Delphi Automotive PLC
Form 10-Q
May 03, 2017
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017
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	98-1029562
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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 x. 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 x. No ¨.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x.	Accelerated filer	¨.
Non-accelerated filer	¨. (Do not check if a smaller reporting company)	Smaller reporting company	¨.
		Emerging growth company	¨.

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨.

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

The number of the registrant’s ordinary shares outstanding, $0.01 par value per share as of April 28, 2017, was 267,890,504.

Table of Contents

DELPHI AUTOMOTIVE PLC
INDEX

Table of Contents

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
DELPHI AUTOMOTIVE PLC
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,	
	2017	2016
	(in millions, except per share amounts)	
Net sales	$4,292	$4,051
Operating expenses:		
Cost of sales	3,445	3,262
Selling, general and administrative	288	277
Amortization	33	33
Restructuring (Note 7)	62	35
Total operating expenses	3,828	3,607
Operating income	464	444
Interest expense	(34)	(41)
Other (expense) income, net (Note 16)	(28)	1
Income from continuing operations before income taxes and equity income	402	404
Income tax expense	(61)	(75)
Income from continuing operations before equity income	341	329
Equity income, net of tax	11	6
Income from continuing operations	352	335
Income from discontinued operations, net of tax (Note 21)	—	108
Net income	352	443
Net income attributable to noncontrolling interest	17	18
Net income attributable to Delphi	$335	$425
Amounts attributable to Delphi:		
Income from continuing operations	$335	$320
Income from discontinued operations	—	105
Net income	$335	$425
Basic net income per share:		
Continuing operations	$1.24	$1.16
Discontinued operations	—	0.38
Basic net income per share attributable to Delphi	$1.24	$1.54
Weighted average number of basic shares outstanding	269.20	276.62
Diluted net income per share:		
Continuing operations	$1.24	$1.15
Discontinued operations	—	0.38
Diluted net income per share attributable to Delphi	$1.24	$1.53
Weighted average number of diluted shares outstanding	269.54	277.04
Cash dividends declared per share	$0.29	$0.29

See notes to consolidated financial statements.

Table of Contents

DELPHI AUTOMOTIVE PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended March 31,	
	2017	2016
	(in millions)	
Net income	$352	$443
Other comprehensive income:		
Currency translation adjustments	86	37
Net change in unrecognized gain on derivative instruments, net of tax (Note 14)	39	23
Employee benefit plans adjustment, net of tax	4	5
Other comprehensive income	129	65
Comprehensive income	481	508
Comprehensive income attributable to noncontrolling interests	18	19
Comprehensive income attributable to Delphi	$463	$489

See notes to consolidated financial statements.

Table of Contents

DELPHI AUTOMOTIVE PLC
CONSOLIDATED BALANCE SHEETS

	March 31, 2017 (Unaudited)	December 31, 2016
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$547	$ 838
Restricted cash	1	1
Accounts receivable, net	3,132	2,938
Inventories (Note 3)	1,375	1,232
Other current assets (Note 4)	432	410
Total current assets	5,487	5,419
Long-term assets:		
Property, net	3,569	3,515
Investments in affiliates	118	101
Intangible assets, net (Note 2)	1,244	1,240
Goodwill (Note 2)	1,557	1,508
Other long-term assets (Note 4)	522	509
Total long-term assets	7,010	6,873
Total assets	$12,497	$ 12,292
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Short-term debt (Note 8)	$8	$ 12
Accounts payable	2,549	2,563
Accrued liabilities (Note 5)	1,535	1,573
Total current liabilities	4,092	4,148
Long-term liabilities:		
Long-term debt (Note 8)	3,991	3,959
Pension benefit obligations	962	955
Other long-term liabilities (Note 5)	503	467
Total long-term liabilities	5,456	5,381
Total liabilities	9,548	9,529
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, 267,867,177 and 269,789,959 issued and outstanding as of March 31, 2017 and December 31, 2016, respectively	3	3
Additional paid-in-capital	1,606	1,633
Retained earnings	2,057	1,980
Accumulated other comprehensive loss (Note 13)	(1,087)	(1,215)
Total Delphi shareholders’ equity	2,579	2,401
Noncontrolling interest	370	362
Total shareholders’ equity	2,949	2,763
Total liabilities and shareholders’ equity	$12,497	$ 12,292

See notes to consolidated financial statements.

Table of Contents

DELPHI AUTOMOTIVE PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31,	
	2017	2016
	(in millions)	
Cash flows from operating activities:		
Net income	$352	$443
Income from discontinued operations, net of tax	—	108
Income from continuing operations	352	335
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	142	129
Amortization	33	33
Amortization of deferred debt issuance costs	2	3
Restructuring expense, net of cash paid	4	5
Deferred income taxes	8	3
Pension and other postretirement benefit expenses	20	15
Income from equity method investments, net of dividends received	(11)	(6)
Loss on sale of assets	—	1
Share-based compensation	17	17
Changes in operating assets and liabilities:		
Accounts receivable, net	(189)	(178)
Inventories	(143)	(105)
Other assets	(47)	(4)
Accounts payable	59	80
Accrued and other long-term liabilities	37	(41)
Other, net	25	—
Pension contributions	(19)	(19)
Net cash provided by operating activities from continuing operations	290	268
Net cash provided by operating activities from discontinued operations	—	—
Net cash provided by operating activities	290	268
Cash flows from investing activities:		
Capital expenditures	(215)	(240)
Proceeds from sale of property / investments	—	1
Net proceeds from divestiture of discontinued operations	—	52
Cost of business acquisitions, net of cash acquired	(40)	(15)
Cost of technology investments	(15)	(3)
Settlement of derivatives	—	(15)
Net cash used in investing activities from continuing operations	(270)	(220)
Net cash used in investing activities from discontinued operations	—	(4)
Net cash used in investing activities	(270)	(224)
Cash flows from financing activities:		
Net (repayments) proceeds under short-term debt agreements	(4)	321
Contingent consideration and deferred acquisition purchase price payments	(20)	—
Dividend payments of consolidated affiliates to minority shareholders	(10)	(12)
Repurchase of ordinary shares	(194)	(358)

Distribution of cash dividends	(78)	(80)
Taxes withheld and paid on employees' restricted share awards	(26)	(37)
Net cash used in financing activities	(332)	(166)
Effect of exchange rate fluctuations on cash and cash equivalents	21	6
Decrease in cash and cash equivalents	(291)	(116)
Cash and cash equivalents at beginning of the period	838	579
Cash and cash equivalents at end of the period	$547	$463

See notes to consolidated financial statements.

