2009 as a limited liability partnership incorporated under the laws of England and Wales. At the time of its formation, Delphi Automotive LLP elected to be treated as a partnership for U.S. federal income tax purposes. On June 24, 2014, the Internal Revenue Service (the "IRS") issued us a Notice of Proposed Adjustment (the "NOPA") asserting that it believes Section 7874(b) of the Internal Revenue Code applies to Delphi Automotive LLP and that it should be treated as a domestic corporation for U.S. federal income tax purposes, retroactive to the Acquisition Date. If Delphi Automotive LLP is treated as a domestic corporation for U.S. federal income tax purposes, the Company expects that, although Delphi Automotive PLC is incorporated under the laws of Jersey and a tax resident in the U.K., it would also be treated as a domestic corporation for U.S. federal income tax purposes.

Delphi Automotive LLP filed U.S. federal partnership tax returns for 2009, 2010, and 2011. The IRS's NOPA asserts that Section 7874(b) applies to Delphi Automotive LLP's acquisition of certain assets pursuant to the Bankruptcy Plan, and consequently, Delphi Automotive LLP should be treated as a domestic corporation for U.S. federal income tax purposes. Notwithstanding the issuance of the NOPA, we continue to believe, after consultation with counsel, that neither Delphi Automotive LLP nor Delphi Automotive PLC should be treated as a domestic corporation for U.S. federal income tax purposes. We intend to vigorously contest the conclusions reached in the NOPA through the IRS's administrative appeals process, and, if we are unable to reach a satisfactory resolution with the IRS, through litigation. Accordingly, we will continue to prepare and file our financial statements on the basis that neither Delphi Automotive LLP nor Delphi Automotive PLC is a domestic corporation for U.S. federal income tax purposes. We have not recorded any adjustments with respect to this matter, nor have we recorded any adjustments in connection with receiving the NOPA. However, while we believe that we should prevail, no assurance can be given that we will be able to reach a satisfactory resolution with the IRS or that, if we were to litigate, a court will agree with our position. Further, the ultimate resolution of this issue could take significant time and resources.

If these entities are treated as domestic corporations for U.S. federal income tax purposes, the Company will be subject to U.S. federal income tax on its worldwide taxable income, including distributions, as well as deemed income inclusions from some of its non-U.S. subsidiaries. This could have a material adverse impact on our income tax liability in the future. However, the Company may also benefit from deducting certain expenses that are currently not deducted in the U.S. As a U.S. company, any dividends we pay to non-U.S. shareholders could also be subject to U.S. federal income tax withholding at a rate of 30% (unless reduced or eliminated by an income tax treaty), and it is possible that tax may be withheld on such dividends in certain circumstances even before a final determination has been made with respect to the Company's U.S. income tax status. In addition, we could be liable for the failure by Delphi Automotive LLP to withhold U.S. federal income taxes on distributions to its non-U.S. members for periods beginning on or after the Acquisition Date. If we are unsuccessful in contesting the IRS's assertion, we would not expect a material cumulative impact to our financial statements as of June 30, 2014. However, we expect any unfavorable final outcome to adversely impact our future tax position by increasing our effective tax rate. Although the outcome currently remains uncertain, the Company continues to maintain its position that neither Delphi Automotive LLP nor Delphi Automotive PLC should be treated as a domestic corporation for U.S. tax purposes. Accordingly, no adjustment for this matter has been recorded as of June 30, 2014.

12. SHAREHOLDERS' EQUITY AND NET INCOME PER SHARE

Net Income Per Share

Basic net income per share is computed by dividing net income attributable to Delphi by the weighted average number of ordinary shares outstanding during the period. Diluted net income per share reflects the weighted average dilutive

impact of all potentially dilutive securities from the date of issuance and is computed using the treasury stock method by dividing net income attributable to Delphi by the diluted weighted average number of ordinary shares outstanding. For all periods presented, the calculation of net income per share contemplates the dilutive impacts, if any, of the Company's share-based compensation plans. Refer to Note 18. Share-Based Compensation for additional information.

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Weighted Average Shares

The following table illustrates net income per share attributable to Delphi and the weighted average shares outstanding used in calculating basic and diluted income per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions, except per share data)			
Numerator:				
Net income attributable to Delphi	\$ 382	\$ 367	\$ 702	\$ 643
Denominator:				
Weighted average ordinary shares outstanding, basic	302.68	311.93	304.26	313.30
Dilutive shares related to restricted stock units ("RSUs")	1.06	0.76	1.04	0.72
Weighted average ordinary shares outstanding, including dilutive shares	303.74	312.69	305.30	314.02
Net income per share attributable to Delphi:				
Basic	\$ 1.26	\$ 1.18	\$ 2.31	\$ 2.05
Diluted	\$ 1.26	\$ 1.17	\$ 2.30	\$ 2.05
Anti-dilutive securities share impact:	—	—	—	—
Share Repurchase Program				

In January 2012, the Board of Directors authorized a share repurchase program of up to \$300 million of ordinary shares, which was fully satisfied in September 2012. Subsequently, in September 2012, the Board of Directors authorized a share repurchase program of up to \$750 million of ordinary shares, which was fully satisfied in April 2014. In January 2014, the Board of Directors authorized a new share repurchase program of up to \$1 billion of ordinary shares. This share repurchase program provides for share purchases in the open market or in privately negotiated transactions, depending on share price, market conditions and other factors, as determined by the Company. This program commenced following the completion of the Company's September 2012 share repurchase program in April 2014.

A summary of the ordinary shares repurchased during the three and six months ended June 30, 2014 and 2013 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Total number of shares repurchased	3,267,998	2,445,583	5,644,389	5,295,583
Average price paid per share	\$67.43	\$49.12	\$66.89	\$45.71
Total (in millions)	\$220	\$120	\$378	\$242

As of June 30, 2014, approximately \$813 million of share repurchases remained available under the January 2014 share repurchase program. During the period from July 1, 2014 to July 30, 2014, the Company repurchased an additional \$120 million worth of shares pursuant to a trading plan with set trading instructions established by the Company. As a result, approximately \$693 million of share repurchases remain available under the January 2014 share repurchase program. All repurchased shares were retired, and are reflected as a reduction of ordinary share capital for the par value of the shares, with the excess applied as reductions to additional paid-in capital and retained earnings.

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Dividends

On February 26, 2013, the Board of Directors approved the initiation of dividend payments on the Company's ordinary shares. In January 2014, the Board of Directors increased the annual dividend rate from \$0.68 to \$1.00 per ordinary share. The Company has declared and paid cash dividends per common share during the periods presented as follows:

	Dividend Per Share	Amount (in millions)
2014:		
Second Quarter	\$0.25	\$76
First Quarter	0.25	77
Total	\$0.50	\$153
2013:		
Fourth Quarter	\$0.17	\$52
Third Quarter	0.17	53
Second Quarter	0.17	53
First Quarter	0.17	53
Total	\$0.68	\$211
Other		

Prior to the completion of the initial public offering on November 22, 2011, net income and other changes to membership interests were allocated to the respective outstanding classes based on the cumulative distribution provisions of the Fourth Amended and Restated Limited Liability Partnership Agreement of Delphi Automotive LLP (the "Fourth LLP Agreement").

Under the terms of the Acquisition and the Fourth LLP Agreement, if cumulative distributions to the members of Delphi Automotive LLP under certain provisions of the Fourth LLP Agreement exceed \$7.2 billion, Delphi, as disbursing agent on behalf of DPHH, is required to pay to the holders of allowed general unsecured claims against the Predecessor, \$32.50 for every \$67.50 in excess of \$7.2 billion distributed to the members, up to a maximum amount of \$300 million. This contingency is not considered probable of occurring as of June 30, 2014 and accordingly, no reserve has been recorded.

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13. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in accumulated other comprehensive income (loss) attributable to Delphi (net of tax) for the three and six months ended June 30, 2014 and 2013 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Foreign currency translation adjustments:				
Balance at beginning of period	\$(27)	\$(140)	\$(17)	\$(62)
Aggregate adjustment for the period	19	(39)	9	(117)
Balance at end of period	(8)	(179)	(8)	(179)
Gains (losses) on derivatives:				
Balance at beginning of period	\$(31)	\$20	\$2	\$14
Other comprehensive income before reclassifications (net tax effect of \$10 million, \$22 million, \$3 million and \$19 million)	37	(50)	3	(33)
Reclassification to income (net tax effect of \$1 million, \$3 million, \$2 million and \$4 million)	3	5	4	(6)
Balance at end of period	9	(25)	9	(25)
Pension and postretirement plans:				
Balance at beginning of period	\$(221)	\$(172)	\$(222)	\$(189)
Other comprehensive income before reclassifications (net tax effect of \$1 million, \$4 million, \$1 million and \$4 million)	(1)	(2)	(2)	13
Reclassification to income (net tax effect of \$0 million, \$1 million, \$0 million and \$1 million)	2	1	4	3
Balance at end of period	(220)	(173)	(220)	(173)
Accumulated other comprehensive (loss) income, end of period	\$(219)	\$(377)	\$(219)	\$(377)

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Reclassifications from accumulated other comprehensive income to income for the three and six months ended June 30, 2014 were as follows:

Reclassification out of Accumulated Other Comprehensive Income Details about Accumulated Other Comprehensive Income Components	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014	Affected Line Item in the Statement of Operations
	(in millions)		
Gains (losses) on derivatives:			
Commodity derivatives	\$(6	) \$(10	Cost of Sales
Foreign currency derivatives	3	5	Cost of Sales
Foreign currency derivatives	1	3	Other Income
	(2	) (2	Total loss before income taxes
	(1	) (2	Income tax expense
	(3	) (4	Net loss
	—	—	Net income attributable to noncontrolling interest
	\$(3	) \$(4	Net loss attributable to Delphi
Pension and postretirement plans:			
Actuarial gains/(losses)	\$(2	) \$(4	(1)
	(2	) (4	Total loss before income taxes
	—	—	Income tax expense
	(2	) (4	Net loss
	—	—	Net income attributable to noncontrolling interest
	\$(2	) \$(4	Net loss attributable to Delphi
Total reclassifications for the period	\$(5	) \$(8)

(1) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost (see Note 9. Pension Benefits for additional details).

14. DERIVATIVES AND HEDGING ACTIVITIES

Delphi is exposed to market risk, such as fluctuations in foreign currency exchange rates, commodity prices and changes in interest rates, which may result in cash flow risks. To manage the volatility relating to these exposures, Delphi aggregates the exposures on a consolidated basis to take advantage of natural offsets. For exposures that are not offset within its operations, Delphi enters into various derivative transactions pursuant to its risk management policies, which prohibit holding or issuing derivative financial instruments for speculative purposes, and designation of derivative instruments is performed on a transaction basis to support hedge accounting. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged. Delphi assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its documented policy. As of June 30, 2014, Delphi has entered into derivative instruments to hedge cash flows extending out to July 2016.

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As of June 30, 2014, the Company had the following outstanding notional amounts related to commodity and foreign currency forward contracts that were entered into to hedge forecasted exposures:

Commodity	Quantity Hedged	Unit of Measure	Notional Amount (Approximate USD Equivalent)
	(in thousands)		(in millions)
Copper	80,671	pounds	\$250
Primary Aluminum	31,491	pounds	25
Secondary Aluminum	15,728	pounds	15
			Notional Amount (Approximate USD Equivalent)
Foreign Currency	Quantity Hedged	Unit of Measure	Notional Amount (Approximate USD Equivalent)
	(in millions)		
Mexican Peso	8,420	MXN	\$645
Euro	184	EUR	250
Brazilian Real	227	BRL	105
Polish Zloty	286	PLN	95
New Turkish Lira	183	TRY	85
Chinese Yuan Renminbi	519	CNY	85
Hungarian Forint	14,130	HUF	60
Romanian Leu	33	RON	10

The Company had additional commodity and foreign currency forward contracts with notional amounts that individually amounted to less than \$10 million. Additionally, during the six months ended June 30, 2014, Delphi entered into and settled treasury rate lock agreements which were designated as cash flow hedges in anticipation of issuing the 2014 Senior Notes, as further discussed in Note 8. Debt. The impacts of these agreements and the related amount of hedge ineffectiveness were not material.

The fair value of derivative financial instruments recorded in the consolidated balance sheets as of June 30, 2014 and December 31, 2013 are as follows:

Asset Derivatives		Liability Derivatives		Net Amounts of Assets and Liabilities Presented in the Balance Sheet
Balance Sheet Location	June 30, 2014	Balance Sheet Location	June 30, 2014	
(in millions)				June 30, 2014

Designated derivatives instruments:

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Commodity derivatives	Other Current Assets	\$2	Accrued Liabilities	\$8	
Foreign currency derivatives*	Other Current Assets	15	Other Current Assets	3	12
Foreign currency derivatives*	Accrued Liabilities	2	Accrued Liabilities	5	(3)
Commodity derivatives	Other Long-Term Assets	2	Other Long-Term Liabilities	—	
Foreign currency derivatives*	Other Long-Term Assets	10	Other Long-Term Assets	3	7
Total		\$31		\$19	
Derivatives not designated:					
Foreign currency derivatives*	Other Current Assets	\$2	Other Current Assets	\$2	—
Total		\$2		\$2	

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	Asset Derivatives		Liability Derivatives		Net Amounts of Assets and Liabilities Presented in the Balance Sheet
	Balance Sheet Location	December 31 2013	Balance Sheet Location	December 31 2013	December 31, 2013
	(in millions)				
Designated derivatives instruments:					
Commodity derivatives	Other Current Assets	\$ 2	Accrued Liabilities	\$ 9	
Foreign currency derivatives*	Other Current Assets	16	Other Current Assets	3	13
Foreign currency derivatives*	Accrued Liabilities	3	Accrued Liabilities	10	(7)
Commodity derivatives	Other Long-Term Assets	1	Other Long-Term Liabilities	2	
Foreign currency derivatives*	Other Long-Term Assets	5	Other Long-Term Assets	1	4
Foreign currency derivatives*	Other Long-Term Liabilities	2	Other Long-Term Liabilities	6	(4)
Total		\$ 29		\$ 31	
Derivatives not designated:					
Foreign currency derivatives*	Other Current Assets	\$ 3	Other Current Assets	\$ 3	—
Total		\$ 3		\$ 3	

* Derivative instruments within this category are subject to master netting arrangements and are presented on a net basis in the consolidated balance sheets in accordance with accounting guidance related to the offsetting of amounts related to certain contracts.

