Delphi Automotive PLC
Form 10-Q
August 02, 2017
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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 June 30, 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 July 28, 2017, was 266,844,164.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in millions, except per share amounts)			
Net sales	$4,318	$4,206	$8,610	$8,257
Operating expenses:				
Cost of sales	3,419	3,346	6,864	6,608
Selling, general and administrative	301	278	589	555
Amortization	33	34	66	67
Restructuring (Note 7)	97	154	159	189
Total operating expenses	3,850	3,812	7,678	7,419
Operating income	468	394	932	838
Interest expense	(35)	(41)	(69)	(82)
Other income (expense), net (Note 16)	8	(5)	(20)	(4)
Income from continuing operations before income taxes and equity income	441	348	843	752
Income tax expense	(62)	(84)	(123)	(159)
Income from continuing operations before equity income	379	264	720	593
Equity income, net of tax	7	7	18	13
Income from continuing operations	386	271	738	606
Income from discontinued operations, net of tax (Note 21)	—	—	—	108
Net income	386	271	738	714
Net income attributable to noncontrolling interest	17	13	34	31
Net income attributable to Delphi	$369	$258	$704	$683
Amounts attributable to Delphi:				
Income from continuing operations	$369	$258	$704	$578
Income from discontinued operations	—	—	—	105
Net income	$369	$258	$704	$683
Basic net income per share:				
Continuing operations	$1.38	$0.95	$2.62	$2.10
Discontinued operations	—	—	—	0.38
Basic net income per share attributable to Delphi	$1.38	$0.95	$2.62	$2.48
Weighted average number of basic shares outstanding	267.41	272.92	268.30	274.77
Diluted net income per share:				
Continuing operations	$1.38	$0.94	$2.62	$2.10
Discontinued operations	—	—	—	0.38
Diluted net income per share attributable to Delphi	$1.38	$0.94	$2.62	$2.48
Weighted average number of diluted shares outstanding	268.03	273.37	268.78	275.20
Cash dividends declared per share	$0.29	$0.29	$0.58	$0.58

See notes to consolidated financial statements.

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DELPHI AUTOMOTIVE PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Net income	$386	$271	$738	$714
Other comprehensive income:				
Currency translation adjustments	103	(56)	189	(19)
Net change in unrecognized gain on derivative instruments, net of tax (Note 14)	4	26	43	49
Employee benefit plans adjustment, net of tax	1	17	5	22
Other comprehensive income (loss)	108	(13)	237	52
Comprehensive income	494	258	975	766
Comprehensive income attributable to noncontrolling interests	20	10	38	29
Comprehensive income attributable to Delphi	$474	$248	$937	$737

See notes to consolidated financial statements.

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DELPHI AUTOMOTIVE PLC
CONSOLIDATED BALANCE SHEETS

	June 30, 2017 (Unaudited)	December 31, 2016
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$792	$ 838
Restricted cash	1	1
Accounts receivable, net	3,127	2,938
Inventories (Note 3)	1,485	1,232
Other current assets (Note 4)	444	410
Total current assets	5,849	5,419
Long-term assets:		
Property, net	3,671	3,515
Investments in affiliates	127	101
Intangible assets, net (Note 2)	1,232	1,240
Goodwill (Note 2)	1,628	1,508
Other long-term assets (Note 4)	549	509
Total long-term assets	7,207	6,873
Total assets	$13,056	$ 12,292
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (Note 8)	$13	$ 12
Accounts payable	2,603	2,563
Accrued liabilities (Note 5)	1,554	1,573
Total current liabilities	4,170	4,148
Long-term liabilities:		
Long-term debt (Note 8)	4,059	3,959
Pension benefit obligations	986	955
Other long-term liabilities (Note 5)	556	467
Total long-term liabilities	5,601	5,381
Total liabilities	9,771	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, 266,844,078 and 269,789,959 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	3	3
Additional paid-in-capital	1,617	1,633
Retained earnings	2,257	1,980
Accumulated other comprehensive loss (Note 13)	(982)	(1,215)
Total Delphi shareholders' equity	2,895	2,401
Noncontrolling interest	390	362
Total shareholders' equity	3,285	2,763
Total liabilities and shareholders' equity	$13,056	$ 12,292

See notes to consolidated financial statements.

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DELPHI AUTOMOTIVE PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
	2017	2016
	(in millions)	
Cash flows from operating activities:		
Net income	$738	$714
Income from discontinued operations, net of tax	—	108
Income from continuing operations	738	606
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	290	285
Amortization	66	67
Amortization of deferred debt issuance costs	3	5
Restructuring expense, net of cash paid	53	93
Deferred income taxes	3	9
Pension and other postretirement benefit expenses	44	31
Income from equity method investments, net of dividends received	(18)	(9)
Gain on sale of assets	(1)	(1)
Share-based compensation	34	28
Changes in operating assets and liabilities:		
Accounts receivable, net	(184)	(141)
Inventories	(253)	(136)
Other assets	(47)	6
Accounts payable	121	75
Accrued and other long-term liabilities	63	(19)
Other, net	14	(17)
Pension contributions	(37)	(39)
Net cash provided by operating activities from continuing operations	889	843
Net cash provided by operating activities from discontinued operations	—	—
Net cash provided by operating activities	889	843
Cash flows from investing activities:		
Capital expenditures	(393)	(412)
Proceeds from sale of property / investments	7	8
Net proceeds from divestiture of discontinued operations	—	52
Cost of business acquisitions, net of cash acquired	(40)	(15)
Cost of technology investments	(25)	(3)
Settlement of derivatives	(12)	(16)
Net cash used in investing activities from continuing operations	(463)	(386)
Net cash used in investing activities from discontinued operations	—	(4)
Net cash used in investing activities	(463)	(390)
Cash flows from financing activities:		
Net (repayments) proceeds under short-term debt agreements	(5)	51
Contingent consideration and deferred acquisition purchase price payments	(20)	—
Dividend payments of consolidated affiliates to minority shareholders	(10)	(12)
Repurchase of ordinary shares	(289)	(435)

Distribution of cash dividends	(156)	(159)
Taxes withheld and paid on employees' restricted share awards	(33)	(40)
Net cash used in financing activities	(513)	(595)
Effect of exchange rate fluctuations on cash and cash equivalents	41	—
Decrease in cash and cash equivalents	(46)	(142)
Cash and cash equivalents at beginning of the period	838	579
Cash and cash equivalents at end of the period	$792	$437

See notes to consolidated financial statements.

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

	Ordinary Shares							
	Number of Shares	Amount	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	—	—	—	704	—	704	34	738
Other comprehensive income	—	—	—	—	233	233	4	237
Dividends on ordinary shares	—	—	2	(158)	—	(156)	—	(156)
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	—	—	—	(10)	(10)
Taxes withheld on employees' restricted share award vestings	—	—	(33)	—	—	(33)	—	(33)
Repurchase of ordinary shares	(4)	—	(19)	(269)	—	(288)	—	(288)
Share-based compensation	1	—	34	—	—	34	—	34
Balance at June 30, 2017	267	$ 3	$ 1,617	$ 2,257	$ (982)	$ 2,895	$ 390	$ 3,285

See notes to consolidated financial statements.

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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 best 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.
On May 3, 2017, the Company announced its intention to pursue a separation of its Powertrain Systems segment into a new, independent publicly traded company, through a transaction expected to be treated as a tax-free spin-off to its shareholders (the "Separation"). Refer to Note 22. Separation of Powertrain Systems for additional detail.

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.
During the three and six months ended June 30, 2016, Delphi received a dividend of $4 million from one of its equity method investments. The dividends were recognized as a reduction to the investment and represented a return on investment included in cash flows from operating activities.
Investments in affiliates accounted for under the cost method totaled $51 million and $26 million as of June 30, 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.

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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 $1,232 million and $1,240 million as of June 30, 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 $66 million for the three and six months ended June 30, 2017 and $34 million and $67 million for the three and six months ended June 30, 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 six months ended June 30, 2017. Goodwill was $1,628 million and $1,508 million as of June 30, 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 six months ended June 30, 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

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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 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 21% and 22% of our total net sales for the three and six months ended June 30, 2017, respectively, and 23% and 22% for the three and six months ended June 30, 2016 respectively.

	Percentage of Total Net Sales				Accounts and Other Receivables	
	Three Months Ended June 30,		Six Months Ended June 30,		June 30, 2017	December 31, 2016
	2017	2016	2017	2016	(in millions)	
GM	13%	14%	14%	14%	$ 337	$ 370
VW	8 %	9 %	8 %	8 %	170	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.
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 and $6 million of net periodic benefit cost components other than service cost from operating expense to other expense for the three and six months ended June 30, 2016, respectively, and had no impact on net income attributable to Delphi. Approximately $9 million and $16 million of net periodic benefit cost components other than service cost are included within other expense for the three and six months ended June 30, 2017, respectively. 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. 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. As a result of the adoption of this standard, the Company expects to make additional disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers as required by the new standard. 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 June 30, 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

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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.

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:

	June 30, 2017	December 31, 2016
	(in millions)	
Productive material	$789	$ 649
Work-in-process	129	113
Finished goods	567	470
Total	$1,485	$ 1,232

4. ASSETS

Other current assets consisted of the following:

	June 30, 2017	December 31, 2016
	(in millions)	
Value added tax receivable	$ 195	$ 192
Prepaid insurance and other expenses	62	66
Reimbursable engineering costs	53	63
Notes receivable	36	43
Income and other taxes receivable	60	26
Deposits to vendors	8	8
Derivative financial instruments (Note 14)	29	11
Other	1	1
Total	$ 444	$ 410

Other long-term assets consisted of the following:

	June 30, 2017	December 31, 2016
	(in millions)	
Deferred income taxes, net	$258	$ 283

Unamortized Revolving Credit Facility debt issuance costs (Note 8)	9	10
Income and other taxes receivable	66	56
Reimbursable engineering costs	40	26
Value added tax receivable	34	33
Cost method investments	51	26
Derivative financial instruments (Note 14)	12	8
Other	79	67
Total	$549	$ 509

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5. LIABILITIES

Accrued liabilities consisted of the following:

	June 30, 2017	December 31, 2016
	(in millions)	
Payroll-related obligations	$265	$ 233
Employee benefits, including current pension obligations	69	106
Reserve for Unsecured Creditors litigation (Note 10)	310	300
Income and other taxes payable	174	188
Warranty obligations (Note 6)	111	102
Restructuring (Note 7)	164	153
Customer deposits	32	30
Derivative financial instruments (Note 14)	4	45
Accrued interest	38	40
Other	387	376
Total	$1,554	$ 1,573

Other long-term liabilities consisted of the following:

	June 30, 2017	December 31, 2016
	(in millions)	
Environmental (Note 10)	$5	$ 5
Extended disability benefits	8	8
Warranty obligations (Note 6)	57	59
Restructuring (Note 7)	100	45
Payroll-related obligations	10	9
Accrued income taxes	150	125
Deferred income taxes, net	170	158
Derivative financial instruments (Note 14)	2	11
Other	54	47
Total	$556	$ 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 June 30, 2017. The Company estimates the reasonably possible amount to ultimately resolve all matters in excess of the recorded reserves as of June 30, 2017 to be zero to $30 million.

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The table below summarizes the activity in the product warranty liability for the six months ended June 30, 2017:

	Warranty Obligations
	(in millions)
Accrual balance at beginning of period	$ 161
Provision for estimated warranties incurred during the period	46
Changes in estimate for pre-existing warranties	51
Settlements made during the period (in cash or in kind)	(97)
Foreign currency translation and other	7
Accrual balance at end of period	$ 168

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 first quarter of 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 six months ended June 30, 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 best cost locations in Europe and on reducing global overhead costs, including programs implemented to realign the Company's organizational structure due to changes in roles and workforce as a result of the planned spin-off of the Powertrain Systems segment. The Company recorded employee-related and other restructuring charges related to these programs totaling approximately $97 million and $159 million during the three and six months ended June 30, 2017, respectively.

The charges recorded during the three months ended June 30, 2017 included the recognition of approximately $53 million of employee-related and other costs related to the initiation of the closure of a Western European manufacturing site within the Powertrain Systems segment pursuant to the Company's on-going European footprint rotation strategy. Cash payments for this restructuring action are expected to be principally completed by 2020. The charges recorded during the three months ended June 30, 2017 also included $21 million for other programs focused on the continued rotation of our manufacturing footprint to best cost locations in Europe, as well as $13 million for programs implemented to reduce global overhead costs. In addition to these costs, the charges recorded during the six months ended June 30, 2017 included $36 million of costs related to the closure of an Electronics and Safety Western European manufacturing site.

Restructuring costs of approximately $154 million and $189 million were recorded during the three and six months ended June 30, 2016, respectively. These charges include the recognition of approximately $88 million of employee-related and other costs related to the initiation of the closure of a European manufacturing site within the Powertrain Systems segment in the second quarter of 2016. Cash payments for this restructuring action are expected to be principally completed in 2017. Additionally, Delphi recognized non-cash asset impairment charges of $19 million in the second quarter of 2016 related to the initiation of this plant closure, which are recorded within cost of sales. Other restructuring charges incurred during the three months ended June 30, 2016 were primarily related to Delphi's on-going restructuring programs, which included $42 million for other programs focused on the continued

rotation of our manufacturing footprint to best cost locations in Europe.
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 $106 million and $96 million in the six months ended June 30, 2017 and 2016, respectively.

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The following table summarizes the restructuring charges recorded for the three and six months ended June 30, 2017 and 2016 by operating segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Electrical/Electronic Architecture	$13	$17	$26	$35
Powertrain Systems	67	126	77	135
Electronics and Safety	17	11	56	19
Total	$97	$154	$159	$189

The table below summarizes the activity in the restructuring liability for the six months ended June 30, 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	159	—	159
Payments made during the period	(103)	(3)	(106)
Foreign currency and other	14	(1)	13
Accrual balance at June 30, 2017	$263	$ 1	$264

8. DEBT

The following is a summary of debt outstanding, net of unamortized issuance costs and discounts, as of June 30, 2017 and December 31, 2016, respectively:

	June 30, 2017	December 31, 2016
	(in millions)	
3.15%, senior notes, due 2020 (net of $2 and $3 unamortized issuance costs and $1 and $1 discount, respectively)	$647	$ 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)	789	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 $1 and $1 discount, respectively)	564	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	4,072	3,971
Less: current portion	(13)	(12)

Long-term debt	$4,059	$ 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

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$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.

As of June 30, 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:

	June 30, 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 June 30, 2017, Delphi selected the one-month LIBOR interest rate option on the Tranche A Term Loan, and the rate effective as of June 30, 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 June 30, 2017 (in millions)	Rate effective as of June 30, 2017
Tranche A Term Loan	LIBOR plus 1.25%	$ 400	2.4375 %

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 June 30, 2017.

As of June 30, 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.

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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.

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

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 June 30, 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 and six months ended June 30, 2017, $22 million and $38 million of receivables were sold under these arrangements, and expenses of $1 million and $1 million, respectively, were recognized within interest expense. During the three and six months ended June 30, 2016, $43 million and $75 million of receivables were sold under these arrangements, and expenses of less than $1 million and $2 million, respectively, were recognized within interest expense.

Capital leases and other—As of June 30, 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 $67 million and $67 million for the six months ended June 30, 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 and six months ended June 30, 2017 and 2016:

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	Non-U.S. Plans		U.S. Plans	
	Three Months Ended June 30,			
	2017	2016	2017	2016
	(in millions)			
Service cost	$15	$13	$—	$ —
Interest cost	14	17	1	1
Expected return on plan assets	(18)	(18)	—	—
Curtailment loss	3	—	—	—
Amortization of actuarial losses	9	3	—	—
Net periodic benefit cost	$23	$15	$1	$ 1

	Non-U.S. Plans		U.S. Plans	
	Six Months Ended June 30,			
	2017	2016	2017	2016
	(in millions)			
Service cost	$27	$25	$—	$ —
Interest cost	29	34	1	1
Expected return on plan assets	(35)	(36)	—	—
Curtailment loss	3	—	—	—
Amortization of actuarial losses	18	7	—	—
Net periodic benefit cost	$42	$30	$1	$ 1

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 June 30, 2017 and December 31, 2016, respectively.

10. COMMITMENTS AND CONTINGENCIES

Ordinary Business Litigation

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

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.

During the three months ended June 30, 2017, Delphi and the plaintiffs reached an agreement to settle this matter for $310 million, which was subsequently approved by the Bankruptcy Court. In July 2017, the Company paid the $310 million settlement pursuant to the terms of the settlement agreement.

In accordance with the settlement agreement and Bankruptcy Court approval, the Company reduced its reserve for this matter to $310 million as of June 30, 2017. The $17 million portion of the Company's previously recorded reserve that was not included in the terms of the settlement agreement was recorded to other income during the three months ended June 30, 2017.

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 June 30, 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 June 30, 2017, claims totaling approximately $200 million (using June 30, 2017 foreign currency rates) have been asserted against Delphi in Brazil. As of June 30, 2017, the Company maintains accruals for these asserted claims of $30 million (using June 30, 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 June 30, 2017 and December 31, 2016, the undiscounted reserve for environmental investigation and remediation was approximately $7 million (of which $2 million was recorded in accrued liabilities and $5 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 June 30, 2017, the difference between the recorded liabilities and the reasonably possible range of potential loss was not material.