Table of Contents

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

	Ordinary Shares							
	Number of Shares	Amount	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, 2017	270	$ 3	$ 1,633	$ 1,980	$ (1,215)	$ 2,401	$ 362	$ 2,763
Net income	—	—	—	335	—	335	17	352
Other comprehensive income	—	—	—	—	128	128	1	129
Dividends on ordinary shares	—	—	1	(79)	—	(78)	—	(78)
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	—	—	—	(10)	(10)
Taxes withheld on employees' restricted share award vestings	—	—	(31)	—	—	(31)	—	(31)
Repurchase of ordinary shares	(3)	—	(14)	(179)	—	(193)	—	(193)
Share-based compensation	1	—	17	—	—	17	—	17
Balance at March 31, 2017	268	$ 3	$ 1,606	$ 2,057	$ (1,087)	$ 2,579	$ 370	$ 2,949

See notes to consolidated financial statements.

7

DELPHI AUTOMOTIVE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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 consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All adjustments, consisting of only normal recurring items, which are necessary for a fair presentation, have been included. The consolidated financial statements and notes thereto included in this report should be read in conjunction with Delphi's 2016 Annual Report on Form 10-K.
Nature of operations—Delphi is a leading global technology company serving the automotive sector. Delphi designs and manufactures vehicle components and provides electrical and electronic, powertrain and safety 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 long term 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. When Delphi does not have the ability to exercise significant influence (generally when ownership interest is less than 20%), investments in non-consolidated affiliates are accounted for using the cost method. All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated. The Company monitors its investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If the Company determines that such a decline has occurred, an impairment loss is recorded, which is measured as the difference between carrying value and estimated fair value. Estimated fair value is generally determined using an income approach based on discounted cash flows or negotiated transaction values.
Investments in affiliates accounted for under the cost method totaled $41 million and $26 million as of March 31, 2017 and December 31, 2016, respectively, and are classified within other long-term assets in the consolidated balance sheet.
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, contingent consideration arrangements, 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. 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.

Accounts receivable—Delphi enters into agreements to sell certain of its accounts receivable, primarily in North America and Europe. Sales of receivables are accounted for in accordance with FASB Topic ASC 860, Transfers and Servicing ("ASC 860"). Agreements which result in true sales of the transferred receivables, as defined in ASC 860, which occur when receivables are transferred without recourse to the Company, are excluded from amounts reported in the consolidated balance sheets. Cash proceeds received from such sales are included in operating cash flows. Agreements that allow Delphi to maintain effective control over the transferred receivables and which do not qualify as a sale, as defined in ASC 860, are accounted for as secured borrowings and recorded in the consolidated balance sheets within accounts receivable, net and short-term debt. The expenses associated with receivables factoring are recorded in the consolidated statements of operations within interest expense.

Intangible assets—Intangible assets were $1,244 million and $1,240 million as of March 31, 2017 and December 31, 2016, 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 and trade names. Indefinite-lived in-process research and development intangible assets are not amortized, but are tested for impairment annually, or more frequently when indicators of potential impairment exist, until the completion or abandonment of the associated research and development efforts. The Company also has intangible assets related to acquired trade names that are classified as indefinite-lived when there are no foreseeable limits on the periods of time over which they are expected to contribute cash flows. These indefinite-lived trade name assets are tested 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 $33 million and $33 million for the three months ended March 31, 2017 and 2016, respectively.

Goodwill—Goodwill is the excess of the purchase price over the estimated fair value of identifiable net assets acquired in business combinations. The Company tests goodwill for impairment annually in the fourth quarter, or more frequently when indications of potential impairment exist. The Company 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.

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 estimated 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 estimated fair value exceeds carrying value, then we conclude that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its estimated 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 during the three months ended March 31, 2017. Goodwill was $1,557 million and $1,508 million as of March 31, 2017 and December 31, 2016, respectively.

Warranty and product recalls—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. Costs of product recalls, which may include the cost of the product being replaced as well as the customer’s cost of the recall, including labor to remove and replace the recalled part, are accrued as part of our warranty accrual at the time an obligation becomes probable and can be reasonably estimated. These estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims. Refer to Note 6. Warranty Obligations for additional information.

Discontinued operations—The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs only when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major effect on the Company's operations and financial results. During the year ended December 31, 2015, Delphi completed the divestitures of the Company's wholly owned Thermal Systems business and the Company's interest in its KDAC joint venture. During the three months ended March 31, 2016, Delphi completed the divestiture of its interest in its Shanghai Delphi Automotive Air Conditioning ("SDAAC") joint venture. Delphi's interests in the KDAC and SDAAC joint ventures were previously reported within the Thermal Systems segment. Accordingly, the assets and liabilities, operating results and operating and investing cash flows for the previously reported Thermal Systems segment are presented as discontinued operations separate from the Company’s continuing operations and segment results for all periods presented in these consolidated financial statements and the notes to the consolidated financial statements, unless otherwise noted. Refer to Note 21. Discontinued Operations for further information regarding the Company's discontinued operations.

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 deferred tax assets to the amount that is more likely than not to be realized. In the event the Company determines it is more likely than not that the deferred tax assets will not be realized in the future, the valuation allowance adjustment to the deferred

Table of Contents

tax assets will be charged to earnings in the period in which the Company makes 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 for additional information.

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 when 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 for additional information.

Customer concentrations—As reflected in the table below, combined net sales from continuing operations to General Motors Company ("GM") and Volkswagen Group ("VW"), Delphi's two largest customers, totaled approximately 22% and 21% of our total net sales for the three months ended March 31, 2017, and 2016 respectively.

	Percentage of Total Net Sales Three Months Ended March 31,		Accounts and Other Receivables	
	2017	2016	March 31, 2017	December 31, 2016
			(in millions)	
GM	14 %	13 %	$ 396	$ 370
VW	8 %	8 %	186	150

Retrospective changes—Prior period information has been reclassified as a result of the Company's adoption of Accounting Standards Update ("ASU") 2017-07, as defined and further described below, on a retrospective basis in 2017. In accordance with the adoption of this guidance, prior year amounts related to the components of net periodic pension and postretirement benefit cost other than service costs have been reclassified from cost of goods sold and selling, general and administrative expense to other expense within the consolidated statement of operations for all periods presented.

Recently adopted accounting pronouncements—Delphi adopted ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, in the first quarter of 2017 on a prospective basis. This guidance requires an entity to measure inventory at the lower of cost and net realizable value, rather than at the lower of cost or market. The adoption of this guidance did not have a significant impact on Delphi's financial statements.

Delphi adopted ASU 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships and ASU 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments in the first quarter of 2017 on a prospective basis. ASU 2016-05 clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. ASU 2016-06 also clarifies the steps required to determine bifurcation of an embedded derivative. The adoption of this guidance did not have a significant impact on Delphi's financial statements.

Delphi adopted ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09") in the first quarter of 2017. This guidance contains multiple updates related to the accounting and financial statement presentation of share-based payment transactions. The provisions of ASU 2016-09 related to the timing of when excess tax benefits are recognized were adopted using a modified retrospective transition method by means of an immaterial cumulative-effect adjustment to equity as of January 1, 2017. On a prospective basis, excess tax benefits are recognized within income tax expense in the period in which the awards vest, as opposed to being recognized in additional paid-in capital when the deduction reduced taxes payable. Such excess tax benefits are classified as an operating activity within the consolidated statement of cash flows prospectively, as opposed to a financing activity. There was no change to the Company's historical presentation of minimum statutory withholdings as a financing activity within the consolidated statement of cash flows. The Company’s share-based compensation expense continues to reflect estimated forfeitures. The adoption of ASU 2016-09 did not materially impact the Company’s financial position, results of operations, equity or cash flows.