The fair value of Delphi's derivative financial instruments was in a net asset position as of June 30, 2014 and a net liability position as of December 31, 2013. The change from a net liability as of December 31, 2013 to a net asset position at June 30, 2014 is primarily due to favorable movements in the forward rates of certain foreign currencies. The effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the three months ended June 30, 2014 is as follows:

Three Months Ended June 30, 2014	Gain Recognized in OCI (Effective Portion)	(Loss) Gain Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
(in millions)			
Designated derivatives instruments:			
Commodity derivatives	\$19	\$(6)	\$ —
Foreign currency derivatives	28	4	—

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Total	\$47	\$(2) \$ —
			Loss
			Recognized in
			Income
			(in millions)
Derivatives not designated:			
Commodity derivatives			\$—
Foreign currency derivatives			(1)
Total			\$(1)

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The effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the three months ended June 30, 2013 is as follows:

Three Months Ended June 30, 2013	Loss Recognized in OCI (Effective Portion)	(Loss) Gain Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
	(in millions)		
Designated derivatives instruments:			
Commodity derivatives	\$(40	)	\$(6
Foreign currency derivatives	(32	)	4
Total	\$(72	)	\$(2
) \$ —
			—
) \$ —
			Gain Recognized in Income
			(in millions)
Derivatives not designated:			
Commodity derivatives			\$—
Foreign currency derivatives			1
Total			\$1

The effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the six months ended June 30, 2014 is as follows:

Six Months Ended June 30, 2014	(Loss) Gain Recognized in OCI (Effective Portion)	(Loss) Gain Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
	(in millions)		
Designated derivatives instruments:			
Commodity derivatives	\$(6	)	\$(10
Foreign currency derivatives	12	)	8
Total	\$6	)	\$(2
) \$ —
			—
) \$ —
			Gain Recognized in Income
			(in millions)
Derivatives not designated:			
Commodity derivatives			\$—
Foreign currency derivatives			—
Total			\$—

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The effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the six months ended June 30, 2013 is as follows:

Six Months Ended June 30, 2013	(Loss) Gain Recognized in OCI (Effective Portion)	(Loss) Gain Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
(in millions)			
Designated derivatives instruments:			
Commodity derivatives	\$(55	)	\$(9
Foreign currency derivatives	3		19
Total	\$(52	)	\$10
			\$ —
			—
			\$ —
			Gain
			Recognized in
			Income
(in millions)			
Derivatives not designated:			
Commodity derivatives	\$ —		
Foreign currency derivatives	—		
Total	\$ —		

The gain or loss reclassified from OCI into income for the effective portion of designated derivative instruments and the gain or loss recognized in income for the ineffective portion of designated derivative instruments excluded from effectiveness testing were recorded to cost of sales and other income in the consolidated statements of operations for the three and six months ended June 30, 2014 and 2013. The gain or loss recognized in income for non-designated derivative instruments was recorded in other income, net and cost of goods sold for the three and six months ended June 30, 2014 and 2013.

Gains and losses on derivatives qualifying as cash flow hedges are recorded in OCI, to the extent that hedges are effective, until the underlying transactions are recognized in earnings. Unrealized amounts in accumulated OCI will fluctuate based on changes in the fair value of hedge derivative contracts at each reporting period. Losses included in accumulated OCI as of June 30, 2014 were approximately \$12 million (approximately \$9 million net of tax). Of this total, approximately \$5 million of losses are expected to be included in cost of sales within the next 12 months, \$1 million of gains are expected to be included in other income within the next 12 months and \$8 million of losses are expected to be included in cost of sales in subsequent periods. Cash flow hedges are discontinued when Delphi determines it is no longer probable that the originally forecasted transactions will occur. The amount included in cost of sales related to hedge ineffectiveness was insignificant for the three and six months ended June 30, 2014 and 2013, respectively.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements on a Recurring Basis

All derivative instruments are required to be reported on the balance sheet at fair value unless the transactions qualify and are designated as normal purchases or sales. Changes in fair value are reported currently through earnings unless they meet hedge accounting criteria. Delphi's derivative exposures are with counterparties with long-term investment grade credit ratings. Delphi estimates the fair value of its derivative contracts using an income approach based on valuation techniques to convert future amounts to a single, discounted amount. Estimates of the fair value of foreign currency and commodity derivative instruments are determined using exchange traded prices and rates. Delphi also

considers the risk of non-performance in the estimation of fair value, and includes an adjustment for non-performance risk in the measure of fair value of derivative instruments. The non-performance risk adjustment reflects the credit default spread (“CDS”) applied to the net commodity by counterparty and foreign currency exposures by counterparty. When Delphi is in a net derivative asset position, the counterparty CDS rates are applied to the net derivative asset position. When Delphi is in a net derivative liability position, estimates of peer companies’ CDS rates are applied to the net derivative liability position.

In certain instances where market data is not available, Delphi uses management judgment to develop assumptions that are used to determine fair value. This could include situations of market illiquidity for a particular currency or commodity or where observable market data may be limited. In those situations, Delphi generally surveys investment banks and/or brokers and utilizes the surveyed prices and rates in estimating fair value.

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As of June 30, 2014 and December 31, 2013, Delphi was in a net derivative asset position of \$12 million and a net derivative liability position of \$2 million, respectively, and no significant adjustments were recorded for nonperformance risk based on the application of peer companies' CDS rates and because Delphi's exposures were to counterparties with investment grade credit ratings.

As of June 30, 2014 and December 31, 2013, Delphi had the following assets measured at fair value on a recurring basis:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	(in millions)			
As of June 30, 2014:				
Commodity derivatives	\$4	\$—	\$4	\$—
Foreign currency derivatives	19	—	19	—
Total	\$23	\$—	\$23	\$—
As of December 31, 2013:				
Commodity derivatives	\$3	\$—	\$3	\$—
Foreign currency derivatives	17	—	17	—
Total	\$20	\$—	\$20	\$—

As of June 30, 2014 and December 31, 2013, Delphi had the following liabilities measured at fair value on a recurring basis:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	(in millions)			
As of June 30, 2014:				
Commodity derivatives	\$7	\$—	\$7	\$—
Foreign currency derivatives	4	—	4	—
Total	\$11	\$—	\$11	\$—
As of December 31, 2013:				
Commodity derivatives	\$11	\$—	\$11	\$—
Foreign currency derivatives	11	—	11	—
Total	\$22	\$—	\$22	\$—

Financial Instruments

Delphi's non-derivative financial instruments include debt, which consists of its accounts receivable factoring arrangements, capital leases and other debt issued by Delphi's non-U.S. subsidiaries, the Tranche A Term Loan, the outstanding 2011 Senior Notes, the 2013 Senior Notes and the 2014 Senior Notes. The fair value of debt is based on quoted market prices for instruments with public market data or significant other observable inputs for instruments without a quoted public market price (Level 2). As of June 30, 2014 and December 31, 2013, total debt was recorded at \$2,452 million and \$2,412 million, respectively, and had estimated fair values of \$2,588 million and \$2,519 million, respectively. For all other financial instruments recorded at June 30, 2014 and December 31, 2013, fair value approximates book value.

Fair Value Measurements on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, Delphi also has items in its balance sheet that are measured at fair value on a nonrecurring basis. As these items are not measured at fair value on a recurring basis,

they are not included in the tables above. Nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis include long-lived assets, intangible assets, asset retirement obligations, share-based compensation and liabilities for exit or disposal activities measured at fair value upon initial recognition. During the three and six months ended June 30, 2014, the Company recorded asset impairments of \$2 million in cost of sales and \$1 million in selling, general and administrative expense related to certain assets and capitalized software licenses no longer being utilized. No significant impairment charges were recorded during the three and six months ended June 30, 2013. Fair value of long-lived assets is determined primarily using the

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anticipated cash flows discounted at a rate commensurate with the risk involved and a review of appraisals. As such, Delphi has determined that the fair value measurements of long-lived assets fall in Level 3 of the fair value hierarchy.

16. OTHER INCOME, NET

Other income, net included:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Interest income	\$2	\$4	\$4	\$7
Loss on extinguishment of debt	—	—	(34	) (39
Gain on insurance recovery	—	—	14	—
Other, net	1	1	3	3
Other income (expense), net	\$3	\$5	\$(13	) \$(29

As further discussed in Note 8. Debt, during the six months ended June 30, 2014, Delphi redeemed for cash the entire aggregate principal amount outstanding of the 5.875% Senior Notes and repaid a portion of its indebtedness on the Tranche A Term Loan, resulting in a loss on extinguishment of debt of approximately \$34 million. Additionally, during the six months ended June 30, 2014, Delphi reached a final settlement with its insurance carrier related to a business interruption insurance claim, and received proceeds from this settlement of approximately \$14 million, net of related costs and expenses.

During the six months ended June 30, 2013 Delphi amended its Credit Agreement and repaid the entire balance of the Tranche B Term Loan from the Original Credit Agreement, resulting in a loss on extinguishment of debt of \$39 million.

17. ACQUISITIONS AND DIVESTITURES

Acquisition of Motorized Vehicles Division of FCI

On October 26, 2012, Delphi acquired 100% of the equity interests of MVL for €765 million, or approximately \$1 billion based on exchange rates on the acquisition date. MVL, a leading global manufacturer of automotive connection systems with a focus on high-value, leading technology applications, is based in Guyancourt, France, had 2011 sales of €692 million (approximately 12% to Delphi that will be eliminated on a consolidated basis) and global operations. The operating results of MVL are reported within the Electrical/Electronic Architecture segment from the date of acquisition.

Upon completing the acquisition, Delphi incurred related transaction expenses totaling approximately \$13 million, which were recorded in other expenses in the statement of operations. The cash payments required to close the transaction were funded using existing cash on hand, including \$363 million drawn under the Credit Agreement and additional European factoring.

The acquisition was accounted for as a business combination, with the purchase price allocated on a preliminary basis using information available, in the fourth quarter of 2012. The purchase price and related allocation were finalized in the three months ended March 31, 2013. The final purchase price and related allocation are shown below (in millions):

Assets acquired and liabilities assumed	
Purchase price, net of cash acquired	\$978
Property, plant and equipment	\$249
Intangible assets	278
Other assets purchased and liabilities assumed, net	(7
Identifiable net assets acquired	520
Goodwill resulting from purchase	458
Total purchase price allocation	\$978

Intangible assets include estimated amounts recognized for the fair value of customer-based and technology-related assets. It is currently estimated that these intangible assets have a weighted average useful life of approximately 12 years. The

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valuation of the intangible assets acquired was based on management's estimates, available information, and reasonable and supportable assumptions. The fair value of these assets was generally estimated based on utilizing income and market approaches.

The pro forma effects of this acquisition would not materially impact Delphi's reported results for any period presented, and as a result no pro forma financial statements are presented.

18. SHARE-BASED COMPENSATION

Long Term Incentive Plan

In November 2011, the Delphi Automotive PLC Long Term Incentive Plan (the "PLC LTIP") was established, which allowed for the grant of awards of up to 22,977,116 ordinary shares for long-term compensation. The PLC LTIP is designed to align the interests of management and shareholders. The awards can be in the form of shares, options, stock appreciation rights, restricted stock, RSUs, performance awards, and other share-based awards to the employees, directors, consultants and advisors of the Company. In 2012, 2013 and 2014, the Company awarded annual long-term grants of RSUs under the PLC LTIP to align management compensation with Delphi's overall business strategy. The Company has competitive and market-appropriate shareholding requirements. All of the RSUs granted under the PLC LTIP are eligible to receive dividend equivalents for any dividend paid from the grant date through the vesting date. Dividend equivalents are generally paid out in ordinary shares upon vesting of the underlying RSUs.

On June 13, 2012, 51,003 RSUs granted to the Board of Directors on November 22, 2011 vested. The grant date fair value was approximately \$1 million, and was determined based on the closing price of the Company's ordinary shares on November 22, 2011. Upon settlement of the RSUs, 51,003 ordinary shares were issued to members of the Board of Directors at a fair value of approximately \$1 million, of which 1,020 ordinary shares were withheld to cover the minimum U.K. withholding taxes.

On June 14, 2012, Delphi granted 64,459 RSUs to the Board of Directors at a grant date fair value of approximately \$2 million. The grant date fair value was determined based on the closing price of the Company's ordinary shares on June 14, 2012. The RSUs vested on April 24, 2013 and 64,713 ordinary shares, which included shares issued in connection with dividend equivalents, were issued to members of the Board of Directors at a fair value of approximately \$3 million. 7,691 ordinary shares were withheld to cover the minimum U.K. withholding taxes.

On April 25, 2013, Delphi granted 37,674 RSUs to the Board of Directors at a grant date fair value of approximately \$2 million. The grant date fair value was determined based on the closing price of the Company's ordinary shares on April 25, 2013. The RSUs vested on April 2, 2014, and 38,179 ordinary shares, which included shares issued in connection with dividend equivalents, were issued to members of the Board of Directors at a fair value of approximately \$3 million. 4,656 ordinary shares were withheld to cover the minimum U.K. withholding taxes.

On April 3, 2014, Delphi granted 24,144 RSUs to the Board of Directors at a grant date fair value of approximately \$2 million. The grant date fair value was determined based on the closing price of the Company's ordinary shares on April 3, 2014. The RSUs will vest on April 22, 2015, the day before the 2015 annual meeting of shareholders.

In February 2012, Delphi granted approximately 1.88 million RSUs to its executives. These awards include a time-based vesting portion and a performance-based vesting portion. The time-based RSUs, which make up 25% of the awards for Delphi's officers and 50% for Delphi's other executives, will vest ratably over three years beginning on the first anniversary of the grant date. The performance-based RSUs, which make up 75% of the awards for Delphi's officers and 50% for Delphi's other executives, will vest at the completion of a three-year performance period at the end of 2014, if certain targets are met.

In February 2013, under the time-based vesting terms of the 2012 grant, 218,070 ordinary shares were issued to Delphi executives at a fair value of \$9 million, of which 78,692 ordinary shares were withheld to cover withholding taxes.

In February 2013, Delphi granted approximately 1.45 million RSUs to its executives. These awards include time and performance-based components and vesting terms similar to the 2012 awards described above, as well as continuity awards. The time-based RSUs will vest ratably over three years beginning on the first anniversary of the grant date and the performance-based RSUs will vest at the completion of a three-year performance period at the end of 2015 if

certain targets are met.

In February 2014, under the time-based vesting terms of the 2012 and 2013 grants, 365,930 ordinary shares were issued to Delphi executives at a fair value of \$23 million, of which 131,913 ordinary shares were withheld to cover minimum withholding taxes.

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In February 2014, Delphi granted approximately 0.8 million RSUs to its executives. These awards include time and performance-based components and vesting terms similar to the 2013 awards described above. The time-based RSUs will vest ratably over three years beginning on the first anniversary of the grant date and the performance-based RSUs will vest at the completion of a three-year performance period at the end of 2016 if certain targets are met.

Any new executives hired after the annual executive RSU grant date may be eligible to participate in the PLC LTIP. Any off cycle grants made for new hires will be valued at their grant date fair value based on the closing price of the Company's ordinary shares on the date of such grant.

Each executive will receive between 0% and 200% of his or her target performance-based award based on the Company's performance against established company-wide performance metrics, which are:

Metric	2014 Grant		2013 Grant		2012 Grant	
Average return on net assets (1)	50	%	50	%	50	%
Cumulative net income	N/A		N/A		30	%
Cumulative earnings per share (2)	30	%	30	%	N/A	
Relative total shareholder return (3)	20	%	20	%	20	%

(1) Average return on net assets is measured by tax-affected operating income divided by average net working capital plus average net property, plant and equipment for each calendar year during the respective performance period.