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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 and six months ended June 30, 2017 and 2016 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(dollars in millions)			
Income tax expense	$62	$84	$123	$159
Effective tax rate	14 %	24 %	15 %	21 %

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, the receipt of certain tax incentives and holidays that reduced the effective tax rate for certain subsidiaries below the statutory rate and the impact of losses recorded during the three and six months ended June 30, 2016 in foreign jurisdictions for which no tax benefit was recognized due to a valuation allowance.

The Company’s effective tax rate for the three and six months ended June 30, 2017 includes net discrete tax benefits of $3 million and $11 million, respectively, primarily related to provision to return adjustments, net of related changes in valuation allowances and reserves. The effective tax rate for the three and six months ended June 30, 2016 includes net discrete tax (benefit) expense of $(4) million and $1 million, respectively, 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 $138 million and $157 million for the six months ended June 30, 2017 and 2016 respectively.

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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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in millions, except per share data)			
Numerator:				
Income from continuing operations	$369	$258	$704	$578
Income from discontinued operations	—	—	—	105
Net income attributable to Delphi	$369	$258	$704	$683
Denominator:				
Weighted average ordinary shares outstanding, basic	267.41	272.92	268.30	274.77
Dilutive shares related to restricted stock units ("RSUs")	0.62	0.45	0.48	0.43
Weighted average ordinary shares outstanding, including dilutive shares	268.03	273.37	268.78	275.20
Basic net income per share:				
Continuing operations	$1.38	$0.95	$2.62	$2.10
Discontinued operations	—	—	—	0.38
Basic net income per share attributable to Delphi	$1.38	$0.95	$2.62	$2.48
Diluted net income per share:				
Continuing operations	$1.38	$0.94	$2.62	$2.10
Discontinued operations	—	—	—	0.38
Diluted net income per share attributable to Delphi	$1.38	$0.94	$2.62	$2.48
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 and six months ended June 30, 2017 and 2016 is as follows:

	Three Months Ended June 30,	Six Months Ended June 30,

	2017	2016	2017	2016
Total number of shares repurchased	1,092,568	894,209	3,648,263	6,492,425
Average price paid per share	$86.92	$72.69	$78.93	$ 66.95
Total (in millions)	$95	$65	$288	$ 435

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As of June 30, 2017, approximately $1,084 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:		
Second quarter	$ 0.29	$ 78
First quarter	0.29	78
Total	$ 0.58	$ 156
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 July 2017, the Board of Directors declared a regular quarterly cash dividend of $0.29 per ordinary share, payable August 23, 2017 to shareholders of record at the close of business on August 9, 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 June 30, 2017, and a reserve of $310 million was recorded pursuant to the terms of the settlement agreement reached with the plaintiffs and approved by the Bankruptcy Court. Subsequently, in July 2017, the Company paid the $310 million settlement pursuant to the terms of the settlement agreement. Refer to Note 10. Commitments and Contingencies for further discussion of this matter.

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13. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in accumulated other comprehensive income (loss) attributable to Delphi (net of tax) for the three and six months ended June 30, 2017 and 2016 are shown below. Prior period other comprehensive income includes activity relating to discontinued operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Foreign currency translation adjustments:				
Balance at beginning of period	$(714)	$(625)	$(799)	$(661)
Aggregate adjustment for the period (1)	100	(53)	185	(17)
Balance at end of period	(614)	(678)	(614)	(678)
Gains (losses) on derivatives:				
Balance at beginning of period	28	(83)	(11)	(106)
Other comprehensive income before reclassifications (net tax effect of $5, $5, $20 and $7)	3	1	29	(5)
Reclassification to income (net tax effect of $1, $7, $10 and $16)	1	25	14	54
Balance at end of period	32	(57)	32	(57)
Pension and postretirement plans:				
Balance at beginning of period	(401)	(261)	(405)	(266)
Other comprehensive income before reclassifications (net tax effect of $1, $3, $4 and $4)	(7)	14	(10)	16
Reclassification to income (net tax effect of $1, $1, $3 and $1)	8	3	15	6
Balance at end of period	(400)	(244)	(400)	(244)
Accumulated other comprehensive loss, end of period	$(982)	$(979)	$(982)	$(979)

(1) Includes losses of $73 million and $103 million for the three and six months ended June 30, 2017, and gains (losses) of $17 million and $(8) million for the three and six months ended June 30, 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.

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Reclassifications from accumulated other comprehensive income to income for the three and six months ended June 30, 2017 and 2016 were as follows:

Reclassification Out of Accumulated Other Comprehensive Income

Details About Accumulated Other Comprehensive Income Components	Three Months Ended June 30,		Six Months Ended June 30,		Affected Line Item in the Statement of Operations
	2017	2016	2017	2016	
	(in millions)				
Gains (losses) on derivatives:					
Commodity derivatives	$2	$(11)	$3	$(25)	Cost of sales
Foreign currency derivatives	(4)	(21)	(27)	(45)	Cost of sales
	(2)	(32)	(24)	(70)	Income before income taxes
	1	7	10	16	Income tax expense
	(1)	(25)	(14)	(54)	Net income
	—	—	—	—	Net income attributable to noncontrolling interest
	$(1)	$(25)	$(14)	$(54)	Net income attributable to Delphi
Pension and postretirement plans:					
Actuarial losses	$(9)	$(4)	$(18)	$(7)	Other expense (1)
	(9)	(4)	(18)	(7)	Income before income taxes
	1	1	3	1	Income tax expense
	(8)	(3)	(15)	(6)	Net income
	—	—	—	—	Net income attributable to noncontrolling interest
	$(8)	$(3)	$(15)	$(6)	Net income attributable to Delphi
Total reclassifications for the period	$(9)	$(28)	$(29)	$(60)	

(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 June 30, 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:

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Commodity	Quantity Hedged	Unit of Measure	Notional Amount (Approximate USD Equivalent)
	(in thousands)		(in millions)
Copper	55,993	pounds	$ 145

Foreign Currency	Quantity Hedged	Unit of Measure	Notional Amount (Approximate USD Equivalent)
	(in millions)		
Mexican Peso	8,800	MXN	$ 490
Chinese Yuan Renminbi	2,791	RMB	410
Polish Zloty	332	PLN	90
New Turkish Lira	213	TRY	60
Euro	29	EUR	35
Hungarian Forint	5,930	HUF	20

As of June 30, 2017, Delphi has entered into derivative instruments to hedge cash flows extending out to June 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. Net gains on cash flow hedges included in accumulated OCI as of June 30, 2017 were approximately $39 million (approximately $31 million, net of tax). Of this total, approximately $27 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 and six months ended June 30, 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 and 2017, 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 matured in June 2017, and the Company paid $12 million at settlement. In June 2017, the Company entered into a forward contract with a notional amount of 2.4 billion RMB (approximately $345 million, using June 30, 2017 foreign currency rates), which matures in December 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

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instruments designated as net investment hedges, during the three and six months ended June 30, 2017, $73 million and $103 million, respectively, of losses were recognized within the cumulative translation adjustment component of OCI. During the three and six months ended June 30, 2016, $16 million and $(9) million, respectively, of gains (losses) were recognized within the cumulative translation adjustment component of OCI. Cumulative (losses) gains included in accumulated OCI on these net investment hedges were $(43) million as of June 30, 2017 and $60 million as of December 31, 2016. There were no amounts reclassified or recognized for ineffectiveness during the three and six months ended June 30, 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 six months ended June 30, 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 June 30, 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	June 30, 2017	Balance Sheet Location	June 30, 2017	June 30, 2017
	(in millions)				
Derivatives designated as cash flow hedges:					
Commodity derivatives	Other current assets	$ 14	Accrued liabilities	$ —	
Foreign currency derivatives*	Other current assets	19	Other current assets	4	$ 15
Foreign currency derivatives*	Accrued liabilities	2	Accrued liabilities	3	(1)
Commodity derivatives	Other long-term assets	4	Other long-term liabilities	—	
Foreign currency derivatives*	Other long-term assets	9	Other long-term assets	1	8
Foreign currency derivatives*	Other long-term liabilities	—	Other long-term liabilities	2	(2)
Derivatives designated as net investment hedges:					
Foreign currency derivatives	Other current assets	$ —	Accrued liabilities	$ 3	
Total derivatives designated as hedges		$ 48		$ 13	

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	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 June 30, 2017 and a net liability position as of December 31, 2016.

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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 June 30, 2017 is as follows:

Three Months Ended June 30, 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	$ 2	$ 2	$ —
Foreign currency derivatives	12	(4)	—
Derivatives designated as net investment hedges:			
Foreign currency derivatives	(6)	—	—
Total	$ 8	$ (2)	$ —

	Loss Recognized in Income
	(in millions)
Derivatives not designated:	
Foreign currency derivatives	$ (1)
Total	$ (1)

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 June 30, 2016 is as follows:

Three Months Ended June 30, 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	$ 1	$ (11)	$ —
Foreign currency derivatives	(14)	(21)	—
Derivatives designated as net investment hedges:			
Foreign currency derivatives	9	—	—
Total	$ (4)	$ (32)	$ —

	Gain Recognized in Income
	(in millions)

Derivatives not designated:		
Foreign currency derivatives	$	—
Total	$	—

The pre-tax effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the six months ended June 30, 2017 is as follows:

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Six Months Ended June 30, 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	$11	$ 3	$ —
Foreign currency derivatives	54	(27)	—
Derivatives designated as net investment hedges:			
Foreign currency derivatives	(16)	—	—
Total	$49	$ (24)	$ —

	Loss Recognized in Income
	(in millions)
Derivatives not designated:	
Foreign currency derivatives	$ (5)
Total	$ (5)

The pre-tax effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the six months ended June 30, 2016 is as follows:

Six Months Ended June 30, 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	$4	$ (25)	$ —
Foreign currency derivatives	(20)	(45)	—
Derivatives designated as net investment hedges:			
Foreign currency derivatives	4	—	—
Total	$(12)	$ (70)	$ —

	Loss Recognized in Income
	(in millions)
Derivatives not designated:	
Foreign currency derivatives	$ (2)
Total	$ (2)

The gain or loss reclassified from OCI into income for the effective portion of designated derivative instruments and the gain or loss recognized in income for the ineffective portion of designated derivative instruments excluded from effectiveness testing were recorded to other income, net and cost of sales in the consolidated statements of operations for the three and six months ended June 30, 2017 and 2016. The gain or loss recognized in income for non-designated derivative instruments was recorded in other income (expense), net and cost of sales for the three and six months ended June 30, 2017 and 2016.

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15. FAIR VALUE OF FINANCIAL INSTRUMENTS
Fair Value Measurements on a Recurring Basis
Derivative instruments—All derivative instruments are required to be reported on the balance sheet at fair value unless the transactions qualify and are designated as normal purchases or sales. Changes in fair value are reported currently through earnings unless they meet hedge accounting criteria. Delphi's derivative exposures are with counterparties with long-term investment grade credit ratings. Delphi estimates the fair value of its derivative contracts using an income approach based on valuation techniques to convert future amounts to a single, discounted amount. Estimates of the fair value of foreign currency and commodity derivative instruments are determined using exchange traded prices and rates. Delphi also considers the risk of non-performance in the estimation of fair value, and includes an adjustment for non-performance risk in the measure of fair value of derivative instruments. The non-performance risk adjustment reflects the credit default spread ("CDS") applied to the net commodity by counterparty and foreign currency exposures by counterparty. When Delphi is in a net derivative asset position, the counterparty CDS rates are applied to the net derivative asset position. When Delphi is in a net derivative liability position, estimates of peer companies' CDS rates are applied to the net derivative liability position.
In certain instances where market data is not available, Delphi uses management judgment to develop assumptions that are used to determine fair value. This could include situations of market illiquidity for a particular currency or commodity or where observable market data may be limited. In those situations, Delphi generally surveys investment banks and/or brokers and utilizes the surveyed prices and rates in estimating fair value.
As of June 30, 2017 and December 31, 2016, Delphi was in a net derivative asset (liability) position of $35 million and $(37) million, respectively, and no significant adjustments were recorded for nonperformance risk based on the application of peer companies' CDS rates, evaluation of our own nonperformance risk and because Delphi's exposures were to counterparties with investment grade credit ratings. Refer to Note 14. Derivatives and Hedging Activities for further information regarding derivatives.
Contingent consideration—As described in Note 17. Acquisitions and Divestitures, as of June 30, 2017, additional contingent consideration may be earned as a result of Delphi's acquisition agreements for Movimento Group ("Movimento"), Control-Tec LLC ("Control-Tec"), Ottomatika, Inc. ("Ottomatika") and Antaya Technologies Corporation ("Antaya"). The liability for contingent consideration is estimated as of the date of the acquisition and is recorded as part of the purchase price, and is subsequently re-measured to fair value at each reporting date, based on a probability-weighted discounted cash flow analysis using a rate that reflects the uncertainty surrounding the expected outcomes, which the Company believes is appropriate and representative of market participant assumptions. The measurement of the liability for contingent consideration is based on significant inputs that are not observable in the market, and is therefore classified as a Level 3 measurement in accordance with ASU Topic 820-10-35. Examples of utilized unobservable inputs are estimated future earnings of the acquired businesses and applicable discount rates. The estimate of the liability may fluctuate if there are changes in the forecast of the acquired businesses' future earnings, as a result of actual earnings levels achieved or in the discount rates used to determine the present value of contingent future cash flows. As of June 30, 2017, the range of periods in which the earn-out provisions may be achieved is from 2017 to 2018. The Company regularly reviews these assumptions and makes adjustments to the fair value measurements as required by facts and circumstances.
As of June 30, 2017 and December 31, 2016, the liability for contingent consideration was $24 million (of which $2 million was classified within other current liabilities and $22 million was classified within other long-term liabilities) and $35 million (of which was $22 million classified within other current liabilities and $13 million was classified within other long-term liabilities). Adjustments to this liability for interest accretion are recognized in interest expense, and any other changes in the fair value of this liability are recognized within other income (expense), net in the consolidated statement of operations.
The changes in the contingent consideration liability classified as a Level 3 measurement for the six months ended June 30, 2017 were as follows:

	Contingent Consideration

	Liability
	(in millions)
Fair value at beginning of period	$ 35
Additions	8
Payments	(20)
Interest accretion	1
Fair value at end of period	$ 24

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During the six months ended June 30, 2017, Delphi recorded a liability of $8 million for the estimated fair value of the contingent consideration for the acquisition of Movimento, as further described in Note 17. Acquisitions and Divestitures. Also during the six months ended June 30, 2017, Delphi paid $20 million of contingent consideration related to its 2015 acquisition of Control-Tec.

As of June 30, 2017 and December 31, 2016, Delphi had the following assets measured at fair value on a recurring basis:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	(in millions)			
As of June 30, 2017				
Commodity derivatives	$18	$ —	$ 18	$ —
Foreign currency derivatives	23	—	23	—
Total	$41	$ —	$ 41	$ —
As of December 31, 2016:				
Commodity derivatives	$11	$ —	$ 11	$ —
Foreign currency derivatives	8	—	8	—
Total	$19	$ —	$ 19	$ —

As of June 30, 2017 and December 31, 2016, Delphi had the following liabilities measured at fair value on a recurring basis:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	(in millions)			
As of June 30, 2017				
Commodity derivatives	$—	$ —	$ —	$ —
Foreign currency derivatives	6	—	6	—
Contingent consideration	24	—	—	24
Total	$30	$ —	$ 6	$ 24
As of December 31, 2016:				
Foreign currency derivatives	$56	$ —	$ 56	$ —
Contingent consideration	35	—	—	35
Total	$91	$ —	$ 56	$ 35

Non-derivative financial instruments—Delphi's non-derivative financial instruments include cash and cash equivalents, accounts and notes receivable, accounts payable, as well as debt, which consists of its accounts receivable factoring arrangements, capital leases and other debt issued by Delphi's non-U.S. subsidiaries, the Revolving Credit Facility, the Tranche A Term Loan and all series of outstanding senior notes. The fair value of debt is based on quoted market prices for instruments with public market data or significant other observable inputs for instruments without a quoted public market price (Level 2). As of June 30, 2017 and December 31, 2016, total debt was recorded at $4,072 million and $3,971 million, respectively, and had estimated fair values of $4,153 million and $4,007 million, respectively. For all other financial instruments recorded at June 30, 2017 and December 31, 2016, fair value approximates book value.

Fair Value Measurements on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, Delphi also has items in its balance sheet that are measured at fair value on a nonrecurring basis. As these items are not measured at fair value on a recurring basis, they are not included in the tables above. Nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis include certain long-lived assets, equity and cost method investments, intangible assets, asset retirement obligations, share-based compensation and liabilities for exit or disposal activities measured at fair value upon initial recognition. During the three and six months ended June 30, 2017, Delphi recorded non-cash asset impairment charges totaling $4 million and $9 million, respectively, within cost of sales related to declines in the fair values of certain fixed assets. During the three and six months ended June 30, 2016, Delphi recorded non-cash asset impairment charges totaling $22 million within cost of sales related to declines in the fair values of certain fixed assets, $19 million of which related to the initiation of a plant closure of a European

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manufacturing site within the Powertrain Systems segment in the second quarter of 2016, as further described in Note 7. Restructuring. Fair value of long-lived assets is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved and a review of appraisals. As such, Delphi has determined that the fair value measurements of long-lived assets fall in Level 3 of the fair value hierarchy.