Table of Contents

Delphi adopted ASU 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU 2017-07") in the first quarter of 2017. ASU 2017-07 changes the presentation of net periodic pension and postretirement benefit cost in the income statement. Under the new guidance, employers present the service cost component of the net periodic benefit cost in the same income statement line items as other employee compensation costs for services rendered during the period. In addition, only the service cost component is eligible for capitalization as an asset. Employers present the other components of net periodic benefit cost separately from the income statement line items that include the service cost component, outside of operating income. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of an annual period. The new guidance related to the presentation of the components of net periodic benefit cost within the income statement is to be applied retrospectively. The new guidance limiting the capitalization of net periodic benefit cost in assets to the service cost component will be applied prospectively. As permitted, the Company elected to early adopt this guidance effective January 1, 2017, and has classified the components of net periodic pension and postretirement benefit cost other than service costs from cost of goods sold and selling, general and administrative expense to other expense within the consolidated statement of operations for all periods presented. The adoption of this guidance resulted in the reclassification of $3 million of net periodic benefit cost components other than service cost from operating expense to other expense for the three months ended March 31, 2016, and had no impact on net income attributable to Delphi. Approximately $7 million of net periodic benefit cost components other than service cost are included within other expense for the three months ended March 31, 2017. Refer to Note. 9. Pension Benefits for further detail of the components of net periodic benefit costs.

Recently issued accounting pronouncements not yet adopted—In May 2014, the Financial Accounting Standards Board ("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 FASB has subsequently issued additional ASUs to clarify certain elements of the new revenue recognition guidance. The guidance is effective for fiscal years beginning after December 15, 2017 and is to be applied retrospectively using one of two transition methods at the entity's election. The full retrospective method requires companies to recast each prior reporting period presented as if the new guidance had always existed. Under the modified retrospective method, companies would recognize the cumulative effect of initially applying the standard as an adjustment to opening retained earnings at the date of initial application.

The Company has continued to monitor FASB activity related to the new standard, and has worked with various non-authoritative industry groups to assess certain interpretative issues and the associated implementation of the new standard. The Company has drafted its accounting policy for the new standard based on a detailed review of its business and contracts. Delphi currently anticipates the most significant potential impact of the implementation of the new standard relates to the Company's accounting for guaranteed reimbursements of certain pre-production engineering, development and tooling costs related to products manufactured for our customers under long-term supply agreements. Under the current applicable guidance, such reimbursements from customers are recorded as cost offsets; whereas under the new standard such guaranteed recoveries may be recognized as revenues, as the reimbursements specified in the customer contracts may represent consideration from contracts with customers under the new standard. There continues to be on-going dialogue between industry groups and standard setters regarding the treatment of these reimbursements under the new standard. While the Company continues to assess all potential impacts of the new standard, we do not currently expect that the adoption of the new revenue standard will have a material impact on our revenues, results of operations or financial position. The Company plans to adopt the new revenue standard effective January 1, 2018. The Company has not yet selected a transition method and continues to evaluate the effect of the standard on our ongoing financial reporting and implementation approach.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This guidance makes targeted improvements to existing U.S. GAAP for financial instruments, including requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income as opposed to other comprehensive income; requiring entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset; and requiring entities to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option. The new guidance is effective for public companies for fiscal years beginning after

December 15, 2017 by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. Early adoption of the own credit provision is permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements; however, based on the nature of financial instruments held by Delphi as of March 31, 2017, the Company does not currently expect that the adoption of ASU 2016-01 will have a material impact on its financial position, results of operations or cash flows. The Company will continue to evaluate any changes in its investments or market conditions, and the related potential impacts of the adoption of ASU 2016-01.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under this guidance, lessees will be required to recognize on the balance sheet a lease liability and a right-of-use asset for all leases, with the exception of short-term leases. The lease liability represents the lessee's obligation to make lease payments arising from a lease, and will be measured as the present value of the lease payments. The right-of-use asset represents the lessee’s right to use a specified asset for the lease term, and will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee’s initial direct costs. The standard also requires a lessee to recognize a single lease cost allocated over the lease term, generally on a straight-line basis. The new guidance is effective for fiscal years beginning after December 15, 2018. ASU 2016-02 is required to be applied using the modified retrospective approach for all leases existing as of the effective date and provides for certain practical expedients. Early adoption is permitted. The Company is currently evaluating the effects that the adoption of ASU 2016-02 will have on the Company’s consolidated financial statements, and anticipates the new guidance will significantly impact its consolidated financial statements as the Company has a significant number of leases.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This guidance requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. This guidance also requires enhanced disclosures regarding significant estimates and judgments used in estimating credit losses. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In September 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This guidance clarifies the presentation requirements of eight specific issues within the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on Delphi's financial statements, as Delphi's treatment of the relevant affected items within its consolidated statement of cash flows is consistent with the requirements of this guidance.

In October 2016, the FASB issued ASU No. 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. This guidance requires that the tax effects of all intra-entity sales of assets other than inventory be recognized in the period in which the transaction occurs. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption as of the beginning of an annual reporting period is permitted. The guidance is to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. As a result, restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, and the new guidance is to be applied retrospectively. The adoption of this guidance is not expected to have a significant impact on Delphi's financial statements, other than the classification of restricted cash within the beginning-of-period and end-of-period totals on the consolidated statement of cash flows, as opposed to being excluded from these totals.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance simplifies how an entity is required to test goodwill for impairment by eliminating step two from the goodwill impairment test, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount. Under the new guidance, if a reporting unit’s carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The standard will be applied prospectively and is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its financial statements, but does not anticipate a material impact. As this standard is prospective in nature, the impact to Delphi's financial statements of not performing a step two in order to measure the amount of any potential goodwill impairment will depend on various factors associated with the Company's assessment of goodwill for impairment in those future periods.