(2) Cumulative earnings per share is measured by net income attributable to Delphi divided by the weighted average number of diluted shares outstanding for the respective three-year performance period.

(3) Relative total shareholder return is measured by comparing the average closing price per share of the Company's ordinary shares for all available trading days in the fourth quarter of the end of the performance period to the average closing price per share of the Company's ordinary shares for all available trading days in the fourth quarter of the year preceding the grant, including dividends, and assessed against a comparable measure of competitor and peer group companies.

The grant date fair value of the RSUs is determined based on the closing price of the Company's ordinary shares on the date of the grant of the award, including an estimate for forfeitures, and a contemporaneous valuation performed by an independent valuation specialist with respect to the relative total shareholder return awards. Based on the target number of awards issued for the February 2014, 2013, and 2012 grants, the fair value at grant date was estimated to be approximately \$53 million, \$60 million and \$59 million, respectively.

A summary of activity, including award grants, vesting and forfeitures is provided below:

	RSUs	Weighted Average Grant Date Fair Value
	(in thousands)	
Outstanding, January 1, 2014	2,918	\$ 36.55
Granted	823	67.92
Vested	(404)	) 35.47
Forfeited	(116)	) 38.13
Outstanding, June 30, 2014	3,221	44.64

Delphi recognized compensation expense of \$19 million (\$15 million, net of tax) and \$14 million (\$10 million, net of tax) based on the Company's best estimate of ultimate performance against the respective targets during the three months ended June 30, 2014 and 2013, respectively. Delphi recognized compensation expense of \$33 million (\$25 million, net of tax) and \$24 million (\$18 million, net of tax) based on the Company's best estimate of ultimate performance against the respective targets during the six months ended June 30, 2014 and 2013, respectively. Delphi will continue to recognize compensation expense, based on the grant date fair value of the awards applied to the Company's best estimate of ultimate performance against the respective targets, over the requisite vesting periods of the awards. Based on the grant date fair value of the awards and the Company's best estimate of ultimate performance against the respective targets as of June 30, 2014, unrecognized compensation expense on a pretax basis of approximately \$94 million is anticipated to be recognized over a weighted average period of approximately 2 years. For the six months ended June 30, 2014 and 2013, respectively, approximately \$8 million and \$3 million of cash was

paid and reflected as a financing activity in the statements of cash flows related to the minimum statutory tax withholding for vested RSUs.

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Value Creation Plan

During the second quarter of 2010, the Board of Managers approved and authorized the VCP, a long-term incentive plan designed to assist the Company in attracting, retaining, motivating and rewarding key employees of the Company and promoting the creation of long-term value. Participants were granted an award in September 2010 for the performance period ending December 31, 2012. Each individual participant's target value was based on the participants' level of responsibility within the Company and the country in which the participant is located. The awards cliff vested on December 31, 2012, the end of the performance period. In the event of a qualified termination, as defined in the VCP, prior to December 31, 2012, the participant would have vested in a pro-rata percentage of their award as of the termination date. For any other termination, the award would have been forfeited.

Approximately \$200 million of the VCP awards were settled in cash during the year ended December 31, 2012 and approximately \$31 million (including \$11 million of taxes to be paid) that remained in accrued liabilities as of December 31, 2012 related to certain legal entities was paid out in the first quarter of 2013. The cash flow impacts for the six months ended June 30, 2014 and 2013 were \$0 million and \$31 million, respectively. Final settlement of the awards for Delphi's officers was comprised of a combination of cash and ordinary shares. On December 31, 2012, 717,230 ordinary shares were issued to Delphi's officers, of which 290,798 ordinary shares were withheld to cover U.S. withholding taxes. For the six months ended June 30, 2014 and 2013, respectively, approximately \$0 million and \$11 million of cash was paid and reflected as a financing activity in the statements of cash flows related to the minimum statutory tax withholding for the vested ordinary shares. Delphi recognized compensation expense based on estimates of the enterprise value over the requisite vesting periods of the awards.

The VCP awards were accounted for as liability awards pursuant to FASB ASC 718, Compensation-Stock Compensation. Estimating the fair value of the liability awards under the VCP required assumptions regarding the Company's enterprise value. Prior to public quoted market prices for averages to determine fair value estimates for the VCP, the fair market value of the liability awards was based on contemporaneous valuations performed by an independent valuation specialist, utilizing generally accepted valuation approaches.

19. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Basis of Presentation

In May 2011, Delphi Corporation issued the 2011 Senior Notes in a transaction exempt from registration under Rule 144A and Regulation S of the Securities Act. The 2011 Senior Notes were exchanged for registered notes in an exchange offer completed in May 2012, and as more fully described in Note 8. Debt, the 5.875% Senior Notes were redeemed and extinguished in March 2014. Additionally, in February 2013 and March 2014, Delphi Corporation issued senior notes registered under the Securities Act. All series of the outstanding senior notes have been issued by Delphi Corporation (the "Subsidiary Issuer"), a 100% owned subsidiary of Delphi Automotive PLC, and are fully and unconditionally guaranteed by certain of its direct and indirect parent companies, which are directly or indirectly 100% owned by Delphi Automotive PLC, (the "Parent Guarantors") on a joint and several basis, subject to customary release provisions (other than in the case of Delphi Automotive PLC). All other consolidated direct and indirect subsidiaries of Delphi Automotive PLC are not subject to the guarantees ("Non-Guarantor Subsidiaries"). Prior to 2014, certain additional direct and indirect subsidiaries of Delphi Automotive PLC, which are directly or indirectly 100% owned by Delphi Automotive PLC, fully and unconditionally guaranteed all series of the outstanding senior notes. However, all such guarantees of Delphi Corporation's subsidiaries were released during the first quarter of 2014 because such guarantors no longer guaranteed the Credit Agreement. Refer to Note 8. Debt for more information. In lieu of providing separate audited financial statements for the Guarantors, the Company has included the accompanying condensed consolidating financial statements. These condensed consolidating financial statements are presented on the equity method. Under this method, the investments in subsidiaries are recorded at cost and adjusted for the parent's share of the subsidiary's cumulative results of operations, capital contributions and distributions and other equity changes. The Non-Guarantor Subsidiaries are combined in the condensed consolidating financial statements. The principal elimination entries are to eliminate the investments in subsidiaries and intercompany

balances and transactions.

The historical presentation of certain intercompany accounts and activity within the supplemental guarantor condensed consolidating financial statements has been revised to be consistent with the presentation as of June 30, 2014.

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Statement of Operations Three Months Ended June 30, 2014

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated	
	(in millions)					
Net sales	\$—	\$—	\$4,451	\$—	\$4,451	
Operating expenses:						
Cost of sales	—	—	3,611	—	3,611	
Selling, general and administrative	30	—	242	—	272	
Amortization	—	—	25	—	25	
Restructuring	—	—	55	—	55	
Total operating expenses	30	—	3,933	—	3,963	
Operating (loss) income	(30	) —	518	—	488
Interest (expense) income	(11) (45) (18) 41	(33)
Other income (expense), net	15	16	13	(41	) 3
(Loss) income before income taxes and equity income	(26	) (29	) 513	—	458
Income tax benefit (expense)	—	11	(73) —	(62)
(Loss) income before equity income	(26	) (18	) 440	—	396
Equity in net income of affiliates	—	—	10	—	10	
Equity in net income (loss) of subsidiaries	408	72	—	(480) —	
Net income (loss)	382	54	450	(480	) 406
Net income attributable to noncontrolling interest	—	—	24	—	24	
Net income (loss) attributable to Delphi	\$382	\$54	\$426	\$(480	) \$382

Statement of Operations Six Months Ended June 30, 2014

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated	
	(in millions)					
Net sales	\$—	\$—	\$8,727	\$—	\$8,727	
Operating expenses:						
Cost of sales	—	—	7,119	—	7,119	
Selling, general and administrative	35	—	498	—	533	
Amortization	—	—	51	—	51	
Restructuring	—	—	77	—	77	
Total operating expenses	35	—	7,745	—	7,780	
Operating (loss) income	(35	) —	982	—	947
Interest (expense) income	(21) (92) (36) 81	(68)
Other income (expense), net	30	(3) 41	(81) (13)
(Loss) income before income taxes and equity income	(26	) (95	) 987	—	866
Income tax benefit (expense)	—	35	(172) —	(137)
(Loss) income before equity income	(26) (60) 815	—	729	
Equity in net income of affiliates	—	—	18	—	18	

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Equity in net income (loss) of subsidiaries	728	142	—	(870) —
Net income (loss)	702	82	833	(870) 747
Net income attributable to noncontrolling interest	—	—	45	—	45
Net income (loss) attributable to Delphi	\$702	\$82	\$788	\$(870) \$702

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Statement of Operations Three Months Ended June 30, 2013

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated	
	(in millions)					
Net sales	\$—	\$—	\$4,240	\$—	\$4,240	
Operating expenses:						
Cost of sales	—	—	3,464	—	3,464	
Selling, general and administrative	44	—	197	—	241	
Amortization	—	—	26	—	26	
Restructuring	—	—	26	—	26	
Total operating expenses	44	—	3,713	—	3,757	
Operating (loss) income	(44	) —	527	—	483
Interest (expense) income	(12) (47) (18) 41	(36)
Other income (expense), net	15	15	16	(41	) 5
(Loss) income before income taxes and equity income	(41	) (32	) 525	—	452
Income tax benefit (expense)	—	12	(85) —	(73)
(Loss) income before equity income	(41	) (20	) 440	—	379
Equity in net income of affiliates	—	—	10	—	10	
Equity in net income (loss) of subsidiaries	408	71	—	(479) —	
Net income (loss)	367	51	450	(479	) 389
Net income attributable to noncontrolling interest	—	—	22	—	22	
Net income (loss) attributable to Delphi	\$367	\$51	\$428	\$(479	) \$367

Statement of Operations Six Months Ended June 30, 2013

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated	
	(in millions)					
Net sales	\$—	\$—	\$8,264	\$—	\$8,264	
Operating expenses:						
Cost of sales	—	—	6,803	—	6,803	
Selling, general and administrative	79	—	392	—	471	
Amortization	—	—	52	—	52	
Restructuring	—	—	58	—	58	
Total operating expenses	79	—	7,305	—	7,384	
Operating (loss) income	(79	) —	959	—	880
Interest (expense) income	(26) (94) (37) 85	(72)
Other income (expense), net	30	(6) 32	(85) (29)
(Loss) income before income taxes and equity income	(75	) (100	) 954	—	779
Income tax benefit (expense)	—	37	(147) —	(110)
(Loss) income before equity income	(75) (63) 807	—	669	
Equity in net income of affiliates	—	—	18	—	18	

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Equity in net income (loss) of subsidiaries	718	178	—	(896) —
Net income (loss)	643	115	825	(896) 687
Net income attributable to noncontrolling interest	—	—	44	—	44
Net income (loss) attributable to Delphi	\$643	\$115	\$781	\$(896) \$643

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Statement of Comprehensive Income Three Months Ended June 30, 2014

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net income (loss)	\$382	\$54	\$450	\$(480)	) \$406
Other comprehensive income (loss):					
Currency translation adjustments	—	—	21	—	21
Net change in unrecognized gain (loss) on derivative instruments, net of tax	—	—	40	—	40
Employee benefit plans adjustment, net of tax	—	—	1	—	1
Other comprehensive income	—	—	62	—	62
Equity in other comprehensive income (loss) of subsidiaries	60	17	—	(77)) —
Comprehensive income (loss)	442	71	512	(557)	) 468
Comprehensive income attributable to noncontrolling interests	—	—	26	—	26
Comprehensive income (loss) attributable to Delphi	\$442	\$71	\$486	\$(557)	) \$442

Statement of Comprehensive Income Six Months Ended June 30, 2014

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net income (loss)	\$702	\$82	\$833	\$(870)	) \$747
Other comprehensive income (loss):					
Currency translation adjustments	—	—	7	—	7
Net change in unrecognized gain (loss) on derivative instruments, net of tax	—	—	7	—	7
Employee benefit plans adjustment, net of tax	—	—	2	—	2
Other comprehensive income	—	—	16	—	16
Equity in other comprehensive income (loss) of subsidiaries	18	9	—	(27)) —
Comprehensive income (loss)	720	91	849	(897)	) 763
Comprehensive income attributable to noncontrolling interests	—	—	43	—	43
Comprehensive income (loss) attributable to Delphi	\$720	\$91	\$806	\$(897)) \$720

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Statement of Comprehensive Income Three Months Ended June 30, 2013

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net income (loss)	\$367	\$51	\$450	\$(479)	) \$389
Other comprehensive income (loss):					
Currency translation adjustments	—	—	(39)	) —	(39)
Net change in unrecognized gain (loss) on derivative instruments, net of tax	—	—	(45)	) —	(45)
Employee benefit plans adjustment, net of tax	—	—	(1)	) —	(1)
Other comprehensive loss	—	—	(85)	) —	(85)
Equity in other comprehensive (loss) income of subsidiaries	(85)	) (44)	) —	129	—
Comprehensive income (loss)	282	7	365	(350)	) 304
Comprehensive income attributable to noncontrolling interests	—	—	22	—	22
Comprehensive income (loss) attributable to Delphi	\$282	\$7	\$343	\$(350)	) \$282

Statement of Comprehensive Income Six Months Ended June 30, 2013

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net income (loss)	\$643	\$115	\$825	\$(896)	) \$687
Other comprehensive income (loss):					
Currency translation adjustments	—	—	(117)	) —	(117)
Net change in unrecognized gain (loss) on derivative instruments, net of tax	—	—	(39)	) —	(39)
Employee benefit plans adjustment, net of tax	—	—	16	—	16
Other comprehensive loss	—	—	(140)	) —	(140)
Equity in other comprehensive (loss) income of subsidiaries	(140)	) (39)	) —	179	—
Comprehensive income (loss)	503	76	685	(717)	) 547
Comprehensive income attributable to noncontrolling interests	—	—	44	—	44
Comprehensive income (loss) attributable to Delphi	\$503	\$76	\$641	\$(717)) \$503

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Balance Sheet as of June 30, 2014

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
ASSETS					
Current assets:					
Cash and cash equivalents	\$4	\$—	\$1,162	\$—	\$1,166
Restricted cash	—	—	5	—	5
Accounts receivable, net	—	—	3,049	—	3,049
Intercompany receivables, current	195	1,480	1,638	(3,313)	—
Inventories	—	—	1,261	1	1,262
Other current assets	—	9	598	(7)	600
Total current assets	199	1,489	7,713	(3,319)	6,082
Long-term assets:					
Intercompany receivables, long-term	805	917	1,312	(3,034)	—
Property, net	—	—	3,311	—	3,311
Investments in affiliates	—	—	248	—	248
Investments in subsidiaries	5,926	952	—	(6,878)	—
Intangible assets, net	—	—	1,159	(1)	1,158
Other long-term assets	—	37	626	(10)	653
Total long-term assets	6,731	1,906	6,656	(9,923)	5,370
Total assets	\$6,930	\$3,395	\$14,369	\$(13,242)	\$11,452
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term debt	\$—	\$—	\$32	\$—	\$32
Accounts payable	1	—	2,696	(1)	2,696
Intercompany payables, current	2,496	45	783	(3,324)	—
Accrued liabilities	20	30	1,227	(7)	1,270
Total current liabilities	2,517	75	4,738	(3,332)	3,998
Long-term liabilities:					
Long-term debt	—	2,398	22	—	2,420
Intercompany payables, long-term	1,288	805	942	(3,035)	—
Pension benefit obligations	—	—	965	—	965
Other long-term liabilities	—	—	385	—	385
Total long-term liabilities	1,288	3,203	2,314	(3,035)	3,770
Total liabilities	3,805	3,278	7,052	(6,367)	7,768
Total Delphi shareholders' equity	3,125	117	6,758	(6,875)	3,125
Noncontrolling interest	—	—	559	—	559
Total shareholders' equity	3,125	117	7,317	(6,875)	3,684
Total liabilities and shareholders' equity	\$6,930	\$3,395	\$14,369	\$(13,242)	\$11,452