16. OTHER INCOME, NET

Other income (expense), net included:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Interest income	$1	$—	$3	$1
Components of net periodic benefit cost other than service cost (Note 9)	(9)	(3)	(16)	(6)
Reserve for Unsecured Creditors litigation	17	—	(10)	—
Other, net	(1)	(2)	3	1
Other income (expense), net	$8	$(5)	$(20)	$(4)

As further discussed in Note 10. Commitments and Contingencies, during the three months ended March 31, 2017, Delphi recorded an incremental reserve of $27 million as a result of a ruling in the Unsecured Creditors litigation related to pre-judgment interest, which was in addition to the Company's previously recorded reserve of $300 million for this matter. During the three months ended June 30, 2017, Delphi and the plaintiffs entered into an agreement to settle this matter for $310 million, which Delphi subsequently paid in July 2017. The $17 million portion of the Company's previously recorded reserve that was not included in the terms of the settlement agreement was recorded to other income during the three months ended June 30, 2017.

17. ACQUISITIONS AND DIVESTITURES

Acquisition of Movimento Group

On January 3, 2017, Delphi acquired 100% of the equity interests of Movimento Group ("Movimento"), a leading provider of Over-the-Air software and data management for the automotive sector, for a purchase price of $40 million at closing and an additional cash payment of up to $10 million contingent upon the achievement of certain performance metrics over a future 2-year period. The range of the undiscounted amounts the Company could be required to pay under this arrangement is between $0 and $10 million. As of the closing date of the acquisition, the contingent consideration was assigned a fair value of approximately $8 million. Refer to Note 15. Fair Value of Financial Instruments for additional information regarding the measurement of the contingent consideration liability. The results of operations of Movimento are reported within the Electronics and Safety segment from the date of acquisition. The Company acquired Movimento utilizing cash on hand.

The acquisition was accounted for as a business combination, with the total purchase price allocated on a preliminary basis using information available, in the first quarter of 2017. The preliminary purchase price and related allocation to the acquired net assets of Movimento based on their estimated fair values is shown below (in millions):

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Assets acquired and liabilities assumed	
Purchase price, cash consideration, net of cash acquired	$40
Purchase price, fair value of contingent consideration	8
Total purchase price, net of cash acquired	$48
Intangible assets	$22
Other assets, net	4
Identifiable net assets acquired	26
Goodwill resulting from purchase	22
Total purchase price allocation	$48

Intangible assets include $8 million recognized for the fair value of the acquired trade name, which has an estimated useful life of approximately 25 years, $4 million of customer-based and technology-related assets with estimated useful lives of approximately 7 years, and $10 million of in-process research and development, which will not be amortized, but tested for impairment until the completion or abandonment of the associated research and development efforts. The estimated fair value of these assets was based on third-party valuations and management's estimates, generally utilizing income and market approaches.

The purchase price and related allocation are preliminary and could be revised as a result of adjustments made to the purchase price, additional information obtained regarding liabilities assumed, including, but not limited to, contingent liabilities, revisions of provisional estimates of fair values, including, but not limited to, the completion of independent appraisals and valuations related to property, plant and equipment and intangible assets, and certain tax attributes.

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

Acquisition of PureDepth, Inc.

On March 23, 2016, Delphi acquired 100% of the equity interests of PureDepth, Inc. ("PureDepth"), a leading provider of 3D display technology, for approximately $15 million. The results of operations of PureDepth are reported within the Electronics and Safety segment from the date of acquisition. The acquisition was accounted for as a business combination, with the total purchase price allocated on a preliminary basis using information available, in the first quarter of 2016. The purchase price and related allocation were finalized in the first quarter of 2017, and resulted in no adjustments from the amounts previously disclosed. The purchase price and related allocation to the acquired net assets of PureDepth based on their estimated fair values is shown below (in millions):

Assets acquired and liabilities assumed	
Purchase price, cash consideration	$15
Intangible assets	$10
Goodwill resulting from purchase	5
Total purchase price allocation	$15

Intangible assets include amounts recognized for the fair value of in-process research and development, which will not be amortized, but tested for impairment until the completion or abandonment of the associated research and development efforts. The fair value of these assets was based on third-party valuations and management's estimates, generally utilizing income and market approaches.

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

Acquisition of HellermannTyton Group PLC

On December 18, 2015, pursuant to the terms of a recommended offer made on July 30, 2015, Delphi completed the acquisition of 100% of the issued ordinary share capital of HellermannTyton Group PLC ("HellermannTyton"), a public limited company based in the United Kingdom, and a leading global manufacturer of high-performance and innovative cable management solutions. Delphi paid 480 pence per HellermannTyton share, totaling approximately

$1.5 billion in aggregate, net

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of cash acquired. Approximately $242 million of HellermannTyton outstanding debt to third-party creditors was assumed and subsequently paid off.

HellermannTyton had 2014 sales of approximately €600 million (approximately 6% of which were to Delphi and will be eliminated on a consolidated basis). Upon completing the acquisition, Delphi incurred transaction related expenses totaling approximately $23 million, which were recorded within other income (expense), net in the statement of operations in the fourth quarter of 2015.

The acquisition was accounted for as a business combination, with the total purchase price allocated on a preliminary basis using information available, in the fourth quarter of 2015. The purchase price and related allocation were finalized in the fourth quarter of 2016. As a result of additional information obtained, changes to the preliminary fair values of certain property, plant and equipment, and other assets purchased and liabilities assumed, including contingent tax liabilities, from the amounts disclosed as of December 31, 2015 were recorded during the year ended December 31, 2016, which resulted in a net adjustment to goodwill of $10 million. These adjustments did not result in significant effects to the consolidated statement of operations for the year ended December 31, 2016. The purchase price and related allocation to the acquired net assets of HellermannTyton based on their estimated fair values is shown below (in millions):

Assets acquired and liabilities assumed	
Purchase price, cash consideration, net of cash acquired	$1,534
Debt and pension liabilities assumed	258
Total consideration, net of cash acquired	$1,792
Property, plant and equipment	$326
Indefinite-lived intangible assets	128
Definite-lived intangible assets	554
Other liabilities, net	(82)
Identifiable net assets acquired	926
Goodwill resulting from purchase	866
Total purchase price allocation	$1,792

Goodwill recognized in this transaction is primarily attributable to synergies expected to arise after the acquisition and the assembled workforce of HellermannTyton, and is not deductible for tax purposes. Intangible assets primarily include $128 million recognized for the fair value of the acquired trade name, which has an indefinite useful life, $451 million of customer-based assets with approximate useful lives of 13 years and $103 million of technology-related assets with approximate useful lives of 13 years. The valuation of the intangible assets acquired was based on third-party valuations, management's estimates, available information and reasonable and supportable assumptions. The fair value of the acquired trade name and the technology-related assets was generally estimated utilizing the relief from royalty method under the income approach, and the fair value of customer-based assets was generally estimated utilizing the multi-period excess earnings method.

The results of operations of HellermannTyton are reported within the Electrical/Electronic Architecture segment from the date of acquisition. The pro forma effects of this acquisition would not materially impact the Company's reported results for any period presented, and as a result no pro forma financial statements were presented.

Acquisition financing

Delphi financed the cash payment required to close the acquisition of HellermannTyton primarily with the net proceeds received from the offering of $1.3 billion of 2015 Senior Notes, as further described in Note 8. Debt, with the remainder of the purchase price funded with cash on hand that was received from the sale of the Company's Thermal Systems business, as further described below. Prior to the transaction closing, in connection with the offer to acquire HellermannTyton in July 2015, £540 million ($844 million using July 30, 2015 foreign currency rates) was placed on deposit for purposes of satisfying a portion of the consideration required to effect the acquisition.

Sale of Mechatronics Business

On December 30, 2016, Delphi completed the sale of its Mechatronics business, which was previously reported within the Electronics and Safety segment, for net cash proceeds of approximately $197 million. The net sales of this business in 2016 prior to the divestiture were approximately $290 million. Delphi recognized a pre-tax gain on the divestiture of $141 million, net of $29 million of accumulated currency translation losses transferred from accumulated other comprehensive income, which is included in cost of sales in the consolidated statement of operations. The gain on the divestiture, net of tax, was $124 million, resulting in an increase in earnings per diluted share of approximately $0.45 for the year ended December 31, 2016. The results of operations of this business were not significant to the consolidated financial statements for any period presented, and the divestiture did not meet the discontinued operations criteria.

Sale of Thermal Systems Business

On June 30, 2015, Delphi completed the sale of the Company's wholly owned Thermal Systems business. On September 24, 2015, Delphi completed the sale of its interest in its KDAC joint venture, and on March 31, 2016, Delphi completed the sale of its interest in its SDAAC joint venture. Delphi's interests in the SDAAC and KDAC joint ventures were previously reported within the Thermal Systems segment. Accordingly, the results of the Thermal Systems business are classified as discontinued operations for all periods presented. Refer to Note 21. Discontinued Operations for further disclosure related to the Company's discontinued operations, including details of the divestiture transactions.

Technology Investments

During the three months ended June 30, 2017, the Company's Electrical/Electronic Architecture segment made a $10 million investment in Valens Semiconductor Ltd., a leading provider of signal processing technology for high frequency data transmission of connected car content. During the first quarter of 2017, Delphi's Electronics and Safety segment made a $15 million investment in Otonomo Technologies Ltd., the developer of a connected car data marketplace.

Previously, in 2015 the Company's Powertrain Systems segment made a $20 million investment in Tula Technology Inc., an engine control software company, and the Electronics and Safety segment made a $3 million investment in Quanergy, a leader in 3D Light Detection and Ranging (“LIDAR”) sensing technology for automated driving. An additional $3 million investment in Quanergy was made during the first quarter of 2016. The Company's technology investments are accounted for under the cost method.

18. SHARE-BASED COMPENSATION

Long Term Incentive Plan

The Delphi Automotive PLC Long-Term Incentive Plan, as amended and restated effective April 23, 2015 (the “PLC LTIP”), allows for the grant of awards of up to 22,977,116 ordinary shares for long-term compensation. The PLC LTIP is designed to align the interests of management and shareholders. The awards can be in the form of shares, options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance awards, and other share-based awards to the employees, directors, consultants and advisors of the Company. The Company has awarded annual long-term grants of RSUs under the PLC LTIP in each year from 2012 to 2017 in order to align management compensation with Delphi's overall business strategy. The Company has competitive and market-appropriate ownership requirements. All of the RSUs granted under the PLC LTIP are eligible to receive dividend equivalents for any dividend paid from the grant date through the vesting date. Dividend equivalents are generally paid out in ordinary shares upon vesting of the underlying RSUs. Historical amounts disclosed within this note include amounts attributable to the Company's discontinued operations, unless otherwise noted.

Board of Director Awards

On April 23, 2015, Delphi granted 20,347 RSUs to the Board of Directors at a grant date fair value of approximately $2 million. The grant date fair value was determined based on the closing price of the Company's ordinary shares on April 23, 2015. The RSUs vested on April 27, 2016, and 24,542 ordinary shares, which included shares issued in connection with dividend equivalents, were issued to members of the Board of Directors at a fair value of approximately $2 million. 1,843 ordinary shares were withheld to cover the minimum U.K. withholding taxes.

On April 28, 2016, Delphi granted 27,238 RSUs to the Board of Directors at a grant date fair value of approximately $2 million. The grant date fair value was determined based on the closing price of the Company's ordinary shares on April 28, 2016. The RSUs vested on April 26, 2017, and 26,580 ordinary shares, which included shares issued in connection with dividend equivalents, were issued to members of the Board of Directors at a fair value of approximately $2 million. 3,472 ordinary shares were withheld to cover the minimum U.K. withholding taxes.

On April 27, 2017, Delphi granted 26,782 RSUs to the Board of Directors at a grant date fair value of approximately $2 million. The grant date fair value was determined based on the closing price of the Company's ordinary shares on April 27, 2017. The RSUs will vest on April 25, 2018, the day before the 2018 annual meeting of shareholders.

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Executive Awards

Delphi has made annual grants of RSUs to its executives in February of each year beginning in 2012. These awards include a time-based vesting portion and a performance-based vesting portion, as well as continuity awards in certain years. The time-based RSUs, which make up 25% of the awards for Delphi's officers and 50% for Delphi's other executives, vest ratably over three years beginning on the first anniversary of the grant date. The performance-based RSUs, which make up 75% of the awards for Delphi's officers and 50% for Delphi's other executives, vest at the completion of a three-year performance period if certain targets are met. Each executive will receive between 0% and 200% of his or her target performance-based award based on the Company's performance against established company-wide performance metrics, which are:

Metric	2016 - 2017 Grants	2013 - 2015 Grants
Average return on net assets (1)	50%	50%
Cumulative net income	25%	N/A
Cumulative earnings per share (2)	N/A	30%
Relative total shareholder return (3)	25%	20%

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

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

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

The details of the executive grants were as follows:

Grant Date	RSUs Granted	Grant Date Fair Value	Time-Based Award Vesting Dates	Performance-Based Award Vesting Date
	(in millions)			
February 2013	1.45	$ 60	Annually on anniversary of grant date, 2014 - 2016	December 31, 2015
February 2014	0.78	53	Annually on anniversary of grant date, 2015 - 2017	December 31, 2016
February 2015	0.90	76	Annually on anniversary of grant date, 2016 - 2018	December 31, 2017
February 2016	0.71	48	Annually on anniversary of grant date, 2017 - 2019	December 31, 2018
February 2017	0.80	63	Annually on anniversary of grant date, 2018 - 2020	December 31, 2019

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

The grant date fair value of the RSUs is determined based on the target number of awards issued, the closing price of the Company's ordinary shares on the date of the grant of the award, including an estimate for forfeitures, and a contemporaneous valuation performed by an independent valuation specialist with respect to the relative total shareholder return awards.

In February 2016, under the time-based vesting terms of the 2013, 2014 and 2015 grants, 395,744 ordinary shares were issued to Delphi executives at a fair value of approximately $24 million, of which 146,726 ordinary shares were withheld to cover minimum withholding taxes. The performance-based RSUs associated with the 2013 grant vested at the completion of a three-year performance period on December 31, 2015, and in the first quarter of 2016, 1,265,339 ordinary shares were issued to Delphi executives at a fair value of approximately $77 million, of which 512,371 ordinary shares were withheld to cover minimum withholding taxes.

In February 2017, under the time-based vesting terms of the 2014, 2015 and 2016 grants, 248,008 ordinary shares were issued to Delphi executives at a fair value of approximately $19 million, of which 88,807 ordinary shares were withheld to cover minimum withholding taxes. The performance-based RSUs associated with the 2014 grant vested at the completion of a three-year performance period on December 31, 2016, and in the first quarter of 2017, 797,210 ordinary shares were issued to Delphi executives at a fair value of approximately $60 million, of which 324,555 ordinary shares were withheld to cover minimum withholding taxes.

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

	RSUs	Weighted Average Grant Date Fair Value
	(in thousands)	
Nonvested, January 1, 2017	1,740	$ 76.54
Granted	877	79.68
Vested	(340)	73.85
Forfeited	(121)	76.78
Nonvested, June 30, 2017	2,156	78.23

Delphi recognized compensation expense of $16 million ($14 million, net of tax) and $10 million ($9 million, net of tax) based on the Company’s best estimate of ultimate performance against the respective targets during the three months ended June 30, 2017 and 2016, respectively. Delphi recognized compensation expense of $32 million ($28 million, net of tax) and $27 million ($23 million, net of tax) based on the Company’s best estimate of ultimate performance against the respective targets during the six months ended June 30, 2017 and 2016, respectively. Delphi will continue to recognize compensation expense, based on the grant date fair value of the awards applied to the Company’s best estimate of ultimate performance against the respective targets, over the requisite vesting periods of the awards. Based on the grant date fair value of the awards and the Company’s best estimate of ultimate performance against the respective targets as of June 30, 2017, unrecognized compensation expense on a pre-tax basis of approximately $105 million is anticipated to be recognized over a weighted average period of approximately 2 years. For the six months ended June 30, 2017 and 2016, respectively, approximately $33 million and $40 million of cash was paid and reflected as a financing activity in the statements of cash flows related to the minimum statutory tax withholding for vested RSUs.

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

Basis of Presentation

Notes Issued by the Subsidiary Issuer

As described in Note 8. Debt, Delphi Corporation (the "Subsidiary Issuer/Guarantor"), a 100% owned subsidiary of Delphi Automotive PLC (the "Parent"), issued the 2013 Senior Notes and the 2014 Senior Notes, both of which were registered under the Securities Act, and is the borrower of obligations under the Credit Agreement. The 2013 Senior Notes were subsequently redeemed and extinguished in September 2016. The 2014 Senior Notes and obligations under the Credit Agreement are, and prior to their redemption, the 2013 Senior Notes were, fully and unconditionally guaranteed by Delphi Automotive PLC and certain of Delphi Automotive PLC's direct and indirect subsidiary companies, which are directly or indirectly 100% owned by Delphi Automotive PLC (the “Subsidiary Guarantors”), on a joint and several basis, subject to customary release provisions (other than in the case of Delphi Automotive PLC). All other consolidated direct and indirect subsidiaries of Delphi Automotive PLC are not subject to the guarantees (“Non-Guarantor Subsidiaries”).

Notes Issued by the Parent

As described in Note 8. Debt, Delphi Automotive PLC issued the 2015 Senior Notes, the 2015 Euro-denominated Senior Notes, the 2016 Euro-denominated Senior Notes and the 2016 Senior Notes, each of which were registered under the Securities Act. Each series of these senior notes are fully and unconditionally guaranteed on a joint and several basis, subject to customary release provisions, by certain of Delphi Automotive PLC's direct and indirect subsidiary companies (the “Subsidiary Guarantors”), and Delphi Corporation, each of which are directly or indirectly 100% owned by Delphi Automotive PLC. All other consolidated direct and indirect subsidiaries of Delphi Automotive PLC are not subject to the guarantees (“Non-Guarantor Subsidiaries”).