Table of Contents

3. INVENTORIES

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

	March 31, 2017	December 31, 2016
	(in millions)	
Productive material	$739	$ 649
Work-in-process	118	113
Finished goods	518	470
Total	$1,375	$ 1,232

4. ASSETS

Other current assets consisted of the following:

	March 31, 2017	December 31, 2016
	(in millions)	
Value added tax receivable	$ 196	$ 192
Prepaid insurance and other expenses	69	66
Reimbursable engineering costs	57	63
Notes receivable	27	43
Income and other taxes receivable	55	26
Deposits to vendors	9	8
Derivative financial instruments (Note 14)	19	11
Other	—	1
Total	$ 432	$ 410

Other long-term assets consisted of the following:

	March 31, 2017	December 31, 2016
	(in millions)	
Deferred income taxes, net	$256	$ 283
Unamortized Revolving Credit Facility debt issuance costs (Note 8)	9	10
Income and other taxes receivable	62	56
Reimbursable engineering costs	34	26

Value added tax receivable	35	33
Cost method investments	41	26
Derivative financial instruments (Note 14)	13	8
Other	72	67
Total	$522	$ 509

13

Table of Contents

5. LIABILITIES

Accrued liabilities consisted of the following:

	March 31, 2017	December 31, 2016
	(in millions)	
Payroll-related obligations	$246	$ 233
Employee benefits, including current pension obligations	54	106
Reserve for Unsecured Creditors litigation (Note 10)	327	300
Income and other taxes payable	190	188
Warranty obligations (Note 6)	136	102
Restructuring (Note 7)	129	153
Customer deposits	36	30
Derivative financial instruments (Note 14)	15	45
Accrued interest	27	40
Other	375	376
Total	$1,535	$ 1,573

Other long-term liabilities consisted of the following:

	March 31, 2017	December 31, 2016
	(in millions)	
Environmental (Note 10)	$6	$ 5
Extended disability benefits	8	8
Warranty obligations (Note 6)	55	59
Restructuring (Note 7)	76	45
Payroll-related obligations	9	9
Accrued income taxes	136	125
Deferred income taxes, net	162	158
Derivative financial instruments (Note 14)	1	11
Other	50	47
Total	$503	$ 467

6. WARRANTY OBLIGATIONS

Expected warranty costs for products sold are recognized principally 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. The estimated costs related to product recalls based on a formal campaign soliciting return of that product are accrued at the time an obligation becomes probable and can be reasonably estimated. These estimates are 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, including product recall costs, across all of its operating segments as of March 31, 2017. The Company estimates the reasonably possible amount to ultimately resolve all matters in excess of the recorded reserves as of March 31, 2017 to be zero to $30 million.

Table of Contents

The table below summarizes the activity in the product warranty liability for the three months ended March 31, 2017:

	Warranty Obligations
	(in millions)
Accrual balance at beginning of period	$ 161
Provision for estimated warranties incurred during the period	28
Changes in estimate for pre-existing warranties	49
Settlements made during the period (in cash or in kind)	(49)
Foreign currency translation and other	2
Accrual balance at end of period	$ 191

In September 2016, one of the Company's OEM customers initiated a recall to enhance airbag deployment systems in certain vehicles. Delphi's Electronics and Safety segment had supplied sensors and related control modules for the airbags in the affected vehicles. During the three months ended March 31, 2017, Delphi reached an agreement with its customer related to this matter. In addition to the Company's previously recorded reserve estimate, Delphi recognized an incremental $43 million of warranty expense within cost of sales during the three months ended March 31, 2017 related to this matter.

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 they relate 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. These programs are primarily focused on the continued rotation of our manufacturing footprint to low cost locations in Europe and on reducing global overhead costs. The Company recorded employee-related and other restructuring charges related to these programs totaling approximately $62 million and $35 million during the three months ended March 31, 2017 and 2016, respectively.

The charges recorded during the three months ended March 31, 2017 included the recognition of approximately $36 million of employee-related and other costs related to the initiation of a program to close a Western European Electronics and Safety manufacturing site, pursuant to the Company's on-going European footprint rotation strategy. Cash payments for this restructuring action are expected to be principally completed by 2019.

Restructuring expenses incurred in the three months ended March 31, 2016 were primarily related to on-going restructuring programs, which included workforce reductions as well as plant closures, that were focused on the rotation of our manufacturing footprint to low cost locations in Europe, as well as aligning manufacturing capacity with the automotive production levels in South America.

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 $58 million and $30 million in the three months ended March 31, 2017 and 2016, respectively.

The following table summarizes the restructuring charges recorded for the three months ended March 31, 2017 and 2016 by operating segment:

	Three Months Ended March 31,	
	2017	2016

	(in millions)	
Electrical/Electronic Architecture	$ 13	$ 18
Powertrain Systems	10	9
Electronics and Safety	39	8
Total	$ 62	$ 35

15

Table of Contents

The table below summarizes the activity in the restructuring liability for the three months ended March 31, 2017:

	Employee Termination Benefits Liability	Other Exit Costs Liability	Total
	(in millions)		
Accrual balance at January 1, 2017	$193	$ 5	$198
Provision for estimated expenses incurred during the period	62	—	62
Payments made during the period	(56)	(2)	(58)
Foreign currency and other	4	(1)	3
Accrual balance at March 31, 2017	$203	$ 2	$205

8. DEBT

The following is a summary of debt outstanding, net of unamortized issuance costs and discounts, as of March 31, 2017 and December 31, 2016, respectively:

	March 31, 2017	December 31, 2016
	(in millions)	
3.15%, senior notes, due 2020 (net of $3 and $3 unamortized issuance costs and $1 and $1 discount, respectively)	$646	$ 646
4.15%, senior notes, due 2024 (net of $4 and $4 unamortized issuance costs and $2 and $2 discount, respectively)	694	694
1.50%, Euro-denominated senior notes, due 2025 (net of $4 and $4 unamortized issuance costs and $3 and $3 discount, respectively)	747	729
4.25%, senior notes, due 2026 (net of $4 and $4 unamortized issuance costs, respectively)	646	646
1.60%, Euro-denominated senior notes, due 2028 (net of $4 and $4 unamortized issuance costs and $0 and $1 discount, respectively)	534	521
4.40%, senior notes, due 2046 (net of $3 and $3 unamortized issuance costs and $2 and $2 discount, respectively)	295	295
Tranche A Term Loan, due 2021 (net of $2 and $2 unamortized issuance costs, respectively)	398	398
Capital leases and other	39	42
Total debt	3,999	3,971
Less: current portion	(8)	(12)
Long-term debt	$3,991	$ 3,959

Credit Agreement

Delphi Automotive PLC and its wholly-owned subsidiary Delphi Corporation entered into a credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent (the "Administrative Agent"), under which it maintains senior secured credit facilities currently consisting of a term loan (the “Tranche A Term Loan”) and a revolving credit facility of $2.0 billion (the “Revolving Credit Facility”). The Credit Agreement was entered into in March 2011 and has been subsequently amended and restated on several occasions, most recently on August 17, 2016. The 2016 amendment extended the maturity of the Revolving Credit Facility and the Tranche A Term Loan from 2018 to 2021, increased the capacity of the Revolving Credit Facility from $1.5 billion to $2.0 billion and permitted Delphi Automotive PLC to act as a borrower on the Revolving Credit Facility. A loss on debt extinguishment of $3 million was recorded within other income (expense), net in the consolidated statement of operations during the third quarter of 2016 in conjunction with the 2016 amendment.

The Tranche A Term Loan and the Revolving Credit Facility mature on August 17, 2021. Delphi is obligated to make quarterly principal payments, beginning December 31, 2017, throughout the term of the Tranche A Term Loan according to the amortization schedule in the Credit Agreement. The Credit Agreement also contains an accordion feature that permits Delphi to increase, from time to time, the aggregate borrowing capacity under the Credit Agreement by up to an additional $1 billion (or a greater amount based upon a formula set forth in the Credit Agreement) upon Delphi's request, the agreement of the lenders participating in the increase, and the approval of the Administrative Agent and existing lenders.