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Balance Sheet as of December 31, 2013

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
ASSETS					
Current assets:					
Cash and cash equivalents	\$7	\$—	\$1,382	\$—	\$1,389
Restricted cash	—	—	4	—	4
Accounts receivable, net	—	—	2,662	—	2,662
Intercompany receivables, current	452	1,123	1,418	(2,993)	—
Inventories	—	—	1,102	(9)	1,093
Other current assets	1	10	600	(7)	604
Total current assets	460	1,133	7,168	(3,009)	5,752
Long-term assets:					
Intercompany receivables, long-term	561	888	1,283	(2,732)	—
Property, net	—	—	3,216	—	3,216
Investments in affiliates	—	—	234	—	234
Investments in subsidiaries	5,181	1,130	—	(6,311)	—
Intangible assets, net	—	—	1,219	—	1,219
Other long-term assets	—	43	581	2	626
Total long-term assets	5,742	2,061	6,533	(9,041)	5,295
Total assets	\$6,202	\$3,194	\$13,701	\$(12,050)	\$11,047
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term debt	\$—	\$25	\$36	\$—	\$61
Accounts payable	—	—	2,595	—	2,595
Intercompany payables, current	2,008	204	771	(2,983)	—
Accrued liabilities	—	23	1,222	(7)	1,238
Total current liabilities	2,008	252	4,624	(2,990)	3,894
Long-term liabilities:					
Long-term debt	—	2,339	12	—	2,351
Intercompany payables, long-term	1,283	571	888	(2,742)	—
Pension benefit obligations	—	—	959	—	959
Other long-term liabilities	—	—	409	—	409
Total long-term liabilities	1,283	2,910	2,268	(2,742)	3,719
Total liabilities	3,291	3,162	6,892	(5,732)	7,613
Total Delphi shareholders' equity	2,911	32	6,286	(6,318)	2,911
Noncontrolling interest	—	—	523	—	523
Total shareholders' equity	2,911	32	6,809	(6,318)	3,434
Total liabilities and shareholders' equity	\$6,202	\$3,194	\$13,701	\$(12,050)	\$11,047

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Statement of Cash Flows for the Six Months Ended June 30, 2014

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net cash provided by operating activities	\$48	\$—	\$715	\$—	\$763
Cash flows from investing activities:					
Capital expenditures	—	—	(470	) —	(470)
Proceeds from sale of property/investments	—	—	5	—	5
Increase in restricted cash	—	—	(1	) —	(1)
Loans to affiliates	—	(410	) (713	) 1,123	—
Repayments of loans from affiliates	—	55	254	(309) —
Net cash used in investing activities	—	(355	) (925	) 814	(466)
Cash flows from financing activities:					
Net proceeds from other short-term debt agreements	—	—	6	—	6
Repayments under long-term debt agreements	—	(164	) —	—	(164)
Repayment of senior notes	—	(526	) —	—	(526)
Proceeds from issuance of senior notes, net of issuance costs	—	691	—	—	691
Dividend payments of consolidated affiliates to minority shareholders	—	—	(7	) —	(7)
Proceeds from borrowings from affiliates	659	464	—	(1,123) —
Payments on borrowings from affiliates	(199	) (110	) —	309	—
Repurchase of ordinary shares	(358	) —	—	—	(358)
Distribution of cash dividends	(153	) —	—	—	(153)
Taxes withheld and paid on employees' restricted share awards	—	—	(8	) —	(8)
Net cash (used in) provided by financing activities	(51	) 355	(9	) (814	) (519)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	(1	) —	(1)
Decrease in cash and cash equivalents	(3	) —	(220	) —	(223)
Cash and cash equivalents at beginning of period	7	—	1,382	—	1,389
Cash and cash equivalents at end of period	\$4	\$—	\$1,162	\$—	\$1,166

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Statement of Cash Flows for the Six Months Ended June 30, 2013

	Parent Guarantors	Subsidiary Issuer	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net cash (used in) provided by operating activities	\$(138)	\$—	\$810	\$—	\$672
Cash flows from investing activities:					
Capital expenditures	—	—	(336)	—	(336)
Proceeds from sale of property/investments	—	—	4	—	4
Cost of business and technology acquisitions, net of cash acquired	—	—	2	—	2
Decrease in restricted cash	—	—	3	—	3
Loans to affiliates	—	(247)	(494)	741	—
Net cash used in investing activities	—	(247)	(821)	741	(327)
Cash flows from financing activities:					
Net repayments under other short-term debt agreements	—	—	(74)	—	(74)
Repayments under long-term debt agreements	—	(1,346)	—	—	(1,346)
Proceeds from issuance of senior secured term loans, net of issuance costs	—	560	—	—	560
Proceeds from issuance of senior notes, net of issuance costs	—	788	—	—	788
Dividend payments of consolidated affiliates to minority shareholders	—	—	(8)	—	(8)
Proceeds from borrowings from affiliates	496	245	—	(741)	—
Repurchase of ordinary shares	(240)	—	—	—	(240)
Distribution of cash dividends	(106)	—	—	—	(106)
Taxes withheld and paid on employees' restricted share awards	—	—	(14)	—	(14)
Net cash provided by (used in) financing activities	150	247	(96)	(741)	(440)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	(9)	—	(9)
Increase (decrease) in cash and cash equivalents	12	—	(116)	—	(104)
Cash and cash equivalents at beginning of period	2	—	1,103	—	1,105
Cash and cash equivalents at end of period	\$14	\$—	\$987	\$—	\$1,001

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20. SEGMENT REPORTING

Delphi operates its core business along the following operating segments, which are grouped on the basis of similar product, market and operating factors:

Electrical/Electronic Architecture, which includes complete electrical architecture and component products.

Powertrain Systems, which includes extensive systems integration expertise in gasoline, diesel and fuel handling and full end-to-end systems including fuel and air injection, combustion, electronics controls, exhaust handling, test and validation capabilities, aftermarket, and original equipment service.

Electronics and Safety, which includes component and systems integration expertise in infotainment and connectivity, body controls and security systems, displays, mechatronics, passive and active safety electronics and electric and hybrid electric vehicle power electronics, as well as advanced development of software.

Thermal Systems, which includes heating, ventilating and air conditioning (“HVAC”) systems, components for multiple transportation and other adjacent markets, and powertrain cooling and related technologies.

Eliminations and Other, which includes i) the elimination of inter-segment transactions, and ii) certain other expenses and income of a non-operating or strategic nature.

The accounting policies of the segments are the same as those described in Note 2. Significant Accounting Policies, except that the disaggregated financial results for the segments have been prepared using a management approach, which is consistent with the basis and manner in which management internally disaggregates financial information for the purposes of assisting internal operating decisions. Generally, Delphi evaluates performance based on stand-alone segment net income before interest expense, other income (expense), net, income tax expense, restructuring, other acquisition-related costs, asset impairments and equity income (loss), net of tax (“Adjusted Operating Income”) and accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, at current market prices. Through December 31, 2013, the Company’s management believed that net income before depreciation and amortization (including long-lived asset and goodwill impairment), interest expense, other income (expense), net, income tax expense, equity income (loss), net of tax, restructuring and other acquisition-related costs (“Adjusted EBITDA”) was a meaningful measure of performance and it was used by management to analyze Company and stand-alone segment operating performance. Management also used Adjusted EBITDA for planning and forecasting purposes. Effective January 1, 2014, Delphi’s management began utilizing Adjusted Operating Income as the key performance measure of segment income or loss and for planning and forecasting purposes, as management believes this measure is most reflective of the operational profitability or loss of Delphi's operating segments. Segment Adjusted Operating Income should not be considered a substitute for results prepared in accordance with U.S. GAAP and should not be considered an alternative to net income attributable to Delphi, which is the most directly comparable financial measure to Adjusted Operating Income that is in accordance with U.S. GAAP. Segment Adjusted Operating Income, as determined and measured by Delphi, should also not be compared to similarly titled measures reported by other companies.

Included below are sales and operating data for Delphi’s segments for the three and six months ended June 30, 2014 and 2013.

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other (1)	Total
	(in millions)					
For the Three Months Ended June 30, 2014:						
Net sales	\$2,165	\$1,198	\$753	\$397	\$(62)	\$4,451
Depreciation and amortization	\$65	\$48	\$21	\$12	\$—	\$146
Adjusted operating income	\$298	\$142	\$89	\$18	\$—	\$547
Operating income	\$283	\$105	\$84	\$16	\$—	\$488
Equity income (loss)	\$4	\$—	\$—	\$7	\$(1)	\$10
	\$10	\$9	\$—	\$5	\$—	\$24

Net income attributable to
noncontrolling interest

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	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other (1)	Total
(in millions)						
For the Three Months Ended June 30, 2013:						
Net sales	\$2,044	\$1,161	\$725	\$373	\$(63)	\$4,240
Depreciation and amortization	\$59	\$44	\$18	\$11	\$—	\$132
Adjusted operating income	\$266	\$146	\$89	\$12	\$—	\$513
Operating income	\$254	\$142	\$75	\$12	\$—	\$483
Equity income (loss)	\$4	\$3	\$—	\$3	\$—	\$10
Net income attributable to noncontrolling interest	\$10	\$8	\$—	\$4	\$—	\$22

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other (1)	Total
(in millions)						
For the Six Months Ended June 30, 2014:						
Net sales	\$4,276	\$2,302	\$1,483	\$786	\$(120)	\$8,727
Depreciation and amortization	\$129	\$99	\$40	\$23	\$—	\$291
Adjusted operating income	\$571	\$257	\$172	\$30	\$—	\$1,030
Operating income	\$541	\$218	\$161	\$27	\$—	\$947
Equity income (loss)	\$10	\$2	\$—	\$9	\$(3)	\$18
Net income attributable to noncontrolling interest	\$17	\$18	\$—	\$10	\$—	\$45

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other (1)	Total
(in millions)						
For the Six Months Ended June 30, 2013:						
Net sales	\$3,965	\$2,268	\$1,418	\$733	\$(120)	\$8,264
Depreciation and amortization	\$113	\$92	\$36	\$22	\$—	\$263
Adjusted operating income	\$497	\$260	\$161	\$26	\$—	\$944
Operating income	\$472	\$248	\$136	\$24	\$—	\$880
Equity income (loss)	\$7	\$3	\$—	\$8	\$—	\$18
Net income attributable to noncontrolling interest	\$20	\$16	\$—	\$8	\$—	\$44

(1) Eliminations and Other includes the elimination of inter-segment transactions.

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The reconciliation of Adjusted Operating Income to Operating Income includes restructuring, other acquisition-related costs and asset impairments. The reconciliation of Adjusted Operating Income to net income attributable to Delphi for the three and six months ended June 30, 2014 and 2013 are as follows:

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total	
(in millions)							
For the Three Months Ended June 30, 2014:							
Adjusted operating income	\$298	\$142	\$89	\$18	\$—	\$547	
Restructuring	(13	) (37	) (3	) (2	) —	(55)
Other acquisition-related costs	(1	) —	—	—	—	(1)
Asset impairments	(1	) —	(2	) —	—	(3)
Operating income	\$283	\$105	\$84	\$16	\$—	488	
Interest expense						(33)
Other income, net						3	
Income before income taxes and equity income						458	
Income tax expense						(62)
Equity income, net of tax						10	
Net income						406	
Net income attributable to noncontrolling interest						24	
Net income attributable to Delphi						\$382	

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total	
(in millions)							
For the Three Months Ended June 30, 2013:							
Adjusted operating income	\$266	\$146	\$89	\$12	\$—	\$513	
Restructuring	(8	) (4	) (14	) —	—	(26)
Other acquisition-related costs	(4	) —	—	—	—	(4)
Operating income	\$254	\$142	\$75	\$12	\$—	483	
Interest expense						(36)
Other income, net						5	
Income before income taxes and equity income						452	
Income tax expense						(73)
Equity income, net of tax						10	
Net income						389	
Net income attributable to noncontrolling interest						22	
Net income attributable to Delphi						\$367	

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	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
(in millions)						
For the Six Months Ended June 30, 2014:						
Adjusted operating income	\$571	\$257	\$172	\$30	\$—	\$1,030
Restructuring	(26)	) (39)	) (9)	) (3)	) —	(77)
Other acquisition-related costs	(3)	) —	) —	) —	) —	(3)
Asset impairments	(1)	) —	) (2)	) —	) —	(3)
Operating income	\$541	\$218	\$161	\$27	\$—	947
Interest expense						(68)
Other income, net						(13)
Income before income taxes and equity income						866
Income tax expense						(137)
Equity income, net of tax						18
Net income						747
Net income attributable to noncontrolling interest						45
Net income attributable to Delphi						\$702

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
(in millions)						
For the Six Months Ended June 30, 2013:						
Adjusted operating income	\$497	\$260	\$161	\$26	\$—	\$944
Restructuring	(19)	) (12)	) (25)	) (2)	) —	(58)
Other acquisition-related costs	(6)	) —	) —	) —	) —	(6)
Operating income	\$472	\$248	\$136	\$24	\$—	880
Interest expense						(72)
Other income, net						(29)
Income before income taxes and equity income						779
Income tax expense						(110)
Equity income, net of tax						18
Net income						687
Net income attributable to noncontrolling interest						44
Net income attributable to Delphi						\$643

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q, including the exhibits being filed as part of this report, as well as other statements made by Delphi Automotive PLC (“Delphi,” the “Company,” “we,” “us” and “our”), contain forward-looking statements that reflect, when made, the Company’s current views with respect to current events and financial performance. Such forward-looking statements are subject to many risks, uncertainties and factors relating to the Company’s operations and business environment, which may cause the actual results of the Company to be materially different from any future results, express or implied, by such forward-looking statements. All statements that address future operating, financial or business performance or the Company’s strategies or expectations are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” “potential,” “outlook” or other comparable terminology. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following: global economic conditions, including conditions affecting the credit market; the cyclical nature of automotive sales and production; the potential disruptions in the supply of and changes in the competitive environment for raw material integral to the Company’s products; the Company’s ability to maintain contracts that are critical to its operations; the ability of the Company to integrate and realize the benefits of recent acquisitions; the ability of the Company to attract, motivate and/or retain key executives; the ability of the Company to avoid or continue to operate during a strike, or partial work stoppage or slow down by any of its unionized employees or those of its principal customers, and the ability of the Company to attract and retain customers. Additional factors are discussed under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s filings with the Securities and Exchange Commission, including those set forth in the Company’s Annual Report on Form 10-K for fiscal year ended December 31, 2013. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect the Company. It should be remembered that the price of the ordinary shares and any income from them can go down as well as up. Delphi disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events and/or otherwise, except as may be required by law.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management’s discussion and analysis of financial condition and results of operations (“MD&A”) is intended to help you understand the business operations and financial condition of the Company for the three and six months ended June 30, 2014. This discussion should be read in conjunction with Item 1. Financial Statements. Our MD&A is presented in eight sections:

Executive Overview

Consolidated Results of Operations

Results of Operations by Segment

Liquidity and Capital Resources

Off-Balance Sheet Arrangements

Contingencies and Environmental Matters

Recently Issued Accounting Pronouncements

Critical Accounting Estimates

Within the MD&A, “Delphi,” the “Company,” “we,” “us” and “our” refer to Delphi Automotive PLC, a public limited company which was formed under the laws of Jersey on May 19, 2011, together with its subsidiaries, including Delphi Automotive LLP, a limited liability partnership incorporated under the laws of England and Wales which was formed on August 19, 2009 for the purpose of acquiring certain assets and subsidiaries of the former Delphi Corporation, and became a subsidiary of Delphi Automotive PLC in connection with the completion of the Company’s initial public offering on November 22, 2011.