In lieu of providing separate audited financial statements for the Guarantors, the Company has included the accompanying condensed consolidating financial statements. These condensed consolidating financial statements are presented on the equity method. Under this method, the investments in subsidiaries are recorded at cost and adjusted for the parent's share of the subsidiary's cumulative results of operations, capital contributions and distributions and other equity changes. The Non-Guarantor Subsidiaries are combined in the condensed consolidating financial statements. The principal elimination entries are to eliminate the investments in subsidiaries and intercompany balances and transactions.

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Statement of Operations Three Months Ended June 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$—	$ —	$ —	$ 4,318	$ —	$ 4,318
Operating expenses:						
Cost of sales	—	—	—	3,419	—	3,419
Selling, general and administrative	29	—	—	272	—	301
Amortization	—	—	—	33	—	33
Restructuring	—	—	—	97	—	97
Total operating expenses	29	—	—	3,821	—	3,850
Operating (loss) income	(29)	—	—	497	—	468
Interest (expense) income	(63)	(1)	(43)	(4)	76	(35)
Other income (expense), net	—	56	—	28	(76)	8
(Loss) income from continuing operations before income taxes and equity income	(92)	55	(43)	521	—	441
Income tax benefit (expense)	1	—	16	(79)	—	(62)
(Loss) income from continuing operations before equity income	(91)	55	(27)	442	—	379
Equity in net income of affiliates	—	—	—	7	—	7
Equity in net income (loss) of subsidiaries	460	392	49	—	(901)	—
Income (loss) from continuing operations	369	447	22	449	(901)	386
Income from discontinued operations, net of tax	—	—	—	—	—	—
Net income (loss)	369	447	22	449	(901)	386
Net income attributable to noncontrolling interest	—	—	—	17	—	17
Net income (loss) attributable to Delphi	$369	$ 447	$ 22	$ 432	$ (901)	$ 369

Statement of Operations Six Months Ended June 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$—	$ —	$ —	$ 8,610	$ —	$ 8,610
Operating expenses:						
Cost of sales	—	—	—	6,864	—	6,864
Selling, general and administrative	35	—	—	554	—	589
Amortization	—	—	—	66	—	66
Restructuring	—	—	—	159	—	159
Total operating expenses	35	—	—	7,643	—	7,678
Operating (loss) income	(35)	—	—	967	—	932
Interest (expense) income	(122)	(4)	(86)	(6)	149	(69)
Other income (expense), net	—	66	1	62	(149)	(20)
(Loss) income from continuing operations before income taxes and equity income	(157)	62	(85)	1,023	—	843
Income tax benefit (expense)	1	—	31	(155)	—	(123)
(Loss) income from continuing operations before equity income	(156)	62	(54)	868	—	720
Equity in net income of affiliates	—	—	—	18	—	18

Equity in net income (loss) of subsidiaries	860	769	19	—	(1,648)	—
Income (loss) from continuing operations	704	831	(35)	886	(1,648)	738
Income from discontinued operations, net of tax	—	—	—	—	—	—
Net income (loss)	704	831	(35)	886	(1,648)	738
Net income attributable to noncontrolling interest	—	—	—	34	—	34
Net income (loss) attributable to Delphi	$704	$ 831	$ (35)	$ 852	$ (1,648)	$ 704

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Statement of Operations Three Months Ended June 30, 2016

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$—	$ —	$ —	$ 4,206	$ —	$ 4,206
Operating expenses:						
Cost of sales	—	—	—	3,346	—	3,346
Selling, general and administrative	35	—	—	243	—	278
Amortization	—	—	—	34	—	34
Restructuring	—	—	—	154	—	154
Total operating expenses	35	—	—	3,777	—	3,812
Operating (loss) income	(35)	—	—	429	—	394
Interest (expense) income	(50)	(8)	(50)	(20)	87	(41)
Other income (expense), net	—	31	16	35	(87)	(5)
(Loss) income from continuing operations before income taxes and equity income	(85)	23	(34)	444	—	348
Income tax benefit (expense)	—	—	12	(96)	—	(84)
(Loss) income from continuing operations before equity income	(85)	23	(22)	348	—	264
Equity in net income of affiliates	—	—	—	7	—	7
Equity in net income (loss) of subsidiaries	343	327	147	—	(817)	—
Income from continuing operations	258	350	125	355	(817)	271
Income from discontinued operations, net of tax	—	—	—	—	—	—
Net income (loss)	258	350	125	355	(817)	271
Net income attributable to noncontrolling interest	—	—	—	13	—	13
Net income (loss) attributable to Delphi	$258	$ 350	$ 125	$ 342	$ (817)	$ 258

Statement of Operations Six Months Ended June 30, 2016

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$—	$ —	$ —	$ 8,257	$ —	$ 8,257
Operating expenses:						
Cost of sales	—	—	—	6,608	—	6,608
Selling, general and administrative	64	—	—	491	—	555
Amortization	—	—	—	67	—	67
Restructuring	—	—	—	189	—	189
Total operating expenses	64	—	—	7,355	—	7,419
Operating (loss) income	(64)	—	—	902	—	838
Interest (expense) income	(96)	(16)	(101)	(39)	170	(82)
Other income (expense), net	—	62	33	71	(170)	(4)
(Loss) income from continuing operations before income taxes and equity income	(160)	46	(68)	934	—	752
Income tax benefit (expense)	—	—	25	(184)	—	(159)
(Loss) income from continuing operations before equity income	(160)	46	(43)	750	—	593
Equity in net income of affiliates	—	—	—	13	—	13

Equity in net income (loss) of subsidiaries	843	800	251	—	(1,894)	—
Income from continuing operations	683	846	208	763	(1,894)	606
Income from discontinued operations, net of tax	—	—	—	108	—	108
Net income (loss)	683	846	208	871	(1,894)	714
Net income attributable to noncontrolling interest	—	—	—	31	—	31
Net income (loss) attributable to Delphi	$683	$ 846	$ 208	$ 840	$ (1,894)	$ 683

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Statement of Comprehensive Income Three Months Ended June 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	$369	$ 447	$ 22	$ 449	$ (901)	$ 386
Other comprehensive income (loss):						
Currency translation adjustments	(73)	—	—	176	—	103
Net change in unrecognized gain (loss) on derivative instruments, net of tax	—	—	—	4	—	4
Employee benefit plans adjustment, net of tax	—	—	—	1	—	1
Other comprehensive (loss) income	(73)	—	—	181	—	108
Equity in other comprehensive income (loss) of subsidiaries	178	(40)	13	—	(151)	—
Comprehensive income (loss)	474	407	35	630	(1,052)	494
Comprehensive income attributable to noncontrolling interests	—	—	—	20	—	20
Comprehensive income (loss) attributable to Delphi	$474	$ 407	$ 35	$ 610	$ (1,052)	$ 474

Statement of Comprehensive Income Six Months Ended June 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	$704	$ 831	$ (35)	$ 886	$ (1,648)	$ 738
Other comprehensive income (loss):						
Currency translation adjustments	(103)	—	—	292	—	189
Net change in unrecognized gain (loss) on derivative instruments, net of tax	—	—	—	43	—	43
Employee benefit plans adjustment, net of tax	—	—	—	5	—	5
Other comprehensive (loss) income	(103)	—	—	340	—	237
Equity in other comprehensive income (loss) of subsidiaries	336	(11)	61	—	(386)	—
Comprehensive income (loss)	937	820	26	1,226	(2,034)	975
Comprehensive income attributable to noncontrolling interests	—	—	—	38	—	38
Comprehensive income (loss) attributable to Delphi	$937	$ 820	$ 26	$ 1,188	$ (2,034)	$ 937

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Statement of Comprehensive Income Three Months Ended June 30, 2016

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	$258	$ 350	$ 125	$ 355	$ (817)	$ 271
Other comprehensive income (loss):						
Currency translation adjustments	16	—	—	(72)	—	(56)
Net change in unrecognized gain (loss) on derivative instruments, net of tax	—	—	—	26	—	26
Employee benefit plans adjustment, net of tax	—	—	—	17	—	17
Other comprehensive income (loss)	16	—	—	(29)	—	(13)
Equity in other comprehensive (loss) income of subsidiaries	(26)	(102)	—	—	128	—
Comprehensive income (loss)	248	248	125	326	(689)	258
Comprehensive income attributable to noncontrolling interests	—	—	—	10	—	10
Comprehensive income (loss) attributable to Delphi	$248	$ 248	$ 125	$ 316	$ (689)	$ 248

Statement of Comprehensive Income Six Months Ended June 30, 2016

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	$683	$ 846	$ 208	$ 871	$ (1,894)	$ 714
Other comprehensive income (loss):						
Currency translation adjustments	(9)	—	—	(10)	—	(19)
Net change in unrecognized gain (loss) on derivative instruments, net of tax	—	—	—	49	—	49
Employee benefit plans adjustment, net of tax	—	—	—	22	—	22
Other comprehensive (loss) income	(9)	—	—	61	—	52
Equity in other comprehensive income (loss) of subsidiaries	63	(125)	11	—	51	—
Comprehensive income (loss)	737	721	219	932	(1,843)	766
Comprehensive income attributable to noncontrolling interests	—	—	—	29	—	29
Comprehensive income (loss) attributable to Delphi	$737	$ 721	$ 219	$ 903	$ (1,843)	$ 737

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Balance Sheet as of June 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
ASSETS						
Current assets:						
Cash and cash equivalents	$—	$ —	$ —	$ 792	$ —	$ 792
Restricted cash	—	—	—	1	—	1
Accounts receivable, net	—	—	—	3,127	—	3,127
Intercompany receivables, current	3	1,882	270	6,015	(8,170)	—
Inventories	—	—	—	1,485	—	1,485
Other current assets	—	—	—	444	—	444
Total current assets	3	1,882	270	11,864	(8,170)	5,849
Long-term assets:						
Intercompany receivables, long-term	—	1,107	768	1,738	(3,613)	—
Property, net	—	—	—	3,671	—	3,671
Investments in affiliates	—	—	—	127	—	127
Investments in subsidiaries	12,031	9,743	3,311	—	(25,085)	—
Intangible assets, net	—	—	—	2,860	—	2,860
Other long-term assets	60	—	9	480	—	549
Total long-term assets	12,091	10,850	4,088	8,876	(28,698)	7,207
Total assets	$ 12,094	$ 12,732	$ 4,358	$ 20,740	$ (36,868)	$ 13,056
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Short-term debt	$—	$ —	$ 8	$ 5	$ —	$ 13
Accounts payable	—	—	—	2,603	—	2,603
Intercompany payables, current	6,059	68	970	1,073	(8,170)	—
Accrued liabilities	30	310	9	1,205	—	1,554
Total current liabilities	6,089	378	987	4,886	(8,170)	4,170
Long-term liabilities:						
Long-term debt	2,942	—	1,085	32	—	4,059
Intercompany payables, long-term	168	1,321	1,333	791	(3,613)	—
Pension benefit obligations	—	—	—	986	—	986
Other long-term liabilities	—	—	11	545	—	556
Total long-term liabilities	3,110	1,321	2,429	2,354	(3,613)	5,601
Total liabilities	9,199	1,699	3,416	7,240	(11,783)	9,771
Total Delphi shareholders' equity	2,895	11,033	942	13,110	(25,085)	2,895
Noncontrolling interest	—	—	—	390	—	390
Total shareholders' equity	2,895	11,033	942	13,500	(25,085)	3,285
Total liabilities and shareholders' equity	$ 12,094	$ 12,732	$ 4,358	$ 20,740	$ (36,868)	$ 13,056

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Balance Sheet as of December 31, 2016

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
ASSETS						
Current assets:						
Cash and cash equivalents	$2	$—	$ —	$ 836	$—	$ 838
Restricted cash	—	—	—	1	—	1
Accounts receivable, net	—	—	—	2,938	—	2,938
Intercompany receivables, current	47	1,843	436	5,285	(7,611)	—
Inventories	—	—	—	1,232	—	1,232
Other current assets	—	—	—	410	—	410
Total current assets	49	1,843	436	10,702	(7,611)	5,419
Long-term assets:						
Intercompany receivables, long-term	—	1,070	768	1,767	(3,605)	—
Property, net	—	—	—	3,515	—	3,515
Investments in affiliates	—	—	—	101	—	101
Investments in subsidiaries	10,833	8,722	3,090	—	(22,645)	—
Intangible assets, net	—	—	—	2,748	—	2,748
Other long-term assets	60	—	10	439	—	509
Total long-term assets	10,893	9,792	3,868	8,570	(26,250)	6,873
Total assets	$10,942	$ 11,635	$ 4,304	$ 19,272	$ (33,861)	$ 12,292
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Short-term debt	$—	$ —	$ 3	$ 9	$—	$ 12
Accounts payable	3	—	—	2,560	—	2,563
Intercompany payables, current	5,504	68	974	1,065	(7,611)	—
Accrued liabilities	31	300	30	1,212	—	1,573
Total current liabilities	5,538	368	1,007	4,846	(7,611)	4,148
Long-term liabilities:						
Long-term debt	2,837	—	1,090	32	—	3,959
Intercompany payables, long-term	166	1,317	1,296	826	(3,605)	—
Pension benefit obligations	—	—	—	955	—	955
Other long-term liabilities	—	—	10	457	—	467
Total long-term liabilities	3,003	1,317	2,396	2,270	(3,605)	5,381
Total liabilities	8,541	1,685	3,403	7,116	(11,216)	9,529
Total Delphi shareholders' equity	2,401	9,950	901	11,794	(22,645)	2,401
Noncontrolling interest	—	—	—	362	—	362
Total shareholders' equity	2,401	9,950	901	12,156	(22,645)	2,763
Total liabilities and shareholders' equity	$10,942	$ 11,635	$ 4,304	$ 19,272	$ (33,861)	$ 12,292

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Statement of Cash Flows for the Six Months Ended June 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net cash (used in) provided by operating activities from continuing operations	$(35)	$ 26	$ —	$ 898	$ —	$ 889
Net cash provided by operating activities from discontinued operations	—	—	—	—	—	—
Net cash (used in) provided by operating activities	(35)	26	—	898	—	889
Cash flows from investing activities:						
Capital expenditures	—	—	—	(393)	—	(393)
Proceeds from sale of property / investments	—	—	—	7	—	7
Cost of business acquisitions, net of cash acquired	—	—	—	(40)	—	(40)
Cost of technology investments	—	—	—	(25)	—	(25)
Settlement of derivatives	—	—	—	(12)	—	(12)
Loans to affiliates	—	(26)	—	(452)	478	—
Net cash (used in) provided by investing activities from continuing operations	—	(26)	—	(915)	478	(463)
Net cash provided by investing activities from discontinued operations	—	—	—	—	—	—
Net cash (used in) provided by investing activities	—	(26)	—	(915)	478	(463)
Cash flows from financing activities:						
Net repayments under other short- and long-term debt agreements	—	—	—	(5)	—	(5)
Contingent consideration and deferred acquisition purchase price payments	—	—	—	(20)	—	(20)
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	(10)	—	(10)
Proceeds from borrowings from affiliates	478	—	—	—	(478)	—
Repurchase of ordinary shares	(289)	—	—	—	—	(289)
Distribution of cash dividends	(156)	—	—	—	—	(156)
Taxes withheld and paid on employees' restricted share awards	—	—	—	(33)	—	(33)
Net cash provided by (used in) financing activities	33	—	—	(68)	(478)	(513)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	—	41	—	41
Decrease in cash and cash equivalents	(2)	—	—	(44)	—	(46)
Cash and cash equivalents at beginning of period	2	—	—	836	—	838
Cash and cash equivalents at end of period	$—	$ —	$ —	$ 792	$ —	$ 792

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Statement of Cash Flows for the Six Months Ended June 30, 2016

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net cash (used in) provided by operating activities from continuing operations	$(24)	$ 7	$ —	$ 860	$ —	$ 843
Net cash provided by operating activities from discontinued operations	—	—	—	—	—	—
Net cash (used in) provided by operating activities	(24)	7	—	860	—	843
Cash flows from investing activities:						
Capital expenditures	—	—	—	(412)	—	(412)
Proceeds from sale of property / investments	—	—	—	8	—	8
Net proceeds from divestiture of discontinued operations	—	—	—	52	—	52
Cost of business acquisitions, net of cash acquired	—	—	(15)	—	—	(15)
Cost of technology investments	—	—	(3)	—	—	(3)
Settlement of derivatives	—	—	—	(16)	—	(16)
Loans to affiliates	—	(7)	—	(630)	637	—
Repayments of loans from affiliates	—	—	—	3	(3)	—
Net cash (used in) provided by investing activities from continuing operations	—	(7)	(18)	(995)	634	(386)
Net cash used in investing activities from discontinued operations	—	—	—	(4)	—	(4)
Net cash (used in) provided by investing activities	—	(7)	(18)	(999)	634	(390)
Cash flows from financing activities:						
Net proceeds under other short-term debt agreements	—	—	—	51	—	51
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	(12)	—	(12)
Proceeds from borrowings from affiliates	619	—	18	—	(637)	—
Payments on borrowings from affiliates	(3)	—	—	—	3	—
Repurchase of ordinary shares	(435)	—	—	—	—	(435)
Distribution of cash dividends	(159)	—	—	—	—	(159)
Taxes withheld and paid on employees' restricted share awards	—	—	—	(40)	—	(40)
Net cash provided by (used in) financing activities	22	—	18	(1)	(634)	(595)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	—	—	—	—
Decrease in cash and cash equivalents	(2)	—	—	(140)	—	(142)
Cash and cash equivalents at beginning of period	4	—	—	575	—	579
Cash and cash equivalents at end of period	$2	$ —	$ —	$ 435	$ —	$ 437

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20. SEGMENT REPORTING

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

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

The accounting policies of the segments are the same as those described in Note 2. Significant Accounting Policies, except that the disaggregated financial results for the segments have been prepared using a management approach, which is consistent with the basis and manner in which management internally disaggregates financial information for which Delphi’s chief operating decision maker regularly reviews financial results to assess performance of, and make internal operating decisions about allocating resources to, the segments.