Table of Contents

As of March 31, 2017, there were no amounts drawn on the Revolving Credit Facility and approximately $7 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'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:

	March 31, 2017		December 31, 2016	
	LIBOR plus	ABR plus	LIBOR plus	ABR plus
Revolving Credit Facility	1.10%	0.10%	1.10%	0.10%
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 the Company's credit ratings. Accordingly, the interest rate will fluctuate during the term of the Credit Agreement based on changes in the ABR, LIBOR or future changes in the Company's corporate credit ratings. The Credit Agreement also requires that Delphi pay certain facility fees on 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 Delphi in accordance with the terms of the Credit Agreement (or other period as may be agreed by the applicable lenders). Delphi may elect to change the selected interest rate option in accordance with the provisions of the Credit Agreement. As of March 31, 2017, Delphi selected the one-month LIBOR interest rate option on the Tranche A Term Loan, and the rate effective as of March 31, 2017, as detailed in the table below, was based on the Company's current credit rating and the Applicable Rate for the Credit Agreement:

	Applicable Rate	Borrowings as of March 31, 2017 (in millions)	Rate effective as of March 31, 2017
Tranche A Term Loan	LIBOR plus 1.25%	$ 400	2.25 %

Borrowings under the Credit Agreement are prepayable at Delphi's option without premium or penalty.

The Credit Agreement contains certain covenants that limit, among other things, the Company's (and the Company's subsidiaries') ability to incur certain additional indebtedness or liens or to dispose of substantially all of its assets. 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 3.50 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 March 31, 2017.

As of March 31, 2017, all obligations under the Credit Agreement were 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. Refer to Note 19. Supplemental Guarantor and Non-Guarantor Condensed Consolidating Financial Statements for additional information.

Senior Unsecured Notes

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 Rule 144A and Regulation S of the Securities Act of 1933 (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 was 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. In September 2016, Delphi redeemed for cash the entire $800 million aggregate principal amount outstanding of the 2013 Senior Notes, primarily financed by the proceeds from the issuance of the 2016 Euro-denominated Senior Notes and the 2016 Senior Notes, each as defined below. As a result of the redemption of the 2013 Senior Notes, Delphi recognized a loss on debt extinguishment of approximately $70 million during the third quarter of 2016 within other income (expense), net in the consolidated statement of operations.

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 $500 million of 5.875% senior unsecured notes due 2019 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.

On March 10, 2015, Delphi Automotive PLC issued €700 million in aggregate principal amount of 1.50% Euro-denominated senior unsecured notes due 2025 (the “2015 Euro-denominated Senior Notes”) in a transaction registered under the Securities Act. The 2015 Euro-denominated Senior Notes were priced at 99.54% of par, resulting in a yield to maturity of 1.55%. The proceeds were primarily utilized to redeem $500 million of 6.125% senior unsecured notes due 2021, and to fund growth initiatives, such as acquisitions, and share repurchases. Delphi incurred approximately $5 million of issuance costs in connection with the 2015 Euro-denominated Senior Notes. Interest is payable annually on March 10. The Company has designated the 2015 Euro-denominated Senior Notes as a net investment hedge of the foreign currency exposure of its investments in certain Euro-denominated wholly-owned subsidiaries. Refer to Note. 14. Derivatives and Hedging Activities for further information.

On November 19, 2015, Delphi Automotive PLC issued $1.3 billion in aggregate principal amount of senior unsecured notes in a transaction registered under the Securities Act, comprised of $650 million of 3.15% senior unsecured notes due 2020 (the "3.15% Senior Notes") and $650 million of 4.25% senior unsecured notes due 2026 (the "4.25% Senior Notes") (collectively, the "2015 Senior Notes"). The 3.15% Senior Notes were priced at 99.784% of par, resulting in a yield to maturity of 3.197%, and the 4.25% Senior Notes were priced at 99.942% of par, resulting in a yield to maturity of 4.256%. The proceeds were primarily utilized to fund a portion of the cash consideration for the acquisition of HellermannTyton, as further described in Note. 17. Acquisitions and Divestitures, and for general corporate purposes, including the payment of fees and expenses associated with the HellermannTyton acquisition and the related financing transaction. Delphi incurred approximately $8 million of issuance costs in connection with the 2015 Senior Notes. Interest on the 3.15% Senior Notes is payable semi-annually on May 19 and November 19 of each year to holders of record at the close of business on May 4 or November 4 immediately preceding the interest payment date. Interest on the 4.25% Senior Notes is payable semi-annually on January 15 and July 15 of each year to holders of record at the close of business on January 1 or July 1 immediately preceding the interest payment date.

On September 15, 2016, Delphi Automotive PLC issued €500 million in aggregate principal amount of 1.60% Euro-denominated senior unsecured notes due 2028 (the “2016 Euro-denominated Senior Notes”) in a transaction registered under the Securities Act. The 2016 Euro-denominated Senior Notes were priced at 99.881% of par, resulting in a yield to maturity of 1.611%. The proceeds, together with proceeds from the 2016 Senior Notes described below, were utilized to redeem the 2013 Senior Notes. Delphi incurred approximately $4 million of issuance costs in connection with the 2016 Euro-denominated Senior Notes. Interest is payable annually on September 15. The Company has designated the 2016 Euro-denominated Senior Notes as a net investment hedge of the foreign currency exposure of its investments in certain Euro-denominated wholly-owned subsidiaries. Refer to Note. 14. Derivatives and Hedging Activities for further information.

On September 20, 2016, Delphi Automotive PLC issued $300 million in aggregate principal amount of 4.40% senior unsecured notes due 2046 (the “2016 Senior Notes”) in a transaction registered under the Securities Act. The 2016 Senior Notes were priced at 99.454% of par, resulting in a yield to maturity of 4.433%. The proceeds, together with proceeds from the 2016 Euro-denominated Senior Notes, were utilized to redeem the 2013 Senior Notes. Delphi incurred approximately $3 million of issuance costs in connection with the 2016 Senior Notes. Interest is payable semi-annually on April 1 and October 1 of each year to holders of record at the close of business on March 15 or September 15 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 March 31, 2017, the Company was in compliance with the provisions of all series of the outstanding senior notes.

The 2013 Senior Notes and the 2014 Senior Notes were issued by Delphi Corporation. The 2014 Senior Notes are, and prior to their redemption, the 2013 Senior Notes were, fully and unconditionally guaranteed, jointly and severally, by Delphi Automotive PLC and by certain of Delphi Automotive PLC's direct and indirect subsidiaries which are directly or indirectly 100% owned by Delphi Automotive PLC, subject to customary release provisions (other than in the case of Delphi Automotive PLC). The 2015 Euro-denominated Senior Notes, 2015 Senior Notes, 2016 Euro-denominated Senior Notes and 2016 Senior Notes issued by Delphi Automotive PLC are fully and unconditionally guaranteed, jointly and severally, by certain of Delphi Automotive PLC's direct and indirect subsidiaries (including Delphi Corporation), which are directly or indirectly 100% owned by Delphi Automotive PLC, subject to customary release provisions. Refer to Note 19. Supplemental Guarantor and Non-Guarantor Condensed Consolidating Financial Statements for additional information.