Executive Overview

Our Business

We are a leading global vehicle components manufacturer and provide electrical and electronic, powertrain, safety and thermal technology solutions to the global automotive and commercial vehicle markets. We are one of the largest vehicle component manufacturers and our customers include all 25 of the largest automotive original equipment manufacturers (“OEMs”) in the world.

Our total net sales during the three and six months ended June 30, 2014 were \$4.5 billion and \$8.7 billion, an increase of 5% and 6% compared to the same periods of 2013, respectively. The increase in our total net sales is attributable to increased sales in North America and Asia Pacific. Although our net sales in Europe also increased modestly in the first six months of 2014, reflecting signs of stabilization in the European economy, our sales continue to be impacted by persisting economic uncertainties in the region which have resulted in tepid growth in OEM production. Partially offsetting these increases were reduced sales in our smallest region, South America, resulting from continued reductions in OEM production schedules. Our overall lean cost structure, along with improving sales in North America as the U.S. economy continues to strengthen, and above-market sales growth in the Asia Pacific region, specifically China, enabled us to improve gross margins in the three and six months ended June 30, 2014, compared to the same prior year periods.

We are focused on maintaining a low fixed cost structure that we believe provides us flexibility to remain profitable despite decreases in industry volumes and throughout the traditional vehicle industry production cycle. Accordingly, we will continue to adjust our cost structure and manufacturing footprint in response to continued economic uncertainties, as evidenced by the restructuring activities, including the actions related to the integration of MVL, we initiated in the fourth quarter of 2012 and first quarter of 2013 totaling approximately \$375 million. These restructuring actions were principally focused on the European region, and have been substantially completed as of June 30, 2014. As we continue to operate in a cyclical industry that is impacted by movements in the global and regional economies, we continually evaluate opportunities to further adjust our cost structure, as evidenced by the additional restructuring programs we have implemented during 2014 in order to align our manufacturing capacity with the current automotive production levels in Europe and South America, as described in Note 7. Restructuring. We believe our strong balance sheet coupled with our flexible cost structure will position us to capitalize on any

strengthening of the global economy and improvements in OEM production volumes.

Trends, Uncertainties and Opportunities

Rate of economic recovery. Our business is directly related to automotive sales and automotive vehicle production by our customers. Automotive sales depend on a number of factors, including economic conditions. Although global automotive vehicle production increased approximately 3% from 2012 to 2013 and is expected to increase by an additional 3% in 2014, the economic recovery has been uneven from a regional perspective. Economic uncertainties continue to persist in Europe and

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South America, resulting in reduced consumer demand for vehicles and essentially flat vehicle production in Europe in 2013 as compared to 2012. Vehicle production is expected to increase by 2% in Europe and decrease by 15% in South America in 2014 as compared to 2013. Continued economic weakness in Europe or South America, or weakness in North America or Asia, could result in a significant reduction in automotive sales and production by our customers, which would have an adverse effect on our business, results of operations and financial condition. Additionally, volatility in oil and gasoline prices negatively impacts consumer confidence and automotive sales, as well as the mix of future sales (from trucks and sport utility vehicles toward smaller, fuel-efficient passenger cars). While our diversified customer and geographic revenue base have well positioned us to withstand the impact of industry downturns and benefit from industry upturns, shifts to vehicles with less content would adversely impact our profitability.

Emerging markets growth. Rising income levels in emerging markets, principally China, are resulting in stronger growth rates in these markets. Our strong global presence and presence in these markets have positioned us to experience above-market growth rates. We continue to expand our established presence in emerging markets, positioning us to benefit from the expected growth opportunities in these regions. We are capitalizing on our long-standing relationships with the global OEMs and further enhancing our positions with the emerging market OEMs to continue expanding our worldwide leadership. We continue to build upon our extensive geographic reach to capitalize on fast-growing automotive markets. We believe that our presence in low cost countries positions us to realize incremental margin improvements as the global balance of automotive production shifts towards the emerging markets.

We have a strong presence in China, where we have operated for over 20 years. All of our business segments have operations and sales in China. As a result, we have well-established relationships with all of the major OEMs in China. We generated approximately \$2.7 billion in revenue from China in 2013. With only 22 of our 33 offered products locally manufactured in 2013, we believe we have the opportunity to expand additional product lines into China, and as a result, we see further growth potential.

Market driven products. Our product offerings satisfy the OEMs' need to meet increasingly stringent government regulations and meet consumer preferences for products that address the mega-trends of Safe, Green and Connected, leading to increased content per vehicle, greater profitability and higher margins. With these offerings, we believe we are well-positioned to benefit from the growing demand for vehicle content related to safety, fuel efficiency, emissions control, automated features and connectivity to the global information network. Our Electrical/Electronic Architecture and Electronics and Safety segments are benefiting from the substantial increase in vehicle content and electrification requiring a complex and reliable electrical architecture and systems to operate, such as hybrid power electronics, electrical vehicle monitoring, lane departure warning systems, integrated electronic displays, navigation systems and consumer electronics. Our ability to design a reliable electrical architecture that optimizes power distribution and/or consumption is key to satisfying the OEMs' need to reduce emissions while continuing to meet the demands of consumers. Additionally, our Powertrain Systems and Thermal Systems segments are also focused on addressing the demand for increased fuel efficiency and emission control by improving fuel consumption and heat dissipation, which are principal factors influencing fuel efficiency and emissions.

Global capabilities. Many OEMs are continuing to adopt global vehicle platforms to increase standardization, reduce per unit cost and increase capital efficiency and profitability. As a result, OEMs are selecting suppliers that have the capability to manufacture products on a worldwide basis, as well as the flexibility to adapt to regional variations. Suppliers with global scale and strong design, engineering and manufacturing capabilities, are best positioned to benefit from this trend. Our global footprint enables us to serve the global OEMs on a worldwide basis as we gain market share with the emerging market OEMs. This regional model principally services the North American market out of Mexico, the South American market out of Brazil, the European market out of Eastern Europe and North Africa and the Asia Pacific market out of China.

Product development. The automotive component supply industry is highly competitive, both domestically and internationally. Our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely and cost competitive basis will be a significant factor in our

ability to remain competitive. To compete effectively in the automotive supply industry, we must be able to launch new products to meet our customers' demands in a timely manner. Our innovative technologies and robust global engineering and development capabilities have well positioned us to meet the increasingly stringent vehicle manufacturer demands.

OEMs are increasingly looking to their suppliers to simplify vehicle design and assembly processes to reduce costs. As a result, suppliers that sell vehicle components directly to manufacturers (Tier I suppliers) have assumed many of the design, engineering, research and development and assembly functions traditionally performed by vehicle manufacturers. Suppliers that can provide fully-engineered solutions, systems and pre-assembled combinations of component parts are positioned to leverage the trend toward system sourcing.

Engineering, design & development. Our history and culture of innovation have enabled us to develop significant intellectual property and design and development expertise to provide advanced technology solutions that meet the demands of our customers. We have a team of more than 19,000 scientists, engineers and technicians as of December 31, 2013 focused on

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developing leading product solutions for our key markets, located at 15 major technical centers in Brazil, China, France, Germany, India, Luxembourg, Mexico, Poland, South Korea, the United Kingdom and the United States. We invest approximately \$1.7 billion (which includes approximately \$400 million of co-investment by customers and government agencies) annually in research and development and engineering, to maintain our portfolio of innovative products, and owned/held approximately 8,000 patents and protective rights as of December 31, 2013. We also encourage “open innovation” and collaborate extensively with peers in the industry, government agencies and academic institutions. Our technology competencies are recognized by both customers and suppliers, as well as by government agencies, who have co-invested approximately \$400 million annually in new product development, accelerating the pace of innovation and reducing the risk associated with successful commercialization of technological breakthroughs. In the past, suppliers often incurred the initial cost of engineering, designing and developing automotive component parts, and recovered their investments over time by including a cost recovery component in the price of each part based on expected volumes. Recently, we and many other suppliers have negotiated for cost recovery payments independent of volumes. This trend reduces our economic risk.

Pricing. Cost-cutting initiatives adopted by our customers result in increased downward pressure on pricing. Our customer supply agreements generally require step-downs in component pricing over the periods of production and OEMs have historically possessed significant leverage over their outside suppliers because the automotive component supply industry is fragmented and serves a limited number of automotive OEMs. Our profitability depends in part on our ability to generate sufficient production cost savings in the future to offset price reductions.

We are focused on maintaining a low fixed cost structure that we believe provides us flexibility to remain profitable despite decreases in industry volumes and at all points of the traditional vehicle industry production cycle. We believe that our lean cost structure will allow us to remain profitable throughout the traditional vehicle industry production cycle. As a result, approximately 94% of our hourly workforce is located in low cost countries. Furthermore, we have substantial operational flexibility by leveraging a large workforce of temporary workers, which represented approximately 30% of the hourly workforce as of June 30, 2014. However, we will continue to adjust our cost structure and manufacturing footprint in response to continued economic uncertainties. As we continue to operate in a cyclical industry that is impacted by movements in the global and regional economies, we continually evaluate opportunities to further adjust our cost structure.

We have a strong balance sheet with gross debt of approximately \$2.5 billion and substantial liquidity of approximately \$2.7 billion of cash and cash equivalents and available financing under our Revolving Credit Facility (as defined below in Liquidity and Capital Resources) as of June 30, 2014, and no significant U.S. defined benefit or workforce postretirement health care benefits and employer-paid postretirement basic life insurance benefits (“OPEB”) liabilities. We intend to maintain strong financial discipline targeting industry-leading earnings growth, cash flow generation and return on invested capital and to maintain sufficient liquidity to sustain our financial flexibility throughout the industry cycle.

OEM product recalls. There has been an increase in the number of vehicles recalled by OEMs. These recalls can either be initiated by the OEMs or influenced by regulatory agencies. Although we have not experienced any significant impacts to date as a result of the recent recalls that have been initiated, it is possible that we may be adversely affected in the future if the pace of these recalls continues.

Efficient use of capital. The global vehicle components industry is generally capital intensive and a portion of a supplier’s capital equipment is frequently utilized for specific customer programs. Lead times for procurement of capital equipment are long and typically exceed start of production by one to two years. Substantial advantages exist for suppliers that can leverage their prior investments in capital equipment or amortize the investment over higher volume global customer programs.

Industry consolidation. Consolidation among worldwide suppliers is expected to continue as suppliers seek to achieve operating synergies and value stream efficiencies, acquire complementary technologies, and build stronger customer relationships as OEMs continue to expand globally. We believe companies with strong balance sheets and financial discipline are in the best position to take advantage of the industry consolidation trend.

Consolidated Results of Operations

Delphi typically experiences fluctuations in revenue due to changes in OEM production schedules, vehicle sales mix and the net of new and lost business (which we refer to collectively as volume), increased prices attributable to escalation clauses in our supply contracts for recovery of increased commodity costs (which we refer to as commodity pass-through), fluctuations in foreign currency exchange rates (which we refer to as FX), contractual reductions of the sales price to the OEM (which we refer to as contractual price reductions) and engineering changes. Changes in sales mix can have either favorable or unfavorable impacts on revenue. Such changes can be the result of shifts in regional growth, shifts in OEM sales demand, as well as shifts in consumer demand related to vehicle segment purchases and content penetration. For instance, a shift in sales demand favoring a particular OEM's vehicle model for which we do not have a supply contract may negatively impact our

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revenue. A shift in regional sales demand toward certain markets could favorably impact the sales of those of our customers that have a large market share in those regions, which in turn would be expected to have a favorable impact on our revenue.

We typically experience (as described below) fluctuations in operating income due to:

• Volume, net of contractual price reductions—changes in volume offset by contractual price reductions (which typically range from 1% to 3% of net sales) and changes in mix;

• Operational performance—changes to costs for materials and commodities or manufacturing variances; and

• Other—including restructuring costs and any remaining variances not included in Volume, net of contractual price reductions or Operational performance.

The automotive component supply industry is subject to inflationary pressures with respect to raw materials and labor which have placed and will continue to place operational and profitability burdens on the entire supply chain. We will continue to work with our customers and suppliers to mitigate the impact of these inflationary pressures in the future. In addition, we expect commodity cost volatility, particularly related to copper, aluminum and petroleum-based resin products, to have a continual impact on future earnings and/or operating cash flows. As such, we continually seek to mitigate both inflationary pressures and our material-related cost exposures using a number of approaches, including combining purchase requirements with customers and/or other suppliers, using alternate suppliers or product designs, negotiating cost reductions and/or commodity cost contract escalation clauses into our vehicle manufacturer supply contracts, and hedging.

Three and Six Months Ended June 30, 2014 versus Three and Six Months Ended June 30, 2013

The results of operations for the three and six months ended June 30, 2014 and 2013 were as follows:

	Three Months Ended June 30,		Favorable/ (Unfavorable)	Six Months Ended June 30,		Favorable/ (Unfavorable)
	2014	2013		2014	2013	
	(dollars in millions)					
Net sales	\$4,451	\$4,240	\$ 211	\$8,727	\$8,264	\$ 463
Cost of sales	3,611	3,464	(147)	7,119	6,803	(316)
Gross margin	840	18.9 % 776	18.3 % 64	1,608	18.4 % 1,461	17.7 % 147
Selling, general and administrative	272	241	(31)	533	471	(62)
Amortization	25	26	1	51	52	1
Restructuring	55	26	(29)	77	58	(19)
Operating income	488	483	5	947	880	67
Interest expense	(33)	(36)	3	(68)	(72)	4
Other income (expense), net	3	5	(2)	(13)	(29)	16
Income before income taxes and equity income	458	452	6	866	779	87
Income tax expense	(62)	(73)	11	(137)	(110)	(27)
Income before equity income	396	379	17	729	669	60
Equity income, net of tax	10	10	—	18	18	—
Net income	406	389	17	747	687	60
Net income attributable to noncontrolling interest	24	22	2	45	44	1
Net income attributable to Delphi	\$382	\$367	\$ 15	\$702	\$643	\$ 59

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Total Net Sales

Below is a summary of our total net sales for the three months ended June 30, 2014 versus June 30, 2013.