Generally, Delphi evaluates segment performance based on stand-alone segment net income before interest expense, other income (expense), net, income tax expense, equity income (loss), net of tax, income (loss) from discontinued operations, net of tax, restructuring, separation costs related to the planned spin-off of the Powertrain Systems segment, other acquisition and portfolio project costs (which includes costs incurred to integrate acquired businesses and to plan and execute product portfolio transformation actions, including business and product acquisitions and divestitures), asset impairments and gains (losses) on business divestitures (“Adjusted Operating Income”) and accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, at current market prices. Delphi’s management utilizes Adjusted Operating Income as the key performance measure of segment income or loss to evaluate segment performance, and for planning and forecasting purposes to allocate resources to the segments, as management believes this measure is most reflective of the operational profitability or loss of Delphi's operating segments. Segment Adjusted Operating Income should not be considered a substitute for results prepared in accordance with U.S. GAAP and should not be considered an alternative to net income attributable to Delphi, which is the most directly comparable financial measure to Adjusted Operating Income that is prepared in accordance with U.S. GAAP. Segment Adjusted Operating Income, as determined and measured by Delphi, should also not be compared to similarly titled measures reported by other companies.

As described in Note 21. Discontinued Operations, the Company's previously reported Thermal Systems segment has been classified as discontinued operations for all periods presented. No amounts for shared general and administrative operating expense or interest expense were allocated to discontinued operations.

Effective July 1, 2016, Delphi reorganized its management reporting structure by moving its Power Electronics product line, which was historically included in the Electronics and Safety segment, to the Powertrain Systems segment. This reorganization was made to better align the product offerings of the Power Electronics product line with the Company's approach to managing the markets and customers served by this product line. Consistent with this change in the Company's management reporting structure and basis of financial information used by the chief operating decision maker, the prior period results of the Power Electronics product line have been reclassified from the Electronics and Safety segment to the Powertrain Systems segment for all periods presented. The reclassification had no impact on the consolidated financial statements.

Included below are sales and operating data for Delphi’s segments for the three and six months ended June 30, 2017 and 2016.

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	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other (1)	Total
	(in millions)				
For the Three Months Ended June 30, 2017:					
Net sales	$2,345	$ 1,187	$ 821	$ (35)	$4,318
Depreciation & amortization	$104	$ 52	$ 25	$ —	$181
Adjusted operating income	$333	$ 162	$ 92	$ —	$587
Operating income	$318	$ 76	$ 74	$ —	$468
Equity income	$7	$ —	$ —	$ —	$7
Net income attributable to noncontrolling interest	$9	$ 8	$ —	$ —	$17

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other (1)	Total
	(in millions)				
For the Three Months Ended June 30, 2016:					
Net sales	$2,352	$ 1,146	$ 748	$ (40)	$4,206
Depreciation & amortization	$100	$ 70	$ 20	$ —	$190
Adjusted operating income	$345	$ 134	$ 101	$ —	$580
Operating income (loss)	$323	$ (16)	$ 87	$ —	$394
Equity income	$7	$ —	$ —	$ —	$7
Net income attributable to noncontrolling interest	$6	$ 7	$ —	$ —	$13

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other (1)	Total
	(in millions)				
For the Six Months Ended June 30, 2017:					
Net sales	$4,687	$ 2,355	$ 1,639	$ (71)	$8,610
Depreciation & amortization	$205	$ 102	$ 49	$ —	$356
Adjusted operating income	$662	$ 322	$ 140	$ —	$1,124
Operating income	$631	$ 220	$ 81	$ —	$932
Equity income	$18	$ —	$ —	$ —	$18
Net income attributable to noncontrolling interest	$18	$ 16	$ —	$ —	$34

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other (1)	Total
	(in millions)				
For the Six Months Ended June 30, 2016:					
Net sales	$4,629	$ 2,263	$ 1,445	$ (80)	$8,257
Depreciation & amortization	$195	$ 116	$ 41	$ —	$352
Adjusted operating income	$652	$ 259	$ 181	$ —	$1,092
Operating income	$585	$ 96	$ 157	$ —	$838
Equity income	$13	$ —	$ —	$ —	$13
Net income attributable to noncontrolling interest	$13	$ 15	$ —	$ —	$28

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

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The reconciliation of Adjusted Operating Income to Operating Income includes, as applicable, restructuring, separation costs, other acquisition and portfolio project costs (which includes costs incurred to integrate acquired businesses and to plan and execute product portfolio transformation actions, including business and product acquisitions and divestitures), asset impairments and gains (losses) on business divestitures. The reconciliation of Adjusted Operating Income to net income attributable to Delphi for the three and six months ended June 30, 2017 and 2016 are as follows:

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other	Total
	(in millions)				
For the Three Months Ended June 30, 2017:					
Adjusted operating income	$333	$ 162	$ 92	$ —	$587
Restructuring	(13)	(67)	(17)	—	(97)
Separation costs	—	(15)	—	—	(15)
Other acquisition and portfolio project costs	(2)	—	(1)	—	(3)
Asset impairments	—	(4)	—	—	(4)
Operating income	$318	$ 76	$ 74	$ —	468
Interest expense					(35)
Other income, net					8
Income from continuing operations before income taxes and equity income					441
Income tax expense					(62)
Equity income, net of tax					7
Income from continuing operations					386
Income from discontinued operations, net of tax					—
Net income					386
Net income attributable to noncontrolling interest					17
Net income attributable to Delphi					$369

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	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other	Total
	(in millions)				
For the Three Months Ended June 30, 2016:					
Adjusted operating income	$345	$ 134	$ 101	$ —	$580
Restructuring	(17)	(126)	(11)	—	(154)
Other acquisition and portfolio project costs	(5)	(2)	(3)	—	(10)
Asset impairments	—	(22)	—	—	(22)
Operating income (loss)	$323	$ (16)	$ 87	$ —	394
Interest expense					(41)
Other expense, net					(5)
Income from continuing operations before income taxes and equity income					348
Income tax expense					(84)
Equity income, net of tax					7
Income from continuing operations					271
Income from discontinued operations, net of tax					—
Net income					271
Net income attributable to noncontrolling interest					13
Net income attributable to Delphi					$258

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other	Total
	(in millions)				
For the Six Months Ended June 30, 2017:					
Adjusted operating income	$662	$ 322	$ 140	$ —	$1,124
Restructuring	(26)	(77)	(56)	—	(159)
Separation costs	—	(15)	—	—	(15)
Other acquisition and portfolio project costs	(5)	(2)	(2)	—	(9)
Asset impairments	—	(8)	(1)	—	(9)
Operating income	$631	$ 220	$ 81	$ —	932
Interest expense					(69)
Other expense, net					(20)
Income from continuing operations before income taxes and equity income					843
Income tax expense					(123)
Equity income, net of tax					18
Income from continuing operations					738
Income from discontinued operations, net of tax					—
Net income					738
Net income attributable to noncontrolling interest					34
Net income attributable to Delphi					$704

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	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other	Total
	(in millions)				
For the Six Months Ended June 30, 2016:					
Adjusted operating income	$652	$ 259	$ 181	$ —	$1,092
Restructuring	(35)	(135)	(19)	—	(189)
Other acquisition and portfolio project costs	(32)	(6)	(5)	—	(43)
Asset impairments	—	(22)	—	—	(22)
Operating income	$585	$ 96	$ 157	$ —	838
Interest expense					(82)
Other expense, net					(4)
Income from continuing operations before income taxes and equity income					752
Income tax expense					(159)
Equity income, net of tax					13
Income from continuing operations					606
Income from discontinued operations, net of tax					108
Net income					714
Net income attributable to noncontrolling interest					31
Net income attributable to Delphi					$683

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21. DISCONTINUED OPERATIONS

During the first quarter of 2015, the Company determined that its previously reported Thermal Systems segment met the criteria to be classified as a discontinued operation as a result of entering into a definitive agreement for the sale of substantially all of the assets and liabilities of the Company's wholly owned Thermal Systems business and a commitment to a plan to dispose of the Company's interests in two joint ventures which were previously reported within the Thermal Systems segment.

On June 30, 2015 the Company closed the sale of its wholly owned Thermal Systems business to MAHLE GmbH ("MAHLE"). The Company received cash proceeds of approximately $670 million and recognized a gain on the divestiture within income from discontinued operations of $271 million (approximately $0.95 per diluted share), net of tax expense of $52 million, transaction costs of $10 million and $18 million of pre-tax post-closing adjustments recorded during the year ended December 31, 2015 primarily related to settlement of working capital items and contingent liabilities. Additional post-closing adjustments of $3 million, primarily related to the settlement of contingent liabilities, were recorded as a reduction to the gain on the divestiture during the year ended December 31, 2016. In conjunction with the sale, Delphi and MAHLE also entered into a transition services agreement under which Delphi provided certain administrative and other services, as well as a supply agreement under which Delphi supplied certain products, primarily for a period of up to eighteen months following the closing of the transaction. Delphi recorded $2 million and $5 million to other income (expense), net during the three and six months ended June 30, 2016, respectively, for certain fees earned pursuant to the transition services agreement.

On September 24, 2015 the Company closed the sale of its 50 percent interest in its Korea Delphi Automotive Systems Corporation ("KDAC") joint venture, which was accounted for under the equity method and was principally reported as part of the Thermal Systems segment, to the joint venture partner. The Company received cash proceeds of $70 million and recognized a gain on the divestiture of $47 million, net of tax expense, within income from discontinued operations during the three months ended September 30, 2015. During the year ended December 31, 2015, the Company recorded a net loss of $41 million (approximately $0.14 per diluted share) on the KDAC divestiture within income from discontinued operations, which includes an impairment loss of $88 million recorded on this investment in the first quarter of 2015 based on the evaluation of the estimated fair value of the Company's interest in KDAC as of March 31, 2015 in relation to its carrying value.

On March 31, 2016, the Company closed the sale of its 50 percent interest in its Shanghai Delphi Automotive Air Conditioning ("SDAAC") joint venture to one of the Company's joint venture partners, Shanghai Aerospace Automobile Electromechanical Co., Ltd ("SAAE"). The Company received cash proceeds of $62 million, net of tax, transaction costs and $29 million of cash divested, and recognized a gain on the divestiture of $104 million (approximately $0.38 per diluted share), net of tax expense of $10 million and transaction costs, within income from discontinued operations during the six months ended June 30, 2016. The financial results of SDAAC, which were consolidated by Delphi, were historically reported as part of the Thermal Systems segment.

As the divestiture of the Thermal Systems segment, including the Company's interests in SDAAC and KDAC and the thermal original equipment service business, represents a strategic shift that will have a major effect on the Company's operations and financial results, the assets and liabilities, operating results, and operating and investing cash flows for the former Thermal Systems segment are presented as discontinued operations separate from the Company’s continuing operations for all periods presented. Discontinued operations also includes the Company's thermal original equipment service business, which was included in the sale of the wholly owned Thermal Systems business, the results of which were previously reported within the Powertrain Systems segment. Certain operations, primarily related to contract manufacturing services, which were previously included within the Thermal Systems reporting segment, were excluded from the scope of the divestiture, and are reported in continuing operations within the Electronics and Safety segment for all periods presented. No amounts for shared general and administrative operating expense or interest expense were allocated to discontinued operations. Delphi has not had significant continuing involvement with the divested Thermal Systems business following the closing of the transactions.

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A reconciliation of the major classes of line items constituting pre-tax profit or loss of discontinued operations to income from discontinued operations, net of tax as presented in the consolidated statements of operations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Net sales	$ —	$ —	$ —	$ 78
Cost of sales	—	—	—	67
Selling, general and administrative	—	—	—	4
Income from discontinued operations before income taxes and equity income	—	—	—	7
Gain on divestiture of discontinued operations, net of tax	—	—	—	104
Adjustment to prior period gain on divestiture, net of tax	—	—	—	(3)
Income from discontinued operations, net of tax	—	—	—	108
Income from discontinued operations attributable to noncontrolling interests	—	—	—	3
Net income from discontinued operations attributable to Delphi	$ —	$ —	$ —	$ 105

Income from discontinued operations before income taxes attributable to Delphi was $0 and $115 million for the six months ended June 30, 2017 and 2016, respectively. No assets or liabilities were classified as held for sale as of June 30, 2017 or December 31, 2016.

22. SEPARATION OF POWERTRAIN SYSTEMS

On May 3, 2017, the Company announced its intention to pursue a separation of its Powertrain Systems segment into a new, independent publicly traded company, through a transaction expected to be treated as a tax-free spin-off to its shareholders. The Company plans to complete the separation by March 2018, subject to customary closing conditions. During the three and six months ended June 30, 2017, the Company incurred costs of $15 million related to the separation. These costs, which are included in selling, general and administrative expense within the consolidated statement of operations, were primarily related to third party professional fees associated with planning the separation.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q, including the exhibits being filed as part of this report, as well as other statements made by Delphi Automotive PLC (“Delphi,” the “Company,” “we,” “us” and “our”), contain forward-looking statements that reflect, when made, the Company’s current views with respect to current events and financial performance. Such forward-looking statements are subject to many risks, uncertainties and factors relating to the Company’s operations and business environment, which may cause the actual results of the Company to be materially different from any future results, express or implied, by such forward-looking statements. All statements that address future operating, financial or business performance or the Company’s strategies or expectations are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” “potential,” “outlook” or other comparable terminology. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following: global and regional economic conditions, including conditions affecting the credit market and resulting from the United Kingdom referendum held on June 23, 2016 in which voters approved an exit from the European Union, commonly referred to as "Brexit"; fluctuations in interest rates and foreign currency exchange rates; the cyclical nature of automotive sales and production; the potential disruptions in the supply of and changes in the competitive environment for raw material integral to the Company’s products; the Company’s ability to maintain contracts that are critical to its operations; potential changes to beneficial free trade laws and regulations such as the North American Free Trade Agreement; the ability of the Company to integrate and realize the benefits of recent acquisitions; the ability of the Company to achieve the intended benefits from, or to complete, the proposed separation of its Powertrain Systems segment; the ability of the Company to attract, motivate and/or retain key executives; the ability of the Company to avoid or continue to operate during a strike, or partial work stoppage or slow down by any of its unionized employees or those of its principal customers; and the ability of the Company to attract and retain customers. Additional factors are discussed under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s filings with the Securities and Exchange Commission, including those set forth in the Company's Annual Report on Form 10-K for fiscal year ended December 31, 2016 and within the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect the Company. It should be remembered that the price of the ordinary shares and any income from them can go down as well as up. Delphi disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events and/or otherwise, except as may be required by law.

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

The following management's discussion and analysis of financial condition and results of operations ("MD&A") is intended to help you understand the business operations and financial condition of the Company for the three and six months ended June 30, 2017. This discussion should be read in conjunction with Item 1. Financial Statements. Our MD&A is presented in eight sections:

- Executive Overview
- Consolidated Results of Operations
- Results of Operations by Segment
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Contingencies and Environmental Matters
- Recently Issued Accounting Pronouncements
- Critical Accounting Estimates

Within the MD&A, "Delphi," the "Company," "we," "us" and "our" refer to Delphi Automotive PLC, a public limited compan which was formed under the laws of Jersey on May 19, 2011, together with its subsidiaries, including Delphi Automotive LLP, a limited liability partnership incorporated under the laws of England and Wales which was formed on August 19, 2009 for the purpose of acquiring certain assets and subsidiaries of the former Delphi Corporation (now known as DPH Holdings Corp. ("DPHH")), and became a subsidiary of Delphi Automotive PLC in connection with the completion of the Company's initial public offering on November 22, 2011.

Executive Overview

Our Business

We are a leading global technology company serving the automotive sector. We design and manufacture vehicle components and provide electrical and electronic, powertrain and safety technology solutions to the global automotive and commercial vehicle markets. We are one of the largest vehicle component manufacturers and our customers include all 25 of the largest automotive original equipment manufacturers ("OEMs") in the world.

On May 3, 2017, we announced our intention to pursue a separation of our Powertrain Systems segment through a transaction expected to be treated as a tax-free spin-off to Delphi's shareholders (the "Separation"). The Company plans to complete the Separation by March 2018, subject to customary closing conditions. During the three and six months ended June 30, 2017, the Company incurred costs of $15 million related to the Separation. These costs, which are included in selling, general and administrative expense within the consolidated statement of operations, primarily related to third party professional fees associated with planning the Separation. The Company expects to continue to incur additional expenses related to the Separation during 2017.