Table of Contents

Other Financing

Receivable factoring—Delphi maintains a €400 million European accounts receivable factoring facility, of which €350 million is available on a committed basis. This facility is accounted for as short-term debt and borrowings are subject to the availability of eligible accounts receivable. Collateral is not required related to these trade accounts receivable. This program matures on August 31, 2017, and will automatically renew on a non-committed, indefinite basis unless terminated by either party. Borrowings bear interest at LIBOR plus 1.05% for borrowings denominated in pounds sterling and Euro Interbank Offered Rate ("EURIBOR") plus 0.80% for borrowings denominated in Euros. No amounts were outstanding on the European accounts receivable factoring facility as of March 31, 2017 or December 31, 2016.

The Company has entered into arrangements with various financial institutions to sell eligible trade receivables from certain aftermarket customers in North America. These arrangements can be terminated at any time subject to prior written notice. The receivables under these arrangements are sold without recourse to the Company and are therefore accounted for as true sales. During the three months ended March 31, 2017 and March 31, 2016, $16 million and $32 million of receivables were sold under these arrangements, and expenses of less than $1 million and $1 million, respectively, were recognized within interest expense.

Capital leases and other—As of March 31, 2017 and December 31, 2016, approximately $39 million and $42 million, respectively, of other debt issued by certain non-U.S. subsidiaries and capital lease obligations was outstanding.

Interest—Cash paid for interest related to debt outstanding totaled $45 million and $52 million for the three months ended March 31, 2017 and 2016, 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 over the requisite service period.

Delphi sponsors a Supplemental Executive Retirement Program ("SERP") for those employees who were U.S. executives of the former Delphi Corporation (now known as DPH Holdings Corp. ("DPHH")) prior to September 30, 2008 and were still 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 months ended March 31, 2017 and 2016:

	Non-U.S. Plans		U.S. Plans	
	Three Months Ended March 31,			
	2017	2016	2017	2016
	(in millions)			
Service cost	$12	$12	$ —	$ —
Interest cost	15	17	—	—
Expected return on plan assets	(17)	(18)	—	—
Amortization of actuarial losses	9	4	—	—
Net periodic benefit cost	$19	$15	$ —	$ —

As described in Note 2. Significant Accounting Policies, during the first quarter of 2017, the Company elected to early adopt ASU 2017-07. As a result, service costs are classified as employee compensation costs within cost of sales and selling, general and administrative expense within the consolidated statement of operations. All other components of

net periodic benefit cost are classified within other expense for all periods presented.
Other postretirement benefit obligations were approximately $5 million and $5 million at March 31, 2017 and December 31, 2016, respectively.

Table of Contents

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.

Unsecured Creditors Litigation

Delphi has been subject to ongoing litigation related to general unsecured claims against the former Delphi Corporation, now known as DPHH, resulting from that entity's 2005 bankruptcy filing. The Fourth Amended and Restated Limited Liability Partnership Agreement of Delphi Automotive LLP (the “Fourth LLP Agreement”) was entered into on July 12, 2011 by the members of Delphi Automotive LLP in order to position the Company for its initial public offering. Under the terms of 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 DPHH $32.50 for every $67.50 in excess of $7.2 billion distributed to the members, up to a maximum amount of $300 million. In December 2014, a complaint was filed in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") alleging that the 2011 redemption by Delphi Automotive LLP of the membership interests of GM and the Pension Benefit Guaranty Corporation (the "PBGC") totaling $4.4 billion, and the subsequent repurchase of shares and payment of dividends by Delphi Automotive PLC, constituted distributions under the terms of the Fourth LLP Agreement approximating $7.2 billion, triggering the maximum $300 million distribution to the holders of general unsecured claims.

In May 2016, the Bankruptcy Court initially denied both parties' motions for summary judgment, requiring further submissions to the Bankruptcy Court regarding the parties' intent with respect to the redemptions of the GM and PBGC membership interests. On January 12, 2017, the Bankruptcy Court granted summary judgment in favor of the plaintiffs, ruling that the membership interest redemption payments qualified as distributions, which, along with share repurchases and dividend payments made by Delphi, count toward the $7.2 billion threshold, and thus the $300 million maximum distribution for general unsecured claims has been triggered. In connection with the January 2017 ruling, the Company recorded a reserve of $300 million in the fourth quarter of 2016. The reserve was recorded to other expense in the consolidated statement of operations, and resulted in a corresponding reduction in earnings per diluted share of approximately $1.10 for the year ended December 31, 2016. In March 2017, the Bankruptcy Court issued a ruling on the application of pre-judgment interest owed on the amount of the distribution to be made to the holders of general unsecured claims. Pursuant to this ruling, Delphi recorded an additional reserve of $27 million during the three months ended March 31, 2017.

Subsequently, in May 2017, Delphi and the plaintiffs reached an agreement in principle to settle this matter for $310 million, on terms that are subject to documentation and approval of the Bankruptcy Court.

Brazil Matters

Delphi conducts 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 March 31, 2017, 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 March 31, 2017, claims totaling approximately $205 million (using March 31, 2017 foreign currency rates) have been asserted against Delphi in Brazil. As of March 31, 2017, the Company maintains accruals for these asserted claims of $35 million (using March 31, 2017 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. The Company estimates the reasonably possible loss in excess of the amounts accrued related to these claims to be zero to $170 million.

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 March 31, 2017 and December 31, 2016, the undiscounted reserve for environmental investigation and

Table of Contents

remediation was approximately $7 million (of which $1 million was recorded in accrued liabilities and $6 million was recorded in other long-term liabilities) and $6 million (of which $1 million was recorded in accrued liabilities and $5 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 March 31, 2017, the difference between the recorded liabilities and the reasonably possible range of potential loss was not material.

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 as 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 in estimate occurs.

The Company's income tax expense and effective tax rate for the three months ended March 31, 2017 and 2016 were as follows:

	Three Months Ended March 31, 2017	2016
	(dollars in millions)	
Income tax expense	$61	$75
Effective tax rate	15 %	19 %

The Company’s tax rate is affected by the fact that its parent entity is a U.K. resident taxpayer, the tax rates in the U.K. and other jurisdictions in which the Company operates, the relative amount of income earned by jurisdiction and the relative amount of losses or income for which no tax benefit or expense was recognized due to a valuation allowance. The Company’s effective tax rate was impacted by favorable changes in geographic income mix in 2017 as compared to 2016 primarily due to changes in the underlying business operations, and the receipt of certain tax incentives and holidays that reduced the effective tax rate for certain subsidiaries below the statutory rate.