	Three Months Ended June 30,			Variance Due To:				Total
	2014	2013	Favorable/ (unfavorable)	Volume, net of contractual price reductions	FX	Commodity pass- through	Other	
	(in millions)			(in millions)				
Total net sales	\$4,451	\$4,240	\$211	\$146	\$79	\$(14)	\$—	\$211

Total net sales for the three months ended June 30, 2014 increased 5% compared to the three months ended June 30, 2013. We experienced volume growth of 5% for the period as a result of increased sales in North America and Asia Pacific, as well as an increase due to favorable currency impacts, primarily related to the Euro, partially offset by contractual price reductions.

Below is a summary of our total net sales for the six months ended June 30, 2014 versus June 30, 2013.

	Six Months Ended June 30,			Variance Due To:				Total
	2014	2013	Favorable/ (unfavorable)	Volume, net of contractual price reductions	FX	Commodity pass- through	Other	
	(in millions)			(in millions)				
Total net sales	\$8,727	\$8,264	\$463	\$375	\$122	\$(34)	\$—	\$463

Total net sales for the six months ended June 30, 2014 increased 6% compared to the six months ended June 30, 2013. We experienced volume growth of 6% for the period as a result of increased sales in North America and Asia Pacific, as well as an increase due to favorable currency impacts, primarily related to the Euro, partially offset by contractual price reductions.

Cost of Sales

Cost of sales is primarily comprised of material, labor, manufacturing overhead, freight, fluctuations in foreign currency exchange rates, product engineering, design and development expenses, depreciation and amortization, warranty costs and other operating expenses. Gross margin is revenue less cost of sales and gross margin percentage is gross margin as a percentage of net sales.

Cost of sales increased \$147 million for the three months ended June 30, 2014 compared to the three months ended June 30, 2013, as summarized below. The Company's material cost of sales was approximately 50% of net sales during both the three months ended June 30, 2014 and June 30, 2013.

	Three Months Ended June 30,			Variance Due To:				Total
	2014	2013	Favorable/ (unfavorable)	Volume (a)	FX	Operational performance	Other	
	(dollars in millions)			(in millions)				
Cost of sales	\$3,611	\$3,464	\$(147)	\$(166)	\$(71)	\$116	\$(26)	\$(147)
Gross margin	\$840	\$776	\$64	\$(20)	\$8	\$116	\$(40)	\$64
Percentage of net sales	18.9	% 18.3	%					

(a) Presented net of contractual price reductions for gross margin variance.

The increase in cost of sales reflects increased volumes before contractual price reductions for the three month period and unfavorable currency impacts resulting from fluctuations in currency exchange rates, partially offset by improved operational performance.

Cost of sales increased \$316 million for the six months ended June 30, 2014 compared to the six months ended June 30, 2013, as summarized below. The Company's material cost of sales was approximately 50% of net sales in both the six months ended June 30, 2014 and June 30, 2013.

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	Six Months Ended June 30,		Favorable/ (unfavorable)	Variance Due To:				
	2014	2013		Volume (a)	FX	Operational performance	Other	Total
	(dollars in millions)			(in millions)				
Cost of sales	\$7,119	\$6,803	\$ (316)	\$ (391)	\$ (100)	\$ 204	\$ (29)	\$ (316)
Gross margin	\$1,608	\$1,461	\$ 147	\$ (16)	\$ 22	\$ 204	\$ (63)	\$ 147
Percentage of net sales	18.4	% 17.7	%					

(a) Presented net of contractual price reductions for gross margin variance.

The increase in cost of sales reflects increased volumes before contractual price reductions for the six month period and unfavorable currency impacts resulting from fluctuations in currency exchange rates, partially offset by improved operational performance.

Selling, General and Administrative Expense

	Three Months Ended June 30,		
	2014	2013	Favorable/ (unfavorable)
	(dollars in millions)		
Selling, general and administrative expense	\$272	\$241	\$ (31)
Percentage of net sales	6.1	% 5.7	%

	Six Months Ended June 30,		
	2014	2013	Favorable/ (unfavorable)
	(dollars in millions)		
Selling, general and administrative expense	\$533	471	\$ (62)
Percentage of net sales	6.1	% 5.7	%

Selling, general and administrative expense (“SG&A”) includes administrative expenses, information technology costs and incentive compensation related costs, and increased as a percentage of sales for the three and six months ended June 30, 2014 compared to 2013 due to an increase in accruals for incentive compensation, information technology costs and for other service providers.

Amortization

	Three Months Ended June 30,		
	2014	2013	Favorable/ (unfavorable)
	(in millions)		
Amortization	\$25	\$26	\$ 1

	Six Months Ended June 30,		
	2014	2013	Favorable/ (unfavorable)
	(in millions)		
Amortization	\$51	\$52	\$ 1

Amortization expense reflects the non-cash charge related to definite-lived intangible assets. The relative consistency in amortization during the three and six months ended June 30, 2014 compared to 2013 reflects continued amortization of our definite-lived intangible assets, which resulted primarily from the acquisition of MVL in October 2012, over their estimated useful lives.

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Restructuring

	Three Months Ended June 30,			
	2014	2013		Favorable/ (unfavorable)
	(dollars in millions)			
Restructuring	\$55	\$26		\$(29)
Percentage of net sales	1.2	% 0.6		%
	Six Months Ended June 30,			
	2014	2013		Favorable/ (unfavorable)
	(dollars in millions)			
Restructuring	\$77	\$58		\$(19)
Percentage of net sales	0.9	% 0.7		%

The increase in restructuring expense during the three and six months ended June 30, 2014 as compared to the three and six months ended June 30, 2013 is primarily attributable to the initiation of a new restructuring program during the second quarter of 2014 at a European manufacturing site within the Powertrain Systems segment, which resulted in the recognition of employee-related and other costs of \$32 million during the three months ended June 30, 2014. Restructuring expenses recorded during the three and six months ended June 30, 2013, were primarily attributable to the initiation of various restructuring actions, primarily in Europe, in the fourth quarter of 2012 and in the first quarter of 2013. These restructuring actions were initiated in response to lower OEM production volumes in Europe and continued economic uncertainties, and included workforce reductions, as well as plant closures, and have been substantially completed during the first half of 2014.

Refer to Note 7. Restructuring to the consolidated financial statements for additional information.

Interest Expense

	Three Months Ended June 30,			
	2014	2013		Favorable/ (unfavorable)
	(in millions)			
Interest expense	\$33	\$36		\$3
	Six Months Ended June 30,			
	2014	2013		Favorable/ (unfavorable)
	(in millions)			
Interest expense	\$68	\$72		\$4

The decrease in interest expense for both the three and six months ended June 30, 2014 compared to the prior year periods reflects the issuance of \$700 million of the 2014 Senior Notes in the first quarter of 2014, offset by a reduction in interest expense from the repayment of a portion of the Tranche A Term Loan and the redemption of the 5.875% Senior Notes.

Refer to Note 8. Debt to the consolidated financial statements for additional information.

Other Income, net

	Three Months Ended June 30,			
	2014	2013		Favorable/ (unfavorable)

(unfavorable)

(in millions)

Other income (expense), net

\$3

\$5

\$(2

)

52

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	Six Months Ended June 30,		Favorable/ (unfavorable)
	2014	2013	
	(in millions)		
Other income (expense), net	\$ (13) \$ (29) \$ 16

The increase in other income, net for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 is a result of Delphi repaying a portion of the Tranche A Term Loan and redeeming the 5.875% senior notes during the six months ended June 30, 2014, resulting in a loss on extinguishment of debt of \$34 million. Additionally, during the six months ended June 30, 2014, Delphi reached a final settlement with its insurance carrier related to a business interruption insurance claim, and received proceeds from the settlement of approximately \$14 million, net of related costs and expenses.

During the six months ended June 30, 2013, Delphi amended its Credit Agreement and repaid the entire balance of the Tranche B Term Loan from the Original Credit Agreement, resulting in a loss on extinguishment of debt of \$39 million.

Refer to Note 16. Other income, net and Note 8. Debt to the consolidated financial statements included herein for additional information.

Income Taxes

	Three Months Ended June 30,		Favorable/ (unfavorable)
	2014	2013	
	(in millions)		
Income tax expense	\$ 62	\$ 73	\$ 11

	Six Months Ended June 30,		Favorable/ (unfavorable)
	2014	2013	
	(in millions)		
Income tax expense	\$ 137	\$ 110	\$ (27)

The Company's effective tax rate was impacted by favorable geographic income mix in 2014 as compared to 2013, primarily due to tax planning initiatives, offset by the expiration of the U.S. research and development credit in 2014. The Company's effective tax rate was also impacted by the tax expense (benefit) associated with unusual or infrequent items for the respective interim period as illustrated in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Tax credits (1)	\$ (2	) \$ —	\$ (2	) \$ (22
Withholding taxes (2)	(1	) —	(1	) 4
Other change in tax reserves (3)	(3	) —	(6	) 1
Other adjustments (4)	(3	) (3	) (4	) (2
Income tax benefit associated with unusual or infrequent items	\$ (9	) \$ (3	) \$ (13	) \$ (19

(1) For the six months ended June 30, 2013, the tax benefit primarily relates to the retroactive reinstatement of the U.S research and development tax credit under The American Taxpayer Relief Act of 2012.

(2)

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For the three and six months ended June 30, 2014 and June 30, 2013, the tax benefits and expense, respectively, relate to the adjustment of the withholding tax liability on the undistributed earnings of certain foreign subsidiaries that are not indefinitely reinvested.

- (3) For the three and six months ended June 30, 2014 and June 30, 2013, the tax benefits and expense, respectively, primarily relate to adjustments in tax reserves which were individually insignificant.
- (4) For the three and six months ended June 30, 2014 and June 30, 2013, the tax benefits primarily relate to items which were individually insignificant.

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Equity Income

	Three Months Ended June 30,		Favorable/ (unfavorable)
	2014	2013	
	(in millions)		
Equity income, net of tax	\$10	\$10	\$—
	Six Months Ended June 30,		Favorable/ (unfavorable)
	2014	2013	
	(in millions)		
Equity income, net of tax	\$18	\$18	\$—

Equity income, net of tax reflects Delphi's interest in the results of ongoing operations of entities accounted for as equity-method investments. Equity income for the three and six months ended June 30, 2014 was consistent overall when compared to the three and six months ended June 30, 2013 primarily due to the consistent performance of our joint ventures.

Results of Operations by Segment

We operate our core business along the following operating segments, which are grouped on the basis of similar product, market and operating factors:

- Electrical/Electronic Architecture, which includes complete electrical architecture and component products.
- Powertrain Systems, which includes extensive systems integration expertise in gasoline, diesel and fuel handling and full end-to-end systems including fuel injection, combustion, electronics controls, exhaust handling, test and validation capabilities, aftermarket, and original equipment service.
- Electronics and Safety, which includes component and systems integration expertise in infotainment and connectivity, body controls and security systems, displays, mechatronics, passive and active safety electronics and electric and hybrid electric vehicle power electronics, as well as advanced development of software.
- Thermal Systems, which includes heating, ventilating and air conditioning systems, components for multiple transportation and other adjacent markets, and powertrain cooling and related technologies.
- Eliminations and Other, which includes i) the elimination of inter-segment transactions, and ii) certain other expenses and income of a non-operating or strategic nature.

Through December 31, 2013, we evaluated performance based on stand-alone segment Adjusted EBITDA and accounted for inter-segment sales and transfers as if the sales or transfers were to third parties, at current market prices. Our management believed that Adjusted EBITDA was a meaningful measure of performance and it was used by management to analyze Company and stand-alone segment operating performance. Management also used Adjusted EBITDA for planning and forecasting purposes. Effective January 1, 2014, our management began utilizing segment Adjusted Operating Income as the key performance measure of segment income or loss and for planning and forecasting purposes, as management believes this measure is most reflective of the operational profitability or loss of our operating segments. Segment Adjusted Operating Income should not be considered a substitute for results prepared in accordance with U.S. GAAP and should not be considered an alternative to net income attributable to Delphi, which is the most directly comparable financial measure to Adjusted Operating Income that is in accordance with U.S. GAAP. Segment Adjusted Operating Income, as determined and measured by Delphi, should also not be compared to similarly titled measures reported by other companies.

The reconciliation of Adjusted Operating Income to Operating Income includes restructuring, other acquisition-related costs and asset impairments. The reconciliation of Adjusted Operating Income to net income attributable to Delphi for the three and six months ended June 30, 2014 and 2013 are as follows:

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	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
(in millions)						
For the Three Months Ended June 30, 2014:						
Adjusted Operating income	\$298	\$142	\$89	\$18	\$—	\$547
Restructuring	(13)	(37)	(3)	(2)	—	(55)
Other acquisition-related costs	(1)	—	—	—	—	(1)
Asset impairments	(1)	—	(2)	—	—	(3)
Operating income	\$283	\$105	\$84	\$16	\$—	488
Interest expense						(33)
Other income, net						3
Income before income taxes and equity income						458
Income tax expense						(62)
Equity income, net of tax						10
Net income						406
Net income attributable to noncontrolling interest						24
Net income attributable to Delphi						\$382

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
(in millions)						
For the Three Months Ended June 30, 2013:						
Adjusted Operating income	\$266	\$146	\$89	\$12	\$—	\$513
Restructuring	(8)	(4)	(14)	—	—	(26)
Other acquisition-related costs	(4)	—	—	—	—	(4)
Operating income	\$254	\$142	\$75	\$12	\$—	483
Interest expense						(36)
Other income, net						5
Income before income taxes and equity income						452
Income tax expense						(73)
Equity income, net of tax						10
Net income						389
Net income attributable to noncontrolling interest						22
Net income attributable to Delphi						\$367

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	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
(in millions)						
For the Six Months Ended June 30, 2014:						
Adjusted Operating income	\$571	\$257	\$172	\$30	\$—	\$1,030
Restructuring	(26)	) (39)	) (9)	) (3)	) —	(77)
Other acquisition-related costs	(3)	) —	—	—	—	(3)
Asset impairments	(1)	) —	(2)	) —	—	(3)
Operating income	\$541	\$218	\$161	\$27	\$—	947
Interest expense						(68)
Other income, net						(13)
Income before income taxes and equity income						866
Income tax expense						(137)
Equity income, net of tax						18
Net income						747
Net income attributable to noncontrolling interest						45
Net income attributable to Delphi						\$702