As described in Note 21. Discontinued Operations, in the first quarter of 2016 we completed the final step of our strategy to divest our former Thermal Systems business through the sale of our ownership interest in the Shanghai Delphi Automotive Air Conditioning ("SDAAC") joint venture, positioning us with a strategically focused product portfolio in high-growth spaces to meet consumer preferences for products that address the industry mega-trends of Safe, Green and Connected. Proceeds from the sale of the Thermal Systems business were used to fund growth initiatives, including acquisitions, as well as share repurchases. As the disposal of the Thermal Systems business represents a strategic shift that will have a major effect on the Company's operations and financial results, 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 for all periods presented. This Management's Discussion and Analysis reflects the results of continuing operations, unless otherwise noted.

Our total net sales during the three and six months ended June 30, 2017 were $4.3 billion and $8.6 billion, an increase of 3% and 4% compared to the same periods of 2016, respectively. The increase in our total net sales is primarily attributable to continued increased volumes in the Europe and Asia Pacific regions. Our overall lean cost structure, along with above-market sales growth in all regions enabled us to improve gross margins in the six months ended June 30, 2017 as compared to the prior year period.

We are focused on maintaining a low fixed cost structure that we believe provides us flexibility to remain profitable throughout the traditional vehicle industry production cycle, including during periods of reduced industry volumes. Accordingly, we will continue to adjust our cost structure and optimize our manufacturing footprint in response to changes in the global and regional automotive markets. As we operate in a cyclical industry that is impacted by movements in the global

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and regional economies, we continually evaluate opportunities to further adjust our cost structure, as evidenced by the restructuring programs we have implemented in order to continue the rotation of our manufacturing footprint to best cost locations and to reduce global overhead costs, as described in Note 7. Restructuring. We believe our strong balance sheet coupled with our flexible cost structure will position us to capitalize on improvements in OEM production volumes.

Trends, Uncertainties and Opportunities

Economic Conditions. Our business is directly related to automotive sales and automotive vehicle production by our customers. Automotive sales depend on a number of factors, including global and regional economic conditions. Although global automotive vehicle production increased 5% from 2015 to 2016, economic conditions and the resultant levels of automotive vehicle production were uneven from a regional perspective. Vehicle production increased by 2% in North America and 3% in Europe in 2016, as consumer demand for vehicles increased. Both the North American and European economies are expected to continue to experience moderate growth in 2017, which is expected to result in a 1% increase in European production. However, after several years of increases, consumer demand for vehicles in North America is expected to recede, resulting in a 2% decrease in North American production in 2017 as compared to the increased volumes experienced in 2016. Automotive production in China increased by 15% in 2016 as compared to 2015, benefiting in part from a consumer vehicle tax reduction program. Following a partial increase in the consumer vehicle tax in 2017, vehicle production in China is expected to increase by 1% in 2017 as compared to 2016. Additionally, vehicle production in South America, our smallest region, decreased by 12% in 2016 as compared to 2015, with volumes expected to increase by 15% in 2017 from the reduced volumes experienced in 2016.

Economic volatility or weakness in North America, Europe or China, or continued weakness in South America, could result in a significant reduction in automotive sales and production by our customers, which would have an adverse effect on our business, results of operations and financial condition. There is also potential that geopolitical factors could adversely impact the U.S. and other economies, and specifically the automotive sector. In particular, changes to international trade agreements such as the North American Free Trade Agreement or other political pressures could affect the operations of our OEM customers, resulting in reduced automotive production in certain regions or shifts in the mix of production to higher cost regions. Increases in interest rates could also negatively impact automotive production as a result of increased consumer borrowing costs or reduced credit availability. Additionally, economic weakness may result in shifts in the mix of future automotive sales (from vehicles with more content such as luxury vehicles, trucks and sport utility vehicles toward smaller passenger cars). While our diversified customer and geographic revenue base, along with our flexible cost structure, have well positioned us to withstand the impact of industry downturns and benefit from industry upturns, shifts in the mix of global automotive production to higher cost regions or to vehicles with less content could adversely impact our profitability.

There have also been periods of increased market volatility and currency exchange rate fluctuations, both globally and most specifically within the United Kingdom (“U.K.”) and Europe, as a result of the U.K. referendum held on June 23, 2016 in which voters approved an exit from the European Union (“E.U.”), commonly referred to as “Brexit.” As a result of the referendum, the British government formally initiated the process for withdrawal in March 2017. The terms of any withdrawal are subject to a negotiation period that could last at least two years from the initiation date. Nevertheless, the proposed withdrawal has created significant uncertainty about the future relationship between the U.K. and the E.U. These developments, or the perception that any of them could occur, may adversely affect European and worldwide economic and market conditions, significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets and could contribute to instability in global financial and foreign exchange markets, including increased volatility in interest rates and foreign exchange rates. Although we are actively monitoring the ongoing potential impacts of Brexit and will seek to minimize its impact on our business, any of these effects of Brexit, among others, could adversely affect our business, business opportunities, results of operations, financial condition and cash flows. Approximately 5% of our annual net sales are generated in the U.K., and approximately 3% are denominated in British pounds.

Key growth markets. There have been periods of increased market volatility and moderations in the level of economic growth in China, which resulted in periods of lower automotive production growth rates in China than those previously experienced. Despite these recent moderations in the level of economic growth in China, rising income levels in China and other emerging markets have resulted and are expected to result in stronger growth rates in these markets over the long term. Our strong global presence, and presence in these markets, has positioned us to experience above-market growth rates over the long term. We continue to expand our established presence in emerging markets, positioning us to benefit from the expected long term growth opportunities in these regions. We are capitalizing on our long-standing relationships with the global OEMs and further enhancing our positions with the emerging market OEMs to continue expanding our worldwide leadership. We continue to build upon our extensive geographic reach to capitalize on fast-growing automotive markets. We believe that our presence in best cost countries positions us to realize incremental margin improvements as the global balance of automotive production shifts towards the emerging markets.

We have a strong local presence in China, including a major manufacturing base and well-established customer relationships. All of our business segments have operations and sales in China. Our business in China remains sensitive to economic and market conditions that impact automotive sales volumes in China, and may be affected if the pace of growth slows as the Chinese market matures or if there are reductions in vehicle demand in China. However, we continue to believe there is long term growth potential in this market based on increasing long term automotive and vehicle content demand.

Market driven products. Our product offerings satisfy the OEMs' needs to meet increasingly stringent government regulations and meet consumer preferences for products that address the mega-trends of Safe, Green and Connected, leading to increased content per vehicle, greater profitability and higher margins. With these offerings, we believe we are well-positioned to benefit from the growing demand for vehicle content and technology related to safety, fuel efficiency, emissions control, electrification, high speed data, connectivity to the global information network and automated driving technologies. Our Electrical/Electronic Architecture and Electronics and Safety segments are benefiting from the substantial increase in vehicle content, software and electrification requiring a complex and reliable electrical architecture and systems to operate, such as automated advanced driver assistance technologies, electrical vehicle monitoring, active safety systems, lane departure warning systems, integrated vehicle cockpit displays, navigation systems and technologies that enable connected infotainment in vehicles. Our ability to design a reliable electrical architecture that optimizes power distribution and/or consumption is key to satisfying the OEMs' needs to reduce emissions while continuing to meet consumer demand for increased vehicle content and technology. In 2016 we introduced our 48-volt mild hybrid vehicle solution, which maximizes the use of 48-volt electrification to minimize the demand on the engine, improving performance while lowering CO2 emissions by more than 10%. Additionally, our Powertrain Systems segment is also focused on addressing the demand for increased fuel efficiency and emission control through products such as gasoline direct injection ("GDi") fuel systems and variable valve actuation technology such as dynamic skip fire software.

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

Our global operations are subject to certain risks inherent in doing business abroad, including unexpected changes in laws, regulations, trade or monetary or tax fiscal policy, including tariffs, quotas, customs and other import or export restrictions and other trade barriers. Existing free trade laws and regulations, such as the North American Free Trade Agreement, provide certain beneficial duties and tariffs for qualifying imports and exports, subject to compliance with the applicable classification and other requirements. Changes in laws or policies governing the terms of foreign trade, and in particular increased trade restrictions, tariffs or taxes on imports from countries where we manufacture products, such as China and Mexico, could have a material adverse affect on our business and financial results.

Product development. The automotive component supply industry is highly competitive, both domestically and internationally, and is characterized by rapidly changing technology, evolving industry standards and changes in customer needs. Our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely and cost competitive basis will be a significant factor in our ability to remain competitive. To compete effectively in the automotive supply industry, we must be able to launch new products to meet our customers' demands in a timely manner. Our innovative technologies and robust global engineering and development capabilities have well positioned us to meet the increasingly stringent vehicle manufacturer demands and consumer preferences for high-technology content in automobiles.

OEMs are increasingly looking to their suppliers to simplify vehicle design and assembly processes to reduce costs and weight. As a result, suppliers that sell vehicle components directly to manufacturers (Tier I suppliers) have assumed many of the design, engineering, research and development and assembly functions traditionally performed

by vehicle manufacturers. Suppliers that can provide fully-engineered solutions, systems and pre-assembled combinations of component parts are positioned to leverage the trend toward system sourcing.
Engineering, design & development. Our history and culture of innovation have enabled us to develop significant intellectual property and design and development expertise to provide advanced technology solutions that meet the demands of our customers. We have a team of more than 20,000 scientists, engineers and technicians focused on developing leading product solutions for our key markets, located at 15 major technical centers in Brazil, China, France, Germany, India, Luxembourg, Mexico, Poland, South Korea, the United Kingdom and the United States. We invest approximately $1.5 billion (which includes approximately $300 million co-investment by customers and government agencies) annually in research and development, including engineering, to maintain our portfolio of innovative products, and owned/held approximately 8,500 patents and protective rights as of December 31, 2016. We also encourage “open innovation” and collaborate extensively with peers in the industry, government agencies and academic institutions. For example, we have entered into a collaborative

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arrangement with Mobileye N.V. to jointly develop a complete turn-key fully autonomous driving platform for our OEM customers, with the goal of being production ready for 2019. Our technology competencies are recognized by both customers and government agencies, who have co-invested approximately $300 million annually in new product development, accelerating the pace of innovation and reducing the risk associated with successful commercialization of technological breakthroughs.

In the past, suppliers often incurred the initial cost of engineering, designing and developing automotive component parts, and recovered their investments over time by including a cost recovery component in the price of each part based on expected volumes. Recently, we and many other suppliers have negotiated for cost recovery payments independent of volumes. This trend reduces our economic risk.

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

We are focused on maintaining a low fixed cost structure that provides us flexibility to remain profitable at all points of the traditional vehicle industry production cycle. As a result, approximately 94% of our hourly workforce is located in best cost countries. Furthermore, we have substantial operational flexibility by leveraging a large workforce of temporary workers, which represented approximately 14% of the hourly workforce as of June 30, 2017. However, we will continue to adjust our cost structure and optimize our manufacturing footprint in response to changes in the global and regional automotive markets and in order to increase investment in advanced technologies and engineering, as evidenced by our on-going restructuring programs focused on the continued rotation of our manufacturing footprint to best cost locations in Europe and on reducing our global overhead costs. As we continue to operate in a cyclical industry that is impacted by movements in the global and regional economies, we continually evaluate opportunities to further refine our cost structure.

We have a strong balance sheet with gross debt of approximately $4.1 billion and substantial available liquidity of approximately $3.2 billion of cash and cash equivalents and available financing under our Revolving Credit Facility and committed European accounts receivable factoring facility as of June 30, 2017, and no significant U.S. defined benefit or workforce postretirement health care benefits and employer-paid postretirement basic life insurance benefits (“OPEB”) liabilities. We intend to maintain strong financial discipline targeting industry-leading earnings growth, cash flow generation and return on invested capital and to maintain sufficient liquidity to sustain our financial flexibility throughout the industry cycle.

OEM product recalls. The number of vehicles recalled globally by OEMs has increased above historical levels. These recalls can either be initiated by the OEMs or influenced by regulatory agencies. Although there are differing rules and regulations across countries governing recalls for safety issues, the overall transition towards global vehicle platforms may also contribute to increased recalls outside of the U.S., as automotive components are increasingly standardized across regions. Given the sensitivity to safety issues in the automotive industry, including increased focus from regulators and consumers, we anticipate the number of automotive recalls may remain above historical levels in the near future. Although we engage in extensive product quality programs and processes, it is possible that we may be adversely affected in the future if the pace of these recalls continues.

For example, in September 2016, one of our OEM customers initiated a recall of approximately 3.64 million vehicles in the United States to enhance the airbag deployment system. Delphi supplied sensors and related control modules for the airbags in the affected vehicles. Although Delphi believes it supplied these components in compliance with the customer's product specifications and validation criteria, we assisted with our customer's efforts surrounding its recall, and during the first quarter of 2017, reached an agreement with our customer to share costs associated with the recall. Accordingly, during the six months ended June 30, 2017 we recognized an incremental $43 million charge in addition to our previously recorded reserve estimate related to this matter.

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

Industry consolidation. Consolidation among worldwide suppliers is expected to continue as suppliers seek to achieve operating synergies and value stream efficiencies, acquire complementary technologies and build stronger customer relationships as OEMs continue to expand globally. Additionally, new entrants from outside the traditional automotive industry may seek to gain access to certain vehicle component markets, as evidenced by the acquisition of Harman International Industries, Incorporated by Samsung Electronics Co., Ltd. and the proposed acquisition of Mobileye N.V. by Intel Corporation

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in March of 2017. We believe companies with strong balance sheets and financial discipline are in the best position to take advantage of the industry consolidation trend.

Evolution of the automotive industry. The automotive industry is increasingly evolving towards the implementation of high-technology, software-dependent components and solutions. In particular, the industry is focused on the development of advanced driver assistance technologies, with the goal of developing and introducing a commercially-viable, fully automated driving experience. We expect automated driving technologies will provide strong societal benefit as well as the opportunity for long term growth for our product offerings in this space. We are continuing to invest in the automated driving space, and have continued to develop market-leading automated driving platform solutions such as automated driving software, key active safety sensing technologies and our Multi-Domain Controller, which fuses information from sensing systems as well as mapping and navigation data to make driving decisions. We have also entered into a collaborative arrangement with Mobileye N.V. to jointly develop the Centralized Sensing, Localization and Planning ("CSLP") platform, a complete turn-key fully autonomous driving platform for our OEM customers, with the goal of being production ready for 2019. There has also been increasing societal demand for mobility on demand ("MoD") services, such as car- and ride-sharing, and an increasing number of traditional automotive companies have made investments in the MoD space. We believe the increasing societal demand for MoD services will accelerate the development of autonomous driving technologies, strongly benefiting the MoD space. We recently entered into agreements to develop fully-autonomous vehicles and associated infrastructure as part of automated MoD pilots for the government of Singapore and with Transdev, a leading global provider of mobility services, in France. As a result of our substantial investments and strategic partnerships, we believe we are well-aligned with industry technology trends that will result in sustainable future growth in these evolving areas.

However, there are many risks associated with these evolving areas, including the high development costs of active safety and autonomous driving technologies, the uncertain timing of customer and consumer adoption of these technologies, increased competition from entrants outside the traditional automotive industry and new and emerging regulations, such as the recently introduced autonomous vehicle guidelines published by the U.S. Department of Transportation. While we believe we are well-positioned in these markets, the high development cost of active safety and autonomous driving technologies may result in a higher risk of exposure to the success of new or disruptive technologies different than those being developed by us.

Consolidated Results of Operations

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

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

- Volume, net of contractual price reductions—changes in volume offset by contractual price reductions (which typically range from 1% to 3% of net sales) and changes in mix;
- Operational performance—changes to costs for materials and commodities or manufacturing variances; and
- Other—including restructuring costs and any remaining variances not included in Volume, net of contractual price reductions or Operational performance.

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

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Three and Six Months Ended June 30, 2017 versus Three and Six Months Ended June 30, 2016

The results of operations for the three and six months ended June 30, 2017 and 2016 were as follows:

	Three Months Ended June 30,					Six Months Ended June 30,				
	2017		2016		Favorable/(unfavorable)	2017		2016		Favorable/(unfavorable)
	(dollars in millions)									
Net sales	$4,318		$4,206		$ 112	$8,610		$8,257		$ 353
Cost of sales	3,419		3,346		(73)	6,864		6,608		(256)
Gross margin	899	20.8%	860	20.4%	39	1,746	20.3%	1,649	20.0%	97
Selling, general and administrative	301		278		(23)	589		555		(34)
Amortization	33		34		1	66		67		1
Restructuring	97		154		57	159		189		30
Operating income	468		394		74	932		838		94
Interest expense	(35)		(41)		6	(69)		(82)		13
Other income (expense), net	8		(5)		13	(20)		(4)		(16)
Income from continuing operations before income taxes and equity income	441		348		93	843		752		91
Income tax expense	(62)		(84)		22	(123)		(159)		36
Income from continuing operations before equity income	379		264		115	720		593		127
Equity income, net of tax	7		7		—	18		13		5
Income from continuing operations	386		271		115	738		606		132
Income from discontinued operations, net of tax	—		—		—	—		108		(108)
Net income	386		271		115	738		714		24
Net income attributable to noncontrolling interest	17		13		4	34		31		3
Net income attributable to Delphi	$369		$258		$ 111	$704		$683		$ 21

Total Net Sales

Below is a summary of our total net sales for the three months ended June 30, 2017 versus June 30, 2016.