The Company’s effective tax rate for the three months ended March 31, 2017 also includes a net discrete tax benefit of $8 million, primarily related to provision-to-return adjustments, net of related changes in valuation allowances and reserves. The effective tax rate for the three months ended March 31, 2016 includes net discrete tax expense of $5 million, primarily related to provision to return adjustments.

Delphi Automotive PLC is a U.K. resident taxpayer and 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 $69 million and $83 million for the three months ended March 31, 2017 and 2016 respectively.

Table of Contents

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 diluted 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.

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 March 31,	
	2017	2016
	(in millions, except per share data)	
Numerator:		
Income from continuing operations	$335	$320
Income from discontinued operations	—	105
Net income attributable to Delphi	$335	$425
Denominator:		
Weighted average ordinary shares outstanding, basic	269.20	276.62
Dilutive shares related to restricted stock units ("RSUs")	0.34	0.42
Weighted average ordinary shares outstanding, including dilutive shares	269.54	277.04
Basic net income per share:		
Continuing operations	$1.24	$1.16
Discontinued operations	—	0.38
Basic net income per share attributable to Delphi	$1.24	$1.54
Diluted net income per share:		
Continuing operations	$1.24	$1.15
Discontinued operations	—	0.38
Diluted net income per share attributable to Delphi	$1.24	$1.53
Anti-dilutive securities share impact	—	—

Share Repurchase Program

In April 2016, the Board of Directors authorized a share repurchase program of up to $1.5 billion of ordinary shares, which commenced in September 2016 following the completion of the Company's $1.5 billion January 2015 share repurchase program. 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.

A summary of the ordinary shares repurchased during the three months ended March 31, 2017 and 2016 is as follows:

	Three Months Ended March 31,	
	2017	2016

Total number of shares repurchased	2,555,703	5,598,216
Average price paid per share	$75.52	$ 66.03
Total (in millions)	$193	$ 370

22

Table of Contents

As of March 31, 2017, approximately $1,179 million of share repurchases remained available under the April 2016 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.

Dividends

The Company has declared and paid cash dividends per ordinary share during the periods presented as follows:

	Dividend Per Share	Amount (in millions)
2017:		
First quarter	$ 0.29	$ 78
Total	$ 0.29	$ 78
2016:		
Fourth quarter	$ 0.29	$ 79
Third quarter	0.29	79
Second quarter	0.29	79
First quarter	0.29	80
Total	$ 1.16	$ 317

In addition, in April 2017, the Board of Directors declared a regular quarterly cash dividend of $0.29 per ordinary share, payable May 24, 2017 to shareholders of record at the close of business on May 10, 2017.

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 LLP Agreement.

Under the terms of 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 DPHH $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 was considered probable of occurring as of March 31, 2017 and accordingly, a reserve of $327 million was recorded, which included interest assessed on the amount of the distribution to be made to the holders of general unsecured claims. As further described in Note 10. Commitments and Contingencies, in May 2017 Delphi and the plaintiffs reached an agreement in principle to settle this matter.

Table of Contents

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 months ended March 31, 2017 and 2016 are shown below. Prior period other comprehensive income includes activity relating to discontinued operations.

	Three Months Ended March 31,	
	2017	2016
	(in millions)	
Foreign currency translation adjustments:		
Balance at beginning of period	$(799)	$(661)
Aggregate adjustment for the period (1)	85	36
Balance at end of period	(714)	(625)
Gains (losses) on derivatives:		
Balance at beginning of period	$(11)	$(106)
Other comprehensive income (loss) before reclassifications (net tax effect of $15 and $2)	26	(6)
Reclassification to income (net tax effect of $9 and $9)	13	29
Balance at end of period	28	(83)
Pension and postretirement plans:		
Balance at beginning of period	$(405)	$(266)
Other comprehensive income before reclassifications (net tax effect of $3 and $1)	(3)	2
Reclassification to income (net tax effect of $2 and $0)	7	3
Balance at end of period	(401)	(261)
Accumulated other comprehensive loss, end of period	$(1,087)	$(969)

(1) Includes losses of $30 million and $25 million for the three months ended March 31, 2017 and March 31, 2016, respectively, related to non-derivative net investment hedges, principally offset by the foreign currency impact of intra-entity loans that are of a long-term investment nature in each period. Refer to Note 14. Derivatives and Hedging Activities for further description of these hedges.

Table of Contents

Reclassifications from accumulated other comprehensive income to income for the three months ended March 31, 2017 and 2016 were as follows:

Reclassification Out of Accumulated Other Comprehensive Income

Details About Accumulated Other Comprehensive Income Components	Three Months Ended March 31, 2017	2016	Affected Line Item in the Statement of Operations
	(in millions)		
Gains (losses) on derivatives:			
Commodity derivatives	$1	$(14)	Cost of sales
Foreign currency derivatives	(23)	(24)	Cost of sales
	(22)	(38)	Income before income taxes
	9	9	Income tax expense
	(13)	(29)	Net income
	—	—	Net income attributable to noncontrolling interest
	$(13)	$(29)	Net income attributable to Delphi
Pension and postretirement plans:			
Actuarial losses	$(9)	$(3)	Other expense (1)
	(9)	(3)	Income before income taxes
	2	—	Income tax expense
	(7)	(3)	Net income
	—	—	Net income attributable to noncontrolling interest
	$(7)	$(3)	Net income attributable to Delphi
Total reclassifications for the period	$(20)	$(32)	

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

14. DERIVATIVES AND HEDGING ACTIVITIES

Cash Flow Hedges

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 March 31, 2017, the Company had the following outstanding notional amounts related to commodity and foreign currency forward contracts designated as cash flow hedges that were entered into to hedge forecasted exposures:

Table of Contents

Commodity	Quantity Hedged	Unit of Measure	Notional Amount (Approximate USD Equivalent)
	(in thousands)		(in millions)
Copper	56,681	pounds	$ 150

Foreign Currency	Quantity Hedged	Unit of Measure	Notional Amount (Approximate USD Equivalent)
	(in millions)		
Mexican Peso	9,362	MXN	$ 500
Chinese Yuan Renminbi	3,054	RMB	445
Polish Zloty	292	PLN	75
New Turkish Lira	219	TRY	60
Euro	39	EUR	40
Hungarian Forint	8,299	HUF	30

As of March 31, 2017, Delphi has entered into derivative instruments to hedge cash flows extending out to March 2019.

Gains and losses on derivatives qualifying as cash flow hedges are recorded in accumulated other comprehensive income ("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. Gains on cash flow hedges included in accumulated OCI as of March 31, 2017 were approximately $23 million (approximately $21 million, net of tax). Of this total, approximately $11 million are expected to be included in cost of sales within the next 12 months and $12 million 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 cash flow hedge ineffectiveness was insignificant for the three months ended March 31, 2017 and 2016. Cash flows from derivatives used to manage commodity and foreign exchange risks are classified as operating activities within the consolidated statement of cash flows.