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
(in millions)						
For the Six Months Ended June 30, 2013:						
Adjusted Operating income	\$497	\$260	\$161	\$26	\$—	\$944
Restructuring	(19)	) (12)	) (25)	) (2)	) —	(58)
Other acquisition-related costs	(6)	) —	—	—	—	(6)
Operating income	\$472	\$248	\$136	\$24	\$—	880
Interest expense						(72)
Other income, net						(29)
Income before income taxes and equity income						779
Income tax expense						(110)
Equity income, net of tax						18
Net income						687
Net income attributable to noncontrolling interest						44
Net income attributable to Delphi						\$643

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Net sales, gross margin as a percentage of net sales and Adjusted Operating Income by segment for the three and six months ended June 30, 2014 and 2013 are as follows:

Net Sales by Segment

	Three Months Ended June 30,			Variance Due To:				
	2014	2013	Favorable/ (unfavorable)	contractual price reductions	FX	Commodity Pass-through	Other	Total
	(in millions)			(in millions)				
Electrical/Electronic Architecture	\$2,165	\$2,044	\$ 121	\$114	\$20	\$ (14)	\$1	\$121
Powertrain Systems	1,198	1,161	37	(2)	39	—	—	37
Electronics and Safety	753	725	28	18	16	—	(6)	28
Thermal Systems	397	373	24	20	5	—	(1)	24
Eliminations and Other	(62)	(63)	1	(4)	(1)	—	6	1
Total	\$4,451	\$4,240	\$ 211	\$146	\$79	\$ (14)	\$—	\$211
	Six Months Ended June 30,			Variance Due To:				
	2014	2013	Favorable/ (unfavorable)	contractual price reductions	FX	Commodity Pass-through	Other	Total
	(in millions)			(in millions)				
Electrical/Electronic Architecture	\$4,276	\$3,965	\$ 311	\$317	\$28	\$ (34)	\$—	\$311
Powertrain Systems	2,302	2,268	34	(26)	61	—	(1)	34
Electronics and Safety	1,483	1,418	65	43	28	—	(6)	65
Thermal Systems	786	733	53	47	6	—	—	53
Eliminations and Other	(120)	(120)	—	(6)	(1)	—	7	—
Total	\$8,727	\$8,264	\$ 463	\$375	\$122	\$ (34)	\$—	\$463

Gross Margin Percentage by Segment

	Three Months Ended June 30,		Six Months Ended June 30,		
	2014	2013	2014	2013	
Electrical/Electronic Architecture	19.9	% 18.5	% 19.3	% 18.2	%
Powertrain Systems	19.7	% 19.8	% 19.2	% 18.9	%
Electronics and Safety	18.2	% 18.6	% 18.2	% 17.3	%
Thermal Systems	9.3	% 8.8	% 8.9	% 9.0	%
Eliminations and Other	—	% —	% —	% —	%
Total	18.9	% 18.3	% 18.4	% 17.7	%

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Adjusted Operating Income by Segment

	Three Months Ended June 30,			Variance Due To:			
	2014	2013	Favorable/ (unfavorable)	contractual price reductions	Operational performance	Other	Total
	(in millions)			(in millions)			
Electrical/Electronic Architecture	\$298	\$266	\$ 32	\$14	\$44	\$(26)	\$32
Powertrain Systems	142	146	(4)	(13)	32	(23)	(4)
Electronics and Safety	89	89	—	(19)	27	(8)	—
Thermal Systems	18	12	6	(2)	11	(3)	6
Eliminations and Other	—	—	—	—	—	—	—
Total	\$547	\$513	\$ 34	\$(20)	\$114	\$(60)	\$34

As noted in the table above, Adjusted Operating Income for the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 was impacted by volume and contractual price reductions including product mix, and operational performance improvements, as well as the following items included in Other in the table above:

• \$14 million of increased depreciation and amortization; and

• Increased SG&A expenses, primarily related to accruals for incentive compensation, information technology costs and costs for other service providers.

	Six Months Ended June 30,			Variance Due To:			
	2014	2013	Favorable/ (unfavorable)	contractual price reductions	Operational performance	Other	Total
	(in millions)			(in millions)			
Electrical/Electronic Architecture	\$571	\$497	\$ 74	\$50	\$76	\$(52)	\$74
Powertrain Systems	257	260	(3)	(28)	57	(32)	(3)
Electronics and Safety	172	161	11	(35)	56	(10)	11
Thermal Systems	30	26	4	(4)	14	(6)	4
Eliminations and Other	—	—	—	—	—	—	—
Total	\$1,030	\$944	\$ 86	\$(17)	\$203	\$(100)	\$86

As noted in the table above, Adjusted Operating Income for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 was impacted by volume and contractual price reductions including product mix, and operational performance improvements, as well as the following items included in Other in the table above:

• \$28 million of increased depreciation and amortization; and

• Increased SG&A expenses, primarily related to accruals for incentive compensation, information technology costs and costs for other service providers.

Liquidity and Capital Resources

Overview of Capital Structure

Our liquidity requirements are primarily to fund our business operations, including capital expenditures and working capital requirements, as well as to fund debt service requirements, operational restructuring activities, and dividends on share capital. Our primary sources of liquidity are cash flows from operations, our existing cash balance, and as necessary, borrowings under available credit facilities. To the extent we generate discretionary cash flow we may consider using this additional cash flow for optional prepayments of existing indebtedness, strategic acquisitions, additional share repurchases, and/or general corporate purposes. We will also continually explore ways to enhance our

capital structure.

As of June 30, 2014, we had cash and cash equivalents of \$1.2 billion and net debt (defined as outstanding debt less cash and cash equivalents) of \$1.3 billion. We also have access to additional liquidity pursuant to the terms of the \$1.5 billion

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Revolving Credit Facility and the €350 million committed European accounts receivable factoring facility described below. We expect existing cash, available liquidity and cash flows from operations to continue to be sufficient to fund our global operating activities, including restructuring payments, any mandatory payments required under the Credit Agreement as described below, dividends on ordinary shares and capital expenditures. We also continue to expect to be able to move funds between different countries to manage our global liquidity needs without material adverse tax implications, subject to current monetary policies and to the terms of the Credit Agreement. Based on this, we believe we possess sufficient liquidity to fund our operations and capital investments in 2014 and beyond.

Share Repurchases

In January 2012, the Board of Directors authorized a share repurchase program of up to \$300 million of ordinary shares, which was fully satisfied in September 2012. Subsequently, in September 2012, the Board of Directors authorized a share repurchase program of up to \$750 million of ordinary shares, which was fully satisfied in April 2014. In January 2014, the Board of Directors authorized a new share repurchase program of up to \$1 billion of ordinary shares. This share repurchase program provides for share purchases in the open market or in privately negotiated transactions, depending on share price, market conditions and other factors, as determined by the Company. This program commenced following the completion of the Company's September 2012 share repurchase program in April 2014.

A summary of the ordinary shares repurchased during the three and six months ended June 30, 2014 and June 30, 2013 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Total number of shares repurchased	3,267,998	2,445,583	5,644,389	5,295,583
Average price paid per share	\$67.43	\$49.12	\$66.89	\$45.71
Total (in millions)	\$220	\$120	\$378	\$242

As of June 30, 2014, approximately \$813 million of share repurchases remained available under the January 2014 share repurchase program. During the period from July 1, 2014 to July 30, 2014, the Company repurchased an additional \$120 million worth of shares pursuant to a trading plan with set trading instructions established by the Company. As a result, approximately \$693 million of share repurchases remain available under the January 2014 share repurchase program. All repurchased shares were retired.

Dividends to Holders of Ordinary Shares

On February 26, 2013, the Board of Directors approved the initiation of dividend payments on the Company's ordinary shares and declared a regular quarterly cash dividend. In January 2014, the Board of Directors increased the annual dividend rate from \$0.68 to \$1.00 per ordinary share. The Company has declared and paid cash dividends per common share during the periods presented as follows:

	Dividend Per Share	Amount (in millions)
2014:		
Second quarter	\$0.25	\$76
First quarter	0.25	77
Total	\$0.50	\$153
2013:		
Fourth quarter	\$0.17	\$52
Third quarter	0.17	53
Second quarter	0.17	53
First quarter	0.17	53
Total	\$0.68	\$211

In addition, in July 2014, the Board of Directors declared a regular quarterly cash dividend of \$0.25 per ordinary share, payable on August 27, 2014 to shareholders of record at the close of business on August 13, 2014.

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Dividends from Equity Investees

During the six months ended June 30, 2014, Delphi received dividends of \$10 million from one of its equity method investments. During the three and six months ended June 30, 2013, Delphi received dividends of \$11 million and \$20 million from two of its equity method investments, respectively. The dividends were recognized as a reduction to the investment and represented a return on investment included in cash flows from operating activities.

Credit Agreement

In March 2011, in conjunction with the redemption of membership interests from Class A and Class C membership interest holders, Delphi Corporation (the "Issuer") entered into a credit agreement with JPMorgan Chase Bank, N.A., as lead arranger and administrative agent (the "Original Credit Agreement"), which provided for \$3.0 billion in senior secured credit facilities consisting of term loans (as subsequently amended from time to time, the "Tranche A Term Loan" and the "Tranche B Term Loan," respectively) and a revolving credit facility (as subsequently amended from time to time, the "Revolving Credit Facility"). The Original Credit Agreement was amended and restated on each of May 17, 2011 (the "May 2011 Credit Agreement"), September 14, 2012 (the "2012 Credit Agreement") and March 1, 2013 (the Original Credit Agreement and each amendment and restatement of the Original Credit Agreement are individually and collectively referred to herein as the "Credit Agreement"). The May 2011 Credit Agreement, which was entered into simultaneously with the issuance of senior unsecured notes in the amount of \$1 billion (as more fully described below), reduced the total size of the senior secured credit facilities to \$2.4 billion. Under the 2012 Credit Agreement, the Company increased the Revolving Credit Facility to \$1.3 billion and the Tranche A Term Loan to \$574 million and used the incremental proceeds to pay a portion of the cost of acquiring MVL. On March 1, 2013, following an unsecured note issuance in February 2013 (as more fully described below), the Tranche B Term Loan was fully repaid, the Tranche A Term Loan was increased to \$575 million, the Revolving Credit Facility was increased to \$1.5 billion, and the terms of the Tranche A Term Loan and the Revolving Credit Facility were extended to March 1, 2018. The March 31, 2013 amendments resulted in the recognition of a loss on debt extinguishment of \$39 million during the six months ended June 30, 2013. Approximately \$14 million in issuance costs were paid in conjunction with the March 2013 amendment. In conjunction with an unsecured note issuance in March 2014 (as more fully described below), Delphi repaid a portion of its indebtedness on the Tranche A Term Loan, which resulted in the recognition of a loss on debt extinguishment related to this repayment of approximately \$1 million during the six months ended June 30, 2014.

Unamortized debt issuance costs associated with the Tranche A Term Loan and Revolving Credit Facility of \$22 million are being amortized over the term of the Credit Agreement, as extended pursuant to the March 1, 2013 amendment. At June 30, 2014 the Revolving Credit Facility was undrawn and Delphi had approximately \$12 million in letters of credit issued under the Credit Agreement. The maximum amount drawn under the Revolving Credit Facility during the six months ended June 30, 2014 to manage intra-month working capital needs was \$85 million. Letters of credit issued under the Credit Agreement reduce availability under the Revolving Credit Facility. Loans under the Credit Agreement bear interest, at Delphi Corporation's option, at either (a) the Administrative Agent's Alternate Base Rate ("ABR" as defined in the Credit Agreement) or (b) the London Interbank Offered Rate ("Adjusted LIBO Rate" as defined in the Credit Agreement) ("LIBOR") plus in either case a percentage per annum as set forth in the table below (the "Applicable Rate"). The Applicable Rates under the Credit Agreement on the specified dates are set forth below:

	June 30, 2014		December 31, 2013		
	LIBOR plus	ABR plus	LIBOR plus	ABR plus	
Revolving Credit Facility	1.25	% 0.25	% 1.25	% 0.25	%
Tranche A Term Loan	1.25	% 0.25	% 1.25	% 0.25	%

The Applicable Rate under the Credit Agreement may increase or decrease from time to time based on changes in credit ratings with the minimum interest level of 0.00% and maximum level of 2.25%. Accordingly, the interest rate will fluctuate during the term of the Credit Agreement based on changes in the ABR, LIBOR or future changes in our corporate credit ratings. The Credit Agreement also requires that the Issuer pay certain commitment fees on the unused portion of the Revolving Credit Facility and certain letter of credit issuance and fronting fees.

The interest rate period with respect to LIBOR interest rate options can be set at one-, two-, three-, or six-months as selected by the Issuer in accordance with the terms of the Credit Agreement (or other period as may be agreed by the applicable lenders), but payable no less than quarterly. The Issuer may elect to change the selected interest rate in accordance with the provisions of the Credit Agreement. As of June 30, 2014, the Issuer selected the one-month LIBOR interest rate option, as detailed in the table below, and the amounts outstanding, and rates effective as of June 30, 2014 were based on Delphi's current credit rating and the Applicable Rate for the Credit Agreement:

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	LIBOR plus		Borrowings as of June 30, 2014 (in millions)	Rates effective as of June 30, 2014	
Revolving Credit Facility	1.25	%	\$—	—	%
Tranche A Term Loan	1.25	%	400	1.4375	%

The Issuer was obligated to make quarterly principal payments throughout the term of the Tranche A Term Loan according to the amortization schedule in the Credit Agreement. In conjunction with the partial repayment of the Tranche A Term Loan during the six months ended June 30, 2014, all principal payment obligations have been satisfied through March 1, 2018. Borrowings under the Credit Agreement are prepayable at the Issuer's option without premium or penalty. The Credit Agreement also contains certain mandatory prepayment provisions in the event the Company receives net cash proceeds from any asset sale or casualty event. No mandatory prepayments under these provisions have been made or are due through June 30, 2014.

The Credit Agreement contains certain covenants that limit, among other things, the Company's (and the Company's subsidiaries') ability to incur additional indebtedness or liens, to dispose of assets, to make certain investments, to prepay certain indebtedness and to pay dividends, or to make other distributions or redemptions/repurchases, in respect of the Company's equity interests. In addition, the Credit Agreement requires that the Company maintain a consolidated leverage ratio (the ratio of Consolidated Total Indebtedness to Consolidated EBITDA, each as defined in the Credit Agreement) of less than 2.75 to 1.0. The Credit Agreement also contains events of default customary for financings of this type. The Company was in compliance with the Credit Agreement covenants as of June 30, 2014. In the first quarter of 2014, the Company satisfied credit rating-related conditions to the suspension of many of the restrictive covenants and the mandatory prepayment provisions relating to asset sales and casualty events discussed above. Such covenants and prepayment obligations are required to be reinstated if the applicable credit rating criteria are no longer satisfied.

As of June 30, 2014, all obligations under the Credit Agreement are borrowed by Delphi Corporation and jointly and severally guaranteed by its direct and indirect parent companies, subject to certain exceptions set forth in the Credit Agreement.