	Three Months Ended June 30,			Variance Due To:				
	2017	2016	Favorable/(unfavorable)	Volume, net of contractual price reductions	FX	Commodity pass-through	Other	Total
	(in millions)			(in millions)				
Total net sales	$4,318	$4,206	$ 112	$234	$(75)	$ 28	$(75)	$112

Total net sales for the three months ended June 30, 2017 increased 3% compared to the three months ended June 30, 2016. We experienced volume growth of 7% for the period, primarily as a result of increased sales in Europe and Asia Pacific, which was partially offset by decreases due to unfavorable currency impacts, primarily related to the Euro and Chinese Yuan Renminbi, and contractual price reductions. Net sales also decreased by a net $75 million as a result of acquisitions and divestitures, reflected in Other above, primarily due to the divestiture of our Mechatronics business in the fourth quarter of 2016, partially offset by our acquisition of Movimento in 2017. Refer to Note 17. Acquisitions and Divestitures to the consolidated financial statements for additional information regarding acquisitions and divestitures.

Below is a summary of our total net sales for the six months ended June 30, 2017 versus June 30, 2016.

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	Six Months Ended June 30,			Variance Due To:				
	2017	2016	Favorable/(unfavorable)	Volume, net of contractual price reductions	FX	Commodity pass-through	Other	Total
	(in millions)			(in millions)				
Total net sales	$8,610	$8,257	$ 353	$627	$(161)	$ 32	$(145)	$353

Total net sales for the six months ended June 30, 2017 increased 4% compared to the six months ended June 30, 2016. We experienced volume growth of 9% for the period, primarily as a result of increased sales in all regions, which was partially offset by decreases due to unfavorable currency impacts, primarily related to the Euro and Chinese Yuan Renminbi, and contractual price reductions. Net sales also decreased by a net $145 million as a result of acquisitions and divestitures, reflected in Other above, primarily due to the divestiture of our Mechatronics business in the fourth quarter of 2016, partially offset by our acquisition of Movimento in 2017. Refer to Note 17. Acquisitions and Divestitures to the consolidated financial statements for additional information regarding acquisitions and divestitures.

Cost of Sales

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

Cost of sales increased $73 million for the three months ended June 30, 2017 compared to the three months ended June 30, 2016, as summarized below. The Company's material cost of sales was approximately 50% of net sales in both the three months ended June 30, 2017 and June 30, 2016.

	Three Months Ended June 30,			Variance Due To:				
	2017	2016	Favorable/(unfavorable)	Volume (a)	FX	Operational performance	Other	Total
	(dollars in millions)			(in millions)				
Cost of sales	$3,419	$3,346	$ (73)	$(240)	$74	$ 81	$12	$(73)
Gross margin	$899	$860	$ 39	$(6)	$(1)	$ 81	$(35)	$39
Percentage of net sales	20.8 %	20.4 %						

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

The increase in cost of sales reflects increased volumes, partially offset by improved operational performance and the impacts from currency exchange for the three month period. The increase in cost of sales was partially offset by the following items in Other above:

- Net decreased costs of $56 million resulting from the operations of the businesses acquired and divested, primarily as a result of the divestiture of our Mechatronics business in the fourth quarter of 2016, partially offset by the acquisition of Movimento in 2017, as further described in Note 17. Acquisitions and Divestitures. This decrease was partially offset by
- Increased commodity costs of $28 million.

Cost of sales increased $256 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, as summarized below. The Company's material cost of sales was approximately 50% of net sales in both the six months ended June 30, 2017 and June 30, 2016.

	Six Months Ended June 30,			Variance Due To:				
	2017	2016	Favorable/(unfavorable)	Volume (a)	FX	Operational performance	Other	Total
	(dollars in millions)			(in millions)				

Cost of sales	$6,864	$6,608	$ (256)	$(552)	$145	$ 152	$(1)	$(256)
Gross margin	$1,746	$1,649	$ 97	$75	$(16)	$ 152	$(114)	$97
Percentage of net sales	20.3 %	20.0 %						

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

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The increase in cost of sales reflects increased volumes, partially offset by improved operational performance and the impacts from currency exchange for the six month period. The increase in cost of sales is also attributable to the following items in Other above:

- $61 million of increased warranty costs, primarily due to the accrual of $43 million during the six months ended June 30, 2017 as a result of an agreement reached with one of our customers for a specific warranty matter, as further described in Note 6. Warranty Obligations, and
- $32 million of increased commodity costs; which were offset by
- Net decreased costs of $102 million resulting from the operations of the businesses acquired and divested, primarily as a result of the divestiture of our Mechatronics business in the fourth quarter of 2016, partially offset by the acquisition of Movimento in 2017, as further described in Note 17. Acquisitions and Divestitures.

Selling, General and Administrative Expense

	Three Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(dollars in millions)		
Selling, general and administrative expense	$301	$278	$ (23)
Percentage of net sales	7.0 %	6.6 %	

	Six Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(dollars in millions)		
Selling, general and administrative expense	$589	$555	$ (34)
Percentage of net sales	6.8 %	6.7 %	

Selling, general and administrative expense ("SG&A") includes administrative expenses, information technology costs and incentive compensation related costs, and increased as a percentage of sales for the three and six months ended June 30, 2017 as compared to 2016, primarily due to $15 million of separation costs recorded during the three and six months ended June 30, 2017 related to the planned spin-off of our Powertrain Systems segment, as well as increased incentive compensation accruals. These increases were partially offset by the impact of cost reduction initiatives, including our continuing rotation to best cost manufacturing locations in Europe and initiatives focused on reducing global overhead costs.

Amortization

	Three Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Amortization	$33	$ 34	$ 1

	Six Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)

	(in millions)		
Amortization	$66	$67	$ 1

Amortization expense reflects the non-cash charge related to definite-lived intangible assets. The consistency in amortization during the three and six months ended June 30, 2017 compared to 2016 reflects the continued amortization of our definite-lived intangible assets, which resulted primarily from our acquisitions, over their estimated useful lives.

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Restructuring

	Three Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(dollars in millions)		
Restructuring	$97	$154	$ 57
Percentage of net sales	2.2 %	3.7 %	

	Six Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(dollars in millions)		
Restructuring	$159	$189	$ 30
Percentage of net sales	1.8 %	2.3 %	

The decrease in restructuring expense recorded during the three and six months ended June 30, 2017 as compared to the three and six months ended June 30, 2016 is primarily attributable to a decrease in costs recognized for plant closures as compared to the prior periods.

Restructuring expenses incurred in the three and six months ended included the recognition of approximately $53 million of employee-related and other costs related to the initiation of the closure of a Western European manufacturing site within the Powertrain Systems segment pursuant to the Company's on-going European footprint rotation strategy. Cash payments for this restructuring action are expected to be principally completed by 2020. The charges recorded during the three months ended June 30, 2017 also included $21 million for other programs focused on the continued rotation of our manufacturing footprint to best cost locations in Europe, as well as $13 million for programs implemented to reduce global overhead costs. In addition to these costs, the charges recorded during the six months ended June 30, 2017 included $36 million of costs related to the closure of an Electronics and Safety Western European manufacturing site.

Restructuring expenses incurred in the three and six months ended June 30, 2016 were primarily related to on-going restructuring programs focused on the continued rotation of our manufacturing footprint to best cost locations in Europe, which included workforce reductions as well as plant closures. These charges included $88 million of employee-related and other costs recorded during the three months ended June 30, 2016 for the initiation of a plant closure at a European manufacturing site within the Powertrain Systems segment. Other restructuring charges incurred during the three months ended June 30, 2016 were primarily related to Delphi's on-going restructuring programs, which included $42 million for other programs focused on the continued rotation of our manufacturing footprint to best cost locations in Europe.

We expect to continue to incur additional restructuring expense in 2017, primarily related to programs focused on the continued rotation of our manufacturing footprint to best cost locations in Europe and to reduce global overhead costs, including realignment of the Company's organizational structure due to changes in roles and workforce resulting from the planned spin-off of the Powertrain Systems segment. Additionally, as we continue to operate in a cyclical industry that is impacted by movements in the global and regional economies, we continually evaluate opportunities to further adjust our cost structure and optimize our manufacturing footprint. The Company plans to implement additional restructuring activities in the future, if necessary, in order to align manufacturing capacity and other costs with prevailing regional automotive production levels and locations, to improve the efficiency and utilization of other locations and in order to increase investment in advanced technologies and engineering. Such future restructuring actions are dependent on market conditions, customer actions and other factors.

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

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Interest Expense

	Three Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Interest expense	$ 35	$ 41	$ 6

	Six Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Interest expense	$ 69	$ 82	$ 13

The decrease in interest expense compared to the prior year period primarily reflects the redemption of $800 million of 5.00% senior unsecured notes, partially offset by the issuance of €500 million of 1.60% Euro-denominated senior unsecured notes and $300 million of 4.40% senior unsecured notes, in September 2016.

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

Other Income (Expense), Net

	Three Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Other income (expense), net	$ 8	$ (5)	$ 13

	Six Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Other expense, net	$ (20)	$ (4)	$ (16)

As further discussed in Note 10. Commitments and Contingencies, during the three months ended March 31, 2017, Delphi recorded an incremental reserve of $27 million as a result of a ruling in the Unsecured Creditors litigation related to pre-judgment interest, which was in addition to the Company's previously recorded reserve of $300 million for this matter. During the three months ended June 30, 2017, Delphi and the plaintiffs entered into an agreement to settle this matter for $310 million, which Delphi subsequently paid in July 2017. The $17 million portion of the Company's previously recorded reserve that was not included in the terms of the settlement agreement was recorded to other income during the three months ended June 30, 2017. For the six months ended June 30, 2017, the net increase to other expense due to the developments related to the Unsecured Creditors litigation described above was $10 million.

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Income Taxes

	Three Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Income tax expense	$62	$84	$ 22

	Six Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Income tax expense	$123	$159	$ 36

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, the receipt of certain tax incentives and holidays that reduced the effective tax rate for certain subsidiaries below the statutory rate and the impact of losses recorded during the three and six months ended June 30, 2016 in foreign jurisdictions for which no tax benefit was recognized due to a valuation allowance.

The Company’s effective tax rate for the three and six months ended June 30, 2017 includes net discrete tax benefits of $3 million and $11 million, respectively, primarily related to provision to return adjustments, net of related changes in valuation allowances and reserves. The effective tax rate for the three and six months ended June 30, 2016 includes net discrete tax (benefit) expense of $(4) million and $1 million, respectively, primarily related to provision to return adjustments.

Equity Income

	Three Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Equity income, net of tax	$7	$7	$ —

	Six Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Equity income, net of tax	$18	$13	$ 5

Equity income, net of tax reflects Delphi’s interest in the results of ongoing operations of entities accounted for as equity-method investments. Equity income increased for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016 primarily due to the improved performance of our joint ventures in Asia as compared to the prior period.

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Income from Discontinued Operations

	Three Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Income from discontinued operations, net of tax	$ —	$ —	$ —

	Six Months Ended June 30,		
	2017	2016	Favorable/ (unfavorable)
	(in millions)		
Income from discontinued operations, net of tax	$ —	$ 108	$ (108)

Income from discontinued operations, net of tax reflects the results of the Company's previously reported Thermal Systems segment, which has been reclassified to discontinued operations as a result of the divestiture of this business. As further described in Note 21. Discontinued Operations, Delphi completed the divestitures of the wholly owned Thermal Systems business on June 30, 2015, of its 50 percent interest in KDAC on September 24, 2015 and of its 50 percent interest in SDAAC on March 31, 2016. No amounts were recorded to discontinued operations for the three and six months ended June 30, 2017, or for the three months ended June 30, 2016. Income from discontinued operations, net of tax for the six months ended June 30, 2016 was primarily attributable to the recognition of an after-tax gain of $104 million from the sale of the Company's interest in its SDAAC joint venture on March 31, 2016. Refer to Note 21. Discontinued Operations to the consolidated financial statements included herein for additional information.

Results of Operations by Segment

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

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

As described in Note 21. Discontinued Operations to the consolidated financial statements contained herein, the Company's previously reported Thermal Systems segment has been classified as discontinued operations for all periods presented. No amounts for shared general and administrative operating expense or interest expense were allocated to discontinued operations.

As described in Note 20. Segment Reporting to the consolidated financial statements contained herein, effective July 1, 2016, Delphi reorganized its management reporting structure by moving its Power Electronics product line, which was historically included in the Electronics and Safety segment, to the Powertrain Systems segment. This reorganization was made to better align the product offerings of the Power Electronics product line with the Company's approach to managing the markets and customers served by this product line. Consistent with this change in the Company's management reporting structure and basis of financial information used by the chief operating

decision maker, the prior period results of the Power Electronics product line have been reclassified from the Electronics and Safety segment to the Powertrain Systems segment for all periods presented. The reclassification had no impact on the consolidated financial statements.
Our management utilizes segment Adjusted Operating Income as the key performance measure of segment income or loss and for planning and forecasting purposes, as management believes this measure is most reflective of the operational profitability or loss of our operating segments. Segment Adjusted Operating Income should not be considered a substitute for results prepared in accordance with U.S. GAAP and should not be considered an alternative to net income attributable to Delphi, which is the most directly comparable financial measure to Adjusted Operating Income that is prepared in accordance

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with U.S. GAAP. Segment Adjusted Operating Income, as determined and measured by Delphi, should also not be compared to similarly titled measures reported by other companies.

The reconciliation of Adjusted Operating Income to Operating Income includes, as applicable, restructuring, separation costs related to the planned spin-off of the Powertrain Systems segment, other acquisition and portfolio project costs (which includes costs incurred to integrate acquired businesses and to plan and execute product portfolio transformation actions, including business and product acquisitions and divestitures), asset impairments and gains (losses) on business divestitures. The reconciliation of Adjusted Operating Income to net income attributable to Delphi for the three and six months ended June 30, 2017 and 2016 are as follows:

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other	Total
	(in millions)				
For the Three Months Ended June 30, 2017:					
Adjusted operating income	$333	$ 162	$ 92	$ —	$587
Restructuring	(13)	(67)	(17)	—	(97)
Separation costs	—	(15)	—	—	(15)
Other acquisition and portfolio project costs	(2)	—	(1)	—	(3)
Asset impairments	—	(4)	—	—	(4)
Operating income	$318	$ 76	$ 74	$ —	468
Interest expense					(35)
Other income, net					8
Income from continuing operations before income taxes and equity income					441
Income tax expense					(62)
Equity income, net of tax					7
Income from continuing operations					386
Income from discontinued operations, net of tax					—
Net income					386
Net income attributable to noncontrolling interest					17
Net income attributable to Delphi					$369

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other	Total
	(in millions)				
For the Three Months Ended June 30, 2016:					
Adjusted operating income	$345	$ 134	$ 101	$ —	$580
Restructuring	(17)	(126)	(11)	—	(154)
Other acquisition and portfolio project costs	(5)	(2)	(3)	—	(10)
Asset impairments	—	(22)	—	—	(22)
Operating income (loss)	$323	$ (16)	$ 87	$ —	394
Interest expense					(41)
Other expense, net					(5)
Income from continuing operations before income taxes and equity income					348
Income tax expense					(84)
Equity income, net of tax					7
Income from continuing operations					271
Income from discontinued operations, net of tax					—
Net income					271
Net income attributable to noncontrolling interest					13
Net income attributable to Delphi					$258

	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other	Total
	(in millions)				
For the Six Months Ended June 30, 2017:					
Adjusted operating income	$662	$ 322	$ 140	$ —	$1,124
Restructuring	(26)	(77)	(56)	—	(159)
Separation costs	—	(15)	—	—	(15)
Other acquisition and portfolio project costs	(5)	(2)	(2)	—	(9)
Asset impairments	—	(8)	(1)	—	(9)
Operating income	$631	$ 220	$ 81	$ —	932
Interest expense					(69)
Other expense, net					(20)
Income from continuing operations before income taxes and equity income					843
Income tax expense					(123)
Equity income, net of tax					18
Income from continuing operations					738
Income from discontinued operations, net of tax					—
Net income					738
Net income attributable to noncontrolling interest					34
Net income attributable to Delphi					$704

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	Electrical/ Electronic Architecture	Powertrain Systems	Electronics and Safety	Eliminations and Other	Total
	(in millions)				
For the Six Months Ended June 30, 2016:					
Adjusted operating income	$652	$ 259	$ 181	$ —	$1,092
Restructuring	(35)	(135)	(19)	—	(189)
Other acquisition and portfolio project costs	(32)	(6)	(5)	—	(43)
Asset impairments	—	(22)	—	—	(22)
Operating income	$585	$ 96	$ 157	$ —	838
Interest expense					(82)
Other expense, net					(4)
Income from continuing operations before income taxes and equity income					752
Income tax expense					(159)
Equity income, net of tax					13
Income from continuing operations					606
Income from discontinued operations, net of tax					108
Net income					714
Net income attributable to noncontrolling interest					31
Net income attributable to Delphi					$683

Net sales, gross margin as a percentage of net sales and Adjusted Operating Income by segment for the three and six months ended June 30, 2017 and 2016 are as follows:

Net Sales by Segment

	Three Months Ended June 30,			Variance Due To:				
	2017	2016	Favorable/ (unfavorable)	Volume, net of contractual price reductions	FX	Commodity pass-through	Other	Total
	(in millions)			(in millions)				
Electrical/Electronic Architecture	$2,345	$2,352	$ (7)	$(1)	$(34)	$ 28	$—	$(7)
Powertrain Systems	1,187	1,146	41	74	(28)	—	(5)	41
Electronics and Safety	821	748	73	162	(12)	—	(77)	73
Eliminations and Other	(35)	(40)	5	(1)	(1)	—	7	5
Total	$4,318	$4,206	$ 112	$234	$(75)	$ 28	$(75)	$112

	Six Months Ended June 30,			Variance Due To:				
	2017	2016	Favorable/ (unfavorable)	Volume, net of contractual price reductions	FX	Commodity pass-through	Other	Total
	(in millions)			(in millions)				
Electrical/Electronic Architecture	$4,687	$4,629	$ 58	$100	$(74)	$ 32	$—	$58
Powertrain Systems	2,355	2,263	92	161	(60)	—	(9)	92
Electronics and Safety	1,639	1,445	194	369	(26)	—	(149)	194
Eliminations and Other	(71)	(80)	9	(3)	(1)	—	13	9

Total	$8,610	$8,257	$ 353	$627	$(161)	$ 32	$(145)	$353

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Gross Margin Percentage by Segment

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Electrical/Electronic Architecture	22.3 %	22.3 %	22.1 %	21.4 %
Powertrain Systems	20.1 %	16.8 %	20.3 %	17.4 %
Electronics and Safety (1)	16.9 %	19.1 %	14.2 %	18.4 %
Eliminations and Other	— %	— %	— %	— %
Total	20.8 %	20.4 %	20.3 %	20.0 %

(1) Includes the accrual of $43 million for a specific warranty matter during the six months ended June 30, 2017, as further described in Note 6. Warranty Obligations.