Net Investment Hedges

The Company is also exposed to the risk that adverse changes in foreign currency exchange rates could impact its net investment in non-U.S. subsidiaries. To manage this risk, the Company designates certain qualifying derivative and non-derivative instruments, including foreign currency forward contracts and foreign currency-denominated debt, as net investment hedges of certain non-U.S. subsidiaries. The effective portion of the gains or losses on instruments designated as net investment hedges are recognized within OCI to offset changes in the value of the net investment in these foreign currency-denominated operations. Any ineffective portion of gains or losses on net investment hedges are reclassified to other income (expense), net within the consolidated statement of operations. Gains and losses reported in accumulated other comprehensive income (loss) are reclassified to earnings only when the related currency translation adjustments are required to be reclassified, usually upon sale or liquidation of the investment. Cash flows from derivatives designated as net investment hedges are classified as investing activities within the consolidated statement of cash flows.

During 2016, the Company entered into a series of forward contracts, each of which were designated as net investment hedges of the foreign currency exposure of the Company's investments in certain Chinese Yuan Renminbi ("RMB")-denominated subsidiaries. During the first quarter of 2016, the Company entered into a forward contract with a notional amount of 2.4 billion RMB (approximately $370 million, using March 31, 2016 foreign currency rates), which matured in May 2016, and the Company paid $1 million at settlement. In December 2016, the Company entered into a forward contract with a notional amount of 1.8 billion RMB (approximately $265 million, using December 31, 2016 foreign currency rates), which matures in June 2017. Refer to the tables below for details of the fair value recorded in the consolidated balance sheet and the effects recorded in the consolidated statement of operations and consolidated statement of comprehensive income related to these derivative instruments.

The Company has designated the €700 million 2015 Euro-denominated Senior Notes and the €500 million 2016 Euro-denominated Senior Notes, as more fully described in Note 8. Debt, as net investment hedges of the foreign currency exposure of its investments in certain Euro-denominated subsidiaries. Due to changes in the value of the Euro-denominated debt instruments designated as net investment hedges, during the three months ended March 31, 2017 and 2016, $30 million and $25 million, respectively, of losses were recognized within the cumulative translation adjustment component of OCI. Cumulative gains included in accumulated OCI on these net investment hedges were $30 million as of March 31, 2017 and $60

Table of Contents

million as of December 31, 2016. There were no amounts reclassified or recognized for ineffectiveness during the three months ended March 31, 2017 or 2016.

Derivatives Not Designated as Hedges

The Company enters into certain foreign currency and commodity contracts that are not designated as hedges. When hedge accounting is not applied to derivative contracts, gains and losses are recorded to other income (expense), net and cost of sales in the consolidated statement of operations.

As more fully disclosed in Note 17. Acquisitions and Divestitures, on July 30, 2015, Delphi made a recommended offer to acquire HellermannTyton. In conjunction with the acquisition, in August 2015, the Company entered into option contracts with notional amounts totaling £917 million to hedge portions of the currency risk associated with the cash payment for the acquisition at a cost of $15 million. Subsequently, in conjunction with the closing of the acquisition, Delphi entered into offsetting option contracts. Pursuant to the requirements of ASC 815, Derivatives and Hedging, the options did not qualify as hedges for accounting purposes. The Company paid $15 million to settle these options during the three months ended March 31, 2016, which is reflected within investing activities in the consolidated statement of cash flows.

Fair Value of Derivative Instruments in the Balance Sheet

The fair value of derivative financial instruments recorded in the consolidated balance sheets as of March 31, 2017 and December 31, 2016 are as follows:

	Asset Derivatives		Liability Derivatives		Net Amounts of Assets and (Liabilities) Presented in the Balance Sheet
	Balance Sheet Location	March 31, 2017	Balance Sheet Location	March 31, 2017	March 31, 2017
	(in millions)				
Derivatives designated as cash flow hedges:					
Commodity derivatives	Other current assets	$ 14	Accrued liabilities	$ —	
Foreign currency derivatives*	Other current assets	5	Other current assets	—	$ 5
Foreign currency derivatives*	Accrued liabilities	4	Accrued liabilities	10	(6)
Commodity derivatives	Other long-term assets	4	Other long-term liabilities	—	
Foreign currency derivatives*	Other long-term assets	9	Other long-term assets	—	9
Foreign currency derivatives*	Other long-term liabilities	—	Other long-term liabilities	1	(1)
Derivatives designated as net investment hedges:					
Foreign currency derivatives	Other current assets	$ —	Accrued liabilities	$ 9	
Total derivatives designated as hedges		$ 36		$ 20	

Table of Contents

	Asset Derivatives		Liability Derivatives		Net Amounts of Assets and (Liabilities) Presented in the Balance Sheet
	Balance Sheet Location	December 31, 2016	Balance Sheet Location	December 31, 2016	December 31, 2016
	(in millions)				
Derivatives designated as cash flow hedges:					
Commodity derivatives	Other current assets	$ 7	Accrued liabilities	$ —	
Foreign currency derivatives*	Other current assets	6	Other current assets	3	$ 3
Foreign currency derivatives*	Accrued liabilities	9	Accrued liabilities	55	(46)
Commodity derivatives	Other long-term assets	4	Other long-term liabilities	—	
Foreign currency derivatives*	Other long-term assets	8	Other long-term assets	4	4
Foreign currency derivatives*	Other long-term liabilities	—	Other long-term liabilities	11	(11)
Derivatives designated as net investment hedges:					
Foreign currency derivatives	Other current assets	$ 2	Accrued liabilities	$ —	
Total derivatives designated as hedges		$ 36		$ 73	
Derivatives not designated:					
Foreign currency derivatives*	Other current assets	$ —	Other current assets	$ 1	(1)
Foreign currency derivatives*	Accrued liabilities	2	Accrued liabilities	1	1
Total derivatives not designated as hedges		$ 2		$ 2	

* 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 March 31, 2017 and a net liability position as of December 31, 2016.

Effect of Derivatives on the Statement of Operations and Statement of Comprehensive Income

The pre-tax effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the three months ended March 31, 2017 is as follows:

Three Months Ended March 31, 2017	Gain (loss) Recognized in OCI (Effective Portion)	Gain (loss) Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)

	(in millions)		
Derivatives designated as cash flow hedges:			
Commodity derivatives	$ 9	$ 1	$ —
Foreign currency derivatives	42	(23)	—
Derivatives designated as net investment hedges:			
Foreign currency derivatives	(10)	—	—
Total	$ 41	$ (22)	$ —

	Loss Recognized in Income
	(in millions)
Derivatives not designated:	
Foreign currency derivatives	$ (4)
Total	$ (4)

Table of Contents

The pre-tax effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the three months ended March 31, 2016 is as follows:

Three Months Ended March 31, 2016	Gain (loss) Recognized in OCI (Effective Portion)	Loss Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
	(in millions)		
Derivatives designated as cash flow hedges:			
Commodity derivatives	$ 3	$ (14)	$ —
Foreign currency derivatives	(6)	(24)	—
Derivatives designated as net investment hedges:			
Foreign currency derivatives			