Prior to the first quarter of 2014, certain of Delphi Automotive PLC's direct and indirect subsidiaries, which are directly or indirectly 100% owned by Delphi Automotive PLC, fully and unconditionally guaranteed all obligations under the Credit Agreement. In addition, all obligations under the Credit Agreement, including the guaranties of those obligations, were originally secured by certain assets of Delphi Corporation and the guarantors, including substantially all of the assets of Delphi Automotive PLC, and its U.S. subsidiaries, and certain assets of Delphi Corporation's direct and indirect parent companies. All guarantees of Delphi Corporation's subsidiaries and all then-existing security interests were released during the first quarter of 2014 when the Company satisfied certain credit-rating related and other conditions under the terms of the Credit Agreement. Such security interests and subsidiary guarantees may be reinstated at the election of the lenders if the applicable credit rating criteria are no longer satisfied.

Senior Notes

On May 17, 2011, Delphi Corporation issued \$500 million of 5.875% senior unsecured notes due 2019 (the "5.875% Senior Notes") and \$500 million of 6.125% senior unsecured notes due 2021 (the "6.125% Senior Notes") (collectively, the "2011 Senior Notes") in a transaction exempt from registration under Rule 144A and Regulation S of the Securities Act of 1933 (the "Securities Act"). Delphi paid approximately \$23 million of debt issuance costs in connection with the 2011 Senior Notes. The net proceeds of approximately \$1 billion as well as cash on hand were used to pay down amounts outstanding under the Original Credit Agreement. In May 2012, Delphi Corporation completed a registered exchange offer for all of the 2011 Senior Notes. No proceeds were received by Delphi Corporation as a result of the exchange. In March 2014, Delphi redeemed for cash the entire \$500 million aggregate principal amount outstanding of the 5.875% Senior Notes. The redemption was financed by a portion of the proceeds received from the issuance of the 2014 Senior Notes, as defined below. As a result of the redemption of the 5.875% Senior Notes, Delphi recognized a loss on debt extinguishment of approximately \$33 million during the six months

ended June 30, 2014.

Interest on the outstanding 2011 Senior Notes is payable semi-annually on May 15 and November 15 of each year to holders of record at the close of business on May 1 or November 1 immediately preceding the interest payment date. On February 14, 2013, Delphi Corporation issued \$800 million of 5.00% senior unsecured notes due 2023 (the “2013 Senior Notes”) in a transaction registered under the Securities Act. The proceeds were primarily utilized to prepay our term loan indebtedness under our 2012 Credit Agreement. Delphi paid approximately \$12 million of issuance costs in connection with the 2013 Senior Notes. Interest is payable semi-annually on February 15 and August 15 of each year to holders of record at the close of business on February 1 or August 1 immediately preceding the interest payment date.

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On March 3, 2014, Delphi Corporation issued \$700 million in aggregate principal amount of 4.15% senior unsecured notes due 2024 (the “2014 Senior Notes”) in a transaction registered under the Securities Act. The 2014 Senior Notes were priced at 99.649% of par, resulting in a yield to maturity of 4.193%. The proceeds were primarily utilized to redeem the 5.875% Senior Notes and to repay a portion of the Tranche A Term Loan. Delphi paid approximately \$6 million of issuance costs in connection with the 2014 Senior Notes. Interest is payable semi-annually on March 15 and September 15 of each year to holders of record at the close of business on March 1 or September 1 immediately preceding the interest payment date.

Although the specific terms of each indenture governing each series of senior notes vary, the indentures contain certain restrictive covenants, including with respect to Delphi's (and Delphi's subsidiaries) ability to incur liens, enter into sale and leaseback transactions and merge with or into other entities. As of June 30, 2014, the Company was in compliance with the provisions of all series of the outstanding senior notes.

All series of senior notes are fully and unconditionally guaranteed, jointly and severally, by Delphi Automotive PLC and by certain of Delphi Corporation's direct and indirect parent companies, subject to customary release provisions (other than in the case of Delphi Automotive PLC). Prior to the first quarter of 2014, certain of Delphi Corporation's direct and indirect subsidiaries, which were directly or indirectly 100% owned by Delphi Automotive PLC, fully and unconditionally guaranteed all series of senior notes then outstanding; however, all Delphi Corporation subsidiary guarantees were released during the first quarter of 2014 because such guarantors no longer guaranteed the Credit Agreement.

Other Financing

Accounts receivable factoring—Various accounts receivable factoring facilities are maintained in Europe and are accounted for as short-term debt. These uncommitted factoring facilities are available through various financial institutions. Additionally, in 2013 Delphi entered into a new accounts receivable factoring agreement in Europe to replace and consolidate its European factoring facilities. The new agreement is a €350 million committed facility, with borrowings under the new program being subject to the availability of eligible accounts receivable. As of June 30, 2014 and December 31, 2013, \$1 million and \$1 million, respectively, were outstanding under these European accounts receivable factoring facilities.

Capital leases and other—As of June 30, 2014 and December 31, 2013, approximately \$53 million and approximately \$47 million, respectively, of other debt issued by certain non-U.S. subsidiaries and capital lease obligations were outstanding.

Government programs—Delphi commonly seeks manufacturing development and financial assistance incentive programs that may be awarded by government entities. Delphi has numerous technology and manufacturing development programs that are competitively awarded from agencies of the U.S. Federal Government. These U.S. based programs are from the U.S. Department of Transportation (“DOT”), the U.S. Department of Energy (“DOE”), and the U.S. Department of Defense (“DoD”). We received approximately \$4 million from these Federal agencies during the six months ended June 30, 2014 for work performed. We continue to pursue many technology development programs by bidding on competitively procured programs from DOT, DOE and DoD. Some of these programs were bid with us being the lead or “Prime Contractor”, and some were bid with us as a “Subrecipient” to the Prime Contractor.

Cash Flows

Intra-month cash flow cycles vary by region, but in general we are users of cash through the first half of a typical month and we generate cash during the latter half of a typical month. Due to this cycle of cash flows, we may utilize short-term financing, including our Revolving Credit Facility and European facilities, to manage our intra-month working capital needs. Our cash balance typically peaks at month end.

Cash in the U.S. is primarily managed centrally through a U.S. cash pooling arrangement and cash in Europe is primarily managed centrally through a European cash pooling arrangement. Outside the U.S. and Europe, cash may be managed through a country cash pool, a self-managed cash flow arrangement or a combination of the two depending on our presence in the respective country. As a result of recent financial deregulation in the Shanghai Pilot Free Trade Zone, we have also established a two-way cross-border cash pool which increases our ability to move cash into and out of China.

Operating activities—Net cash provided by operating activities totaled \$763 million and \$672 million for the six months ended June 30, 2014 and 2013, respectively. The \$91 million increase primarily reflects increased earnings, partially offset by increased working capital requirements and higher payments for restructuring programs. Cash flow from operating activities for the six months ended June 30, 2014 consisted primarily of net earnings of \$747 million increased by \$325 million for non-cash charges for depreciation and amortization and extinguishment of debt, partially offset by \$386 million related to changes in operating assets and liabilities, net of restructuring and pension contributions. Cash flow from operating activities for the six months ended June 30, 2013 consisted of primarily of net earnings of \$687 million increased by \$302 million for non-cash charges for depreciation and amortization and extinguishment of debt, partially offset by \$393 million related to changes in operating assets and liabilities, net of restructuring and pension contributions.

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Investing activities—Net cash used in investing activities totaled \$466 million and \$327 million for the six months ended June 30, 2014 and 2013, respectively. The increase is primarily due to the increase in capital expenditures of \$134 million.

Financing activities—Net cash used in financing activities totaled \$519 million and \$440 million for the six months ended June 30, 2014 and 2013, respectively. The increase in net cash used in financing activities during the six months ended June 30, 2014 compared to the six months ended June 30, 2013 is primarily due to the use of an incremental \$118 million of cash on hand in 2014 as compared to 2013 to repurchase ordinary shares and the increase of \$47 million in cash dividends paid on Delphi's ordinary shares. Additionally, the net proceeds of approximately \$691 million received from the issuance of the 2014 Senior Notes were primarily used to redeem the 5.875% Senior Notes and to repay a portion of the Tranche A Term Loan. In the six months ended June 30, 2013, the net proceeds of approximately \$790 million received from the issuance of the 2013 Senior Notes were used in conjunction with the amendment of the 2012 Credit Agreement to pay off in its entirety the \$773 million of the Tranche B Term Loan.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet financial arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contingencies and Environmental Matters

The information concerning contingencies, including environmental contingencies and the amount currently held in reserve for environmental matters, contained in Note 10. Commitments and Contingencies to the unaudited consolidated financial statements included in Part I, Item 1 of this report is incorporated herein by reference.

Recently Issued Accounting Pronouncements

The information concerning recently issued accounting pronouncements contained in Note 2. Significant Accounting Policies, to the unaudited consolidated financial statements included in Part 1, Item 1 of this report is incorporated herein by reference.

Critical Accounting Estimates

There have been no significant changes in our critical accounting estimates during the three and six months ended June 30, 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the information concerning our exposures to market risk as stated in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

ITEM 4. CONTROLS AND PROCEDURES

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934. The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance of achieving their objectives.

As of June 30, 2014, the Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated, for disclosure purposes, the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that the desired control objectives were achieved as of June 30, 2014.

Changes in Internal Control over Financial Reporting

There were no material changes in the Company's internal controls over financial reporting during the six months ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time to time subject to various actions, claims, suits, government investigations, and other proceedings incidental to our business, including those arising out of alleged defects, breach of contracts, competition and antitrust matters, product warranties, intellectual property matters, personal injury claims and employment-related matters. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2013. For a description of our outstanding material legal proceedings, see Note 10. Commitments and Contingencies to the unaudited consolidated financial statements included in this report.

ITEM 1A. RISK FACTORS

We are including the following revised risk factor to reflect a material development subsequent to the risk factors presented in our Annual Report on Form 10-K for the year ended December 31, 2013. Except for the following revised risk factor, there have been no material changes in risk factors for the Company in the period covered by this report. The revised risk factor should be read in conjunction with our description of risk factors in Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

If we are unsuccessful in contesting the IRS' s assertion that Delphi Automotive LLP and, as a result, Delphi Automotive PLC, should be treated as domestic corporations for U.S. federal income tax purposes, there could be a material impact on our future tax liability.

On May 19, 2011, Delphi Automotive PLC was formed as a Jersey public limited company, and had nominal assets, no liabilities and had conducted no operations prior to its initial public offering. On November 22, 2011, in conjunction with the completion of its initial public offering by the selling shareholders, all of the outstanding equity of Delphi Automotive LLP was exchanged for ordinary shares in Delphi Automotive PLC. As a result, Delphi Automotive LLP became a wholly-owned subsidiary of Delphi Automotive PLC. Delphi Automotive PLC is a U.K. resident taxpayer and as such is not generally subject to U.K. tax on remitted foreign earnings.

Delphi Automotive LLP, which acquired certain assets in a bankruptcy court approved transaction (the "Bankruptcy Plan") on October 6, 2009 (the "Acquisition Date"), was established on August 19, 2009 as a limited liability partnership incorporated under the laws of England and Wales. At the time of its formation, Delphi Automotive LLP elected to be treated as a partnership for U.S. federal income tax purposes. On June 24, 2014, the Internal Revenue Service (the "IRS") issued us a Notice of Proposed Adjustment (the "NOPA") asserting that it believes Section 7874(b) of the Internal Revenue Code applies to Delphi Automotive LLP and that it should be treated as a domestic corporation for U.S. federal income tax purposes, retroactive to the Acquisition Date. If Delphi Automotive LLP is treated as a domestic corporation for U.S. federal income tax purposes, the Company expects that, although Delphi Automotive PLC is incorporated under the laws of Jersey and a tax resident in the U.K., it would also be treated as a domestic corporation for U.S. federal income tax purposes.

Delphi Automotive LLP filed U.S. federal partnership tax returns for 2009, 2010, and 2011. The IRS' s NOPA asserts that Section 7874(b) applies to Delphi Automotive LLP' s acquisition of certain assets pursuant to the Bankruptcy Plan, and consequently, Delphi Automotive LLP should be treated as a domestic corporation for U.S. federal income tax purposes. Notwithstanding the issuance of the NOPA, we continue to believe, after consultation with counsel, that neither Delphi Automotive LLP nor Delphi Automotive PLC should be treated as a domestic corporation for U.S. federal income tax purposes. We intend to vigorously contest the conclusions reached in the NOPA through the IRS' s administrative appeals process, and, if we are unable to reach a satisfactory resolution with the IRS, through litigation. Accordingly, we will continue to prepare and file our financial statements on the basis that neither Delphi Automotive LLP nor Delphi Automotive PLC is a domestic corporation for U.S. federal income tax purposes. We have not recorded any adjustments with respect to this matter, nor have we recorded any adjustments in connection with receiving the NOPA. However, while we believe that we should prevail, no assurance can be given that we will be able to reach a satisfactory resolution with the IRS or that, if we were to litigate, a court will agree with our position. Further, the ultimate resolution of this issue could take significant time and resources.

If these entities are treated as domestic corporations for U.S. federal income tax purposes, the Company will be subject to U.S. federal income tax on its worldwide taxable income, including distributions, as well as deemed income inclusions from some of its non-U.S. subsidiaries. This could have a material adverse impact on our income tax liability in the future. As a U.S. company, any dividends we pay to non-U.S. shareholders could also be subject to U.S. federal income tax withholding at a rate of 30% (unless reduced or eliminated by an income tax treaty), and it is possible that tax may be withheld on such dividends in certain circumstances even before a final determination has been made with respect to the Company's U.S. income tax status. In addition, we could be liable for the failure by Delphi Automotive LLP to withhold U.S. federal income taxes on distributions to its non-U.S. members for periods beginning on or after the Acquisition Date. If we are unsuccessful in contesting the IRS's assertion, we would not expect a material cumulative impact to our current financial statements. However, we expect any unfavorable final outcome to adversely impact our future tax position by increasing our effective tax rate.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

A summary of our ordinary shares repurchased during the three months ended June 30, 2014, is shown below:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (in millions) (3)
April 1, 2014 to April 30, 2014	1,294,600	\$66.44	1,294,600	\$947
May 1, 2014 to May 31, 2014	700,400	67.51	700,400	900
June 1, 2014 to June 30, 2014	1,272,998	68.40	1,272,998	813
Total	3,267,998	67.43	3,267,998	

The total number of shares purchased under the Board authorized plans are described below. The number of

(1) shares purchased excludes the 4,656 shares granted for vested RSUs during the three months ended June 30, 2014 that were withheld to cover minimum withholding taxes.

(2) Excluding commissions.

In January 2014, the Board of Directors authorized a new share repurchase program of up to \$1 billion. This program follows the completion of the previously announced share repurchase programs of \$300 million and

(3) \$750 million, which were approved by the Board of Directors and commenced in January 2012 and September 2012, respectively. The timing of repurchases is dependent on price, market conditions and applicable regulatory requirements.

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ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer*
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document#
101.SCH	XBRL Taxonomy Extension Schema Document#
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document#
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document#
101.LAB	XBRL Taxonomy Extension Label Linkbase Document#
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document#

* Filed herewith.

Filed electronically with the Report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DELPHI AUTOMOTIVE PLC

/s/ Kevin P. Clark

By: Kevin P. Clark

Executive Vice President and

Chief Financial Officer

Dated: July 31, 2014