Adjusted Operating Income by Segment

	Three Months Ended June 30,			Variance Due To:			
	2017	2016	Favorable/ (unfavorable)	Volume, net of contractual price reductions	Operational performance	Other	Total
	(in millions)			(in millions)			
Electrical/Electronic Architecture	$333	$345	$ (12)	$(39)	$ 39	$(12)	$(12)
Powertrain Systems	162	134	28	7	31	(10)	28
Electronics and Safety	92	101	(9)	26	11	(46)	(9)
Eliminations and Other	—	—	—	—	—	—	—
Total	$587	$580	$ 7	$(6)	$ 81	$(68)	$7

As noted in the table above, Adjusted Operating Income for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016 was impacted by volume and contractual price reductions, including product mix, and operational performance improvements, as well as the following items included within Other in the table above:

- $9 million of increased depreciation and amortization, not including the impact of asset impairments, primarily as a result of a higher fixed asset base;
- $8 million of increased SG&A expense, not including separation costs recorded during the three months ended June 30, 2017, primarily attributable to increased incentive compensation accruals; and
- Net reductions of $26 million resulting from the operations of the businesses acquired and divested, primarily resulting from the divestiture of our Mechatronics business in the fourth quarter of 2016, partially offset by the acquisition of Movimento in 2017.

	Six Months Ended June 30,			Variance Due To:			
	2017	2016	Favorable/ (unfavorable)	Volume, net of contractual price reductions	Operational performance	Other	Total
	(in millions)			(in millions)			
Electrical/Electronic Architecture	$662	$652	$ 10	$(24)	$ 75	$(41)	$10
Powertrain Systems	322	259	63	31	57	(25)	63
Electronics and Safety	140	181	(41)	69	20	(130)	(41)

Eliminations and Other	—	—	—	—	—	—	—
Total	$1,124	$1,092	$ 32	$76	$ 152	$(196)	$32

As noted in the table above, Adjusted Operating Income for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016 was impacted by volume and contractual price reductions, including product mix, and operational performance improvements, as well as the following items included within Other in the table above:

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- Unfavorable foreign currency impacts of $9 million;
- $17 million of increased depreciation and amortization, not including the impact of asset impairments, primarily as a result of a higher fixed asset base;
- $19 million of increased SG&A expenses, not including separation costs recorded during the three months ended June 30, 2017, primarily attributable to increased incentive compensation accruals;
- $61 million of increased warranty costs, primarily due to the accrual of $43 million during the six months ended June 30, 2017 within the Electronics and Safety segment as a result of an agreement reached with one of our customers for a specific warranty matter, as further described in Note 6. Warranty Obligations; and
- Net reductions of $51 million resulting from the operations of the businesses acquired and divested, primarily resulting from the divestiture of our Mechatronics business in the fourth quarter of 2016, partially offset by the acquisition of Movimento in 2017.

Liquidity and Capital Resources

Overview of Capital Structure

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

As of June 30, 2017, we had cash and cash equivalents of $0.8 billion and net debt (defined as outstanding debt less cash and cash equivalents) of $3.3 billion. We also have access to additional liquidity pursuant to the terms of the $2.0 billion Revolving Credit Facility and the €400 million European accounts receivable factoring facility, of which €350 million is available on a committed basis, as described below.

The following table summarizes our available liquidity, which includes cash, cash equivalents and funds available under our significant committed credit facilities, as of June 30, 2017. The amounts disclosed as available under the Company’s significant committed credit facilities are available without violating our existing debt covenants, which are described below.

	June 30, 2017
	(in millions)
Cash and cash equivalents	$ 792
Revolving Credit Facility, unutilized portion (1)	1,993
Committed European accounts receivable factoring facility, unutilized portion (2)	398
Total available liquidity	$ 3,183

(1) Availability reduced by $7 million in letters of credit issued under the Credit Agreement as of June 30, 2017.

(2) Based on June 30, 2017 foreign currency rates, subject to the availability of eligible accounts receivable.

We expect existing cash, available liquidity and cash flows from operations to continue to be sufficient to fund our global operating activities, including restructuring payments, any mandatory payments required under the Credit Agreement as described below, dividends on ordinary shares and capital expenditures. In addition, we expect to continue to repurchase outstanding common shares pursuant to our authorized common share repurchase program, as further described below. Also, as further described in Note 10. Commitments and Contingencies to the consolidated financial statements, as of June 30, 2017 the Company recorded a reserve of $310 million for the Unsecured Creditors litigation pursuant to the settlement agreement entered into with the plaintiffs. Subsequently, in July 2017, the Company paid the $310 million settlement pursuant to the terms of the settlement agreement.

We also continue to expect to be able to move funds between different countries to manage our global liquidity needs without material adverse tax implications, subject to current monetary policies and to the terms of the Credit Agreement. While a substantial portion of our operating income is generated by our non-U.S. subsidiaries, and as of June 30, 2017, the Company's cash and cash equivalents held by our non-U.S. subsidiaries totaled $779 million, we utilize a combination of strategies, including dividends, cash pooling arrangements, intercompany loan repayments and other distributions and advances to provide the funds necessary to meet our global liquidity needs. There are no significant restrictions on the ability of our subsidiaries to

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pay dividends or make other distributions to Delphi. If additional non-U.S. cash was needed for our U.S. operations, we would be required to accrue and pay U.S. taxes to repatriate such funds; however, based on our current liquidity needs and repatriation strategies, we do not anticipate a need to repatriate such additional amounts. Additionally, the Company is a U.K. resident taxpayer and as such is not generally subject to U.K. tax on remitted foreign earnings. Based on these factors, we believe we possess sufficient liquidity to fund our global operations and capital investments in 2017 and beyond.

Share Repurchases

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 and six months ended June 30, 2017 and 2016 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Total number of shares repurchased	1,092,568	894,209	3,648,266	6,492,425
Average price paid per share	$86.92	$72.69	$78.93	$ 66.95
Total (in millions)	$95	$65	$288	$ 435

As of June 30, 2017, approximately $1,084 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 to Holders of Ordinary Shares

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

	Dividend Per Share	Amount (in millions)
2017:		
Second quarter	$ 0.29	$ 78
First quarter	0.29	78
Total	$ 0.58	$ 156
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 July 2017, the Board of Directors declared a regular quarterly cash dividend of $0.29 per ordinary share, payable August 23, 2017 to shareholders of record at the close of business on August 9, 2017.

Acquisitions

Movimento—On January 3, 2017, Delphi acquired 100% of the equity interests of Movimento Group ("Movimento"), a leading provider of Over-the-Air software and data management for the automotive sector, for a purchase price of $40 million at closing and an additional cash payment of up to $10 million contingent upon the achievement of certain performance metrics over a future 2-year period. As further described in Note 17. Acquisitions and Divestitures, the acquisition was accounted for as a business combination, with the operating results of Movimento included within the Company's Electronics and Safety segment from the date of acquisition. The Company acquired Movimento utilizing cash on hand.

PureDepth—On March 23, 2016, Delphi acquired 100% of the equity interests of PureDepth, Inc. ("PureDepth"), a leading provider of 3D display technology, for approximately $15 million. As further described in Note 17. Acquisitions and Divestitures, the acquisition was accounted for as a business combination, with the operating results of PureDepth included within the Company's Electronics and Safety segment from the date of acquisition. The Company acquired PureDepth utilizing cash on hand.

Technology investments—During the first quarter of 2017, Delphi's Electronics and Safety segment made a $15 million investment in Otonomo Technologies Ltd., the developer of a connected car data marketplace. During the second quarter of 2017, Delphi's Electrical/Electronic Architecture segment made a $10 million investment in Valens Semiconductor Ltd., a leading provider of signal processing technology for high frequency data transmission of connected car content. As further described in Note 17. Acquisitions and Divestitures, these investments are accounted for under the cost method.

Divestitures

Mechatronics—On December 30, 2016, Delphi completed the sale of its Mechatronics business, which was previously reported within the Company's Electronics and Safety segment, for net cash proceeds of approximately $197 million. The net sales of this business in 2016 prior to divestiture were approximately $290 million for the year ended December 31, 2016. Delphi recognized a pre-tax gain on the divestiture of $141 million within cost of sales in the fourth quarter of 2016.

Thermal Systems—On March 31, 2016, Delphi closed the sale of its 50 percent interest in its Shanghai Delphi Automotive Air Conditioning ("SDAAC") joint venture to one of Delphi's joint venture partners, Shanghai Aerospace Automobile Electromechanical Co., Ltd ("SAAE"). The Company received cash proceeds of $62 million, net of tax, transaction costs and $29 million of cash divested, and recognized an after-tax gain on the divestiture of $104 million within income from discontinued operations during the year ended December 31, 2016. The financial results of SDAAC, which were consolidated by Delphi, were historically reported as part of the Thermal Systems segment. The Company had previously completed the sale of its wholly owned Thermal Systems business on June 30, 2015, and of its interest in its Korea Delphi Automotive Systems Corporation ("KDAC") joint venture on September 24, 2015. Accordingly, the Thermal Systems business has been classified as discontinued operations. Refer to Note 21. Discontinued Operations for further disclosure related to the Company's discontinued operations. The disposal of the Thermal Systems business did not have a material impact on our liquidity or capital resources, and we have not had significant continuing involvement with the divested Thermal Systems business following the closing of the transactions.

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 year ended December 31, 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.

As of June 30, 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. No amounts were drawn on the Revolving Credit Facility during the six months ended June 30, 2017.

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:

	June 30, 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%

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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 June 30, 2017, Delphi selected the one-month LIBOR interest rate option on the Tranche A Term Loan, and the rate effective as of June 30, 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 June 30, 2017 (in millions)	Rate effective as of June 30, 2017
Tranche A Term Loan	LIBOR plus 1.25%	$ 400	2.4375 %

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 June 30, 2017.
As of June 30, 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 year ended December 31, 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 June 30, 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.

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 June 30, 2017 or December 31, 2016. The maximum amount drawn under the European facility during the six months ended June 30, 2017 to manage working capital requirements was $199 million.

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 and six months ended June 30, 2017, $22 million and $38 million of receivables were sold under these arrangements, and expenses of $1 million and $1 million, respectively, were recognized within interest expense. During the three and six months ended June 30, 2016, $43 million and $75 million of receivables were sold under these arrangements, and expenses of less than $1 million and $2 million, respectively, were recognized within interest expense.

Capital leases and other—As of June 30, 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.

Government programs—Delphi commonly seeks manufacturing development and financial assistance incentive programs that may be awarded by government entities. Delphi has numerous technology development programs that are competitively awarded from agencies of the U.S. Federal Government, primarily from the U.S. Department of Energy (“DOE”). We received approximately $2 million from Federal agencies during the six months ended June 30, 2017 for work performed. These programs supplement our internal research and development funds and directly support our product focus of Safe, Green and Connected. We continue to pursue many technology development programs by bidding on competitively procured programs from DOE, as well as the U.S. Department of Transportation (“DOT”). Some of these programs were bid with us being the lead or “Prime Contractor”, and some were bid with us as a “Subrecipient” to the Prime Contractor.

Cash Flows

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

We utilize a combination of strategies, including dividends, cash pooling arrangements, intercompany loan structures and other distributions and advances to provide the funds necessary to meet our global liquidity needs. We utilize a global cash pooling arrangement to consolidate and manage our global cash balances, which enables us to efficiently move cash into and out of a number of the countries in which we operate.

Operating activities—Net cash provided by operating activities from continuing operations totaled $889 million and $843 million for the six months ended June 30, 2017 and 2016, respectively. Cash flow from operating activities from continuing operations for the six months ended June 30, 2017 consisted primarily of net earnings from continuing operations of $738 million increased by $400 million for non-cash charges for depreciation, amortization and pension costs, partially offset by $270 million related to changes in operating assets and liabilities, net of restructuring and pension contributions. Cash flow from operating activities from continuing operations for the six months ended June 30, 2016 consisted primarily of net earnings from continuing operations of $606 million increased by $383 million for non-cash charges for depreciation, amortization and pension costs, partially offset by $178 million related to changes in operating assets and liabilities, net of restructuring and pension contributions.

Investing activities—Net cash used in investing activities from continuing operations totaled $463 million for the six months ended June 30, 2017, as compared to $386 million for the six months ended June 30, 2016. The increase in usage is primarily attributable to the net proceeds of $52 million that were received from the sale of our SDAAC joint venture during the six months ended June 30, 2016. Additionally, during the six months ended June 30, 2017 the Company paid $65 million for business acquisitions and technology investments, as compared to $18 million paid for acquisitions and investments during the six months ended June 30, 2016. These increases were partially offset by $19 million of reduced capital expenditures during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016.

Financing activities—Net cash used in financing activities totaled $513 million and $595 million for the six months ended June 30, 2017 and 2016, respectively. Cash flows used in financing activities for the six months ended June 30, 2017 primarily included $289 million paid to repurchase ordinary shares, $156 million of dividend payments and $20 million of contingent consideration paid for Delphi's 2015 acquisition of Control-Tec. Cash flows used in financing activities for the six months ended June 30, 2016, primarily included $435 million paid to repurchase ordinary shares and $159 million of dividend payments.

Off-Balance Sheet Arrangements

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

Contingencies and Environmental Matters

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

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Recently Issued Accounting Pronouncements
The information concerning recently issued accounting pronouncements contained in Note 2. Significant Accounting Policies, to the unaudited consolidated financial statements included in Part 1, Item 1 of this report is incorporated herein by reference.
Critical Accounting Estimates
There have been no significant changes in our critical accounting estimates during the three and six months ended June 30, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
There have been no material changes to the information concerning our exposures to market risk as stated in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016. As described in the Form 10-K, we have currency exposures related to buying, selling and financing in currencies other than the local functional currencies in which we operate ("transactional exposure"). We also have currency exposures related to the translation of the financial statements of our non-U.S. subsidiaries that use the local currency as their functional currency into U.S. dollars, the Company's reporting currency ("translational exposure"). As described in Note. 14. Derivatives and Hedging Activities to the unaudited consolidated financial statements included in Part I, Item 1 of this report, to manage this risk the Company designates certain qualifying instruments 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 the cumulative translation adjustment component of OCI to offset changes in the value of the net investment in these foreign currency-denominated operations.

ITEM 4. CONTROLS AND PROCEDURES
A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.
Disclosure Controls and Procedures
Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934. The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance of achieving their objectives.
As of June 30, 2017, the Company’s management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated, for disclosure purposes, the effectiveness of the Company’s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective to provide reasonable assurance that the desired control objectives were achieved as of June 30, 2017.
Changes in Internal Control over Financial Reporting
There were no material changes in the Company’s internal controls over financial reporting during the six months ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time to time subject to various actions, claims, suits, government investigations, and other proceedings incidental to our business, including those arising out of alleged defects, breach of contracts, competition and antitrust matters, product warranties, intellectual property matters, personal injury claims and employment-related matters. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2016. For a description of our outstanding material legal proceedings, see Note 10. Commitments and Contingencies to the unaudited consolidated financial statements included in this report.

ITEM 1A. RISK FACTORS

Other than as described in the Company's Form 10-Q for the quarter ended March 31, 2017, there have been no material changes to the risk factors described in Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

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

A summary of our ordinary shares repurchased during the three months ended June 30, 2017, is shown below:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (in millions) (3)
April 1, 2017 to April 30, 2017	—	—	—	$ 1,179
May 1, 2017 to May 31, 2017	861,660	$ 87.04	861,660	1,104
June 1, 2017 to June 30, 2017	230,900	86.48	230,900	1,084
Total	1,092,560	86.92	1,092,560	

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

(1) The number of shares purchased excludes the 26,471 shares granted for vested RSUs during the three months ended June 30, 2017 that were withheld to cover minimum withholding taxes.

(2) Excluding commissions.

(3) In April 2016, the Board of Directors authorized a share repurchase program of up to $1.5 billion. This program follows the completion of the previously announced share repurchase program of $1.5 billion, which was approved by the Board of Directors in January 2015. The timing of repurchases is dependent on price, market conditions and applicable regulatory requirements.

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ITEM 6. EXHIBITS

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

* Filed herewith.

Filed electronically with the Report.

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SIGNATURES

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

DELPHI AUTOMOTIVE PLC

/s/ Joseph R. Massaro
By: Joseph R. Massaro
Chief Financial Officer and
Senior Vice President

Dated: August 2, 2017

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