Delphi Automotive PLC
Form 10-Q
November 05, 2013
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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 September 30, 2013

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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 November 1, 2013, was 307,717,560.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions, except per share amounts)			
Net sales	$4,017	$3,663	$12,281	$11,752
Operating expenses:				
Cost of sales	3,338	3,058	10,141	9,703
Selling, general and administrative	228	215	699	673
Amortization	27	20	79	60
Restructuring (Note 7)	37	3	95	17
Total operating expenses	3,630	3,296	11,014	10,453
Operating income	387	367	1,267	1,299
Interest expense	(34)	(32)	(106)	(100)
Other income (expense), net (Note 16)	4	3	(25)	15
Income before income taxes and equity income	357	338	1,136	1,214
Income tax expense	(72)	(52)	(182)	(227)
Income before equity income	285	286	954	987
Equity income, net of tax	8	6	26	18
Net income	293	292	980	1,005
Net income attributable to noncontrolling interest	22	23	66	64
Net income attributable to Delphi	$271	$269	$914	$941
Basic net income per share:				
Basic net income per share attributable to Delphi	$0.88	$0.84	$2.93	$2.89
Weighted average number of basic shares outstanding	309.68	320.93	312.08	325.00
Diluted net income per share:				
Diluted net income per share attributable to Delphi	$0.87	$0.84	$2.92	$2.89
Weighted average number of diluted shares outstanding	310.62	321.28	312.87	325.28
Cash dividends declared per share	$0.17	$—	$0.51	$—

See notes to consolidated financial statements.

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DELPHI AUTOMOTIVE PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Net income	$293	$292	$980	$1,005
Other comprehensive (loss) income:				
Currency translation adjustments	113	82	(4)	9
Net change in unrecognized gain (loss) on derivative instruments, net of tax (Note 14)	10	26	(29)	62
Employee benefit plans adjustment, net of tax	(5)	(1)	11	(2)
Other comprehensive income (loss)	118	107	(22)	69
Comprehensive income	411	399	958	1,074
Comprehensive income attributable to noncontrolling interests	25	24	69	64
Comprehensive income attributable to Delphi	$386	$375	$889	$1,010

See notes to consolidated financial statements.

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DELPHI AUTOMOTIVE PLC
CONSOLIDATED BALANCE SHEETS

	September 30, 2013	December 31,
	(Unaudited)	2012
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$1,053	$1,105
Restricted cash	5	8
Accounts receivable, net	2,856	2,425
Inventories (Note 3)	1,233	1,066
Other current assets (Note 4)	640	623
Total current assets	5,787	5,227
Long-term assets:		
Property, net	2,982	2,860
Investments in affiliates	217	231
Intangible assets, net (Note 2)	742	803
Goodwill (Note 2)	485	473
Other long-term assets (Note 4)	598	582
Total long-term assets	5,024	4,949
Total assets	$10,811	$10,176
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (Note 8)	$59	$140
Accounts payable	2,504	2,278
Accrued liabilities (Note 5)	1,294	1,241
Total current liabilities	3,857	3,659
Long-term liabilities:		
Long-term debt (Note 8)	2,359	2,324
Pension benefit obligations	909	929
Other long-term liabilities (Note 5)	463	434
Total long-term liabilities	3,731	3,687
Total liabilities	7,588	7,346
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, 308,080,000 and 315,299,183 issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	3	3
Additional paid-in-capital	1,718	1,723
Retained earnings	1,287	856
Accumulated other comprehensive loss	(262)	(237)
Total Delphi shareholders' equity	2,746	2,345
Noncontrolling interest	477	485
Total shareholders' equity	3,223	2,830
Total liabilities and shareholders' equity	$10,811	$10,176

See notes to consolidated financial statements.

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DELPHI AUTOMOTIVE PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30, 2013	
	2013	2012
	(in millions)	
Cash flows from operating activities:		
Net income	$980	$1,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	322	280
Amortization	79	60
Amortization of deferred issuance costs	8	13
Restructuring expense, net of cash paid	(11)	(45)
Deferred income taxes	23	18
Pension and other postretirement benefit expenses	62	49
Income from equity method investments, net of dividends received	4	8
Loss on extinguishment of debt	39	1
Gain on sale of assets	(11)	(4)
Share-based compensation	36	20
Changes in operating assets and liabilities:		
Accounts receivable, net	(431)	(87)
Inventories	(167)	(69)
Other assets	(43)	(23)
Accounts payable	306	(22)
Accrued and other long-term liabilities	(19)	9
Other, net	(42)	(3)
Pension contributions	(65)	(42)
Net cash provided by operating activities	1,070	1,168
Cash flows from investing activities:		
Capital expenditures	(512)	(563)
Proceeds from sale of property / investments	24	18
Cost of business and technology acquisitions, net of cash acquired	(10)	—
Decrease (increase) in restricted cash	3	(2)
Acquisition of minority held shares	—	(16)
Dividends from equity method investments in excess of earnings	—	37
Net cash used in investing activities	(495)	(526)
Cash flows from financing activities:		
Net repayments under other short-term debt agreements	(79)	(16)
Proceeds from issuance of senior secured term loans, net of issuance costs	560	(5)
Repayment under long-term debt agreements	(1,349)	—
Proceeds from issuance of senior notes, net of issuance costs	788	—
Dividend payments of consolidated affiliates to minority shareholders	(26)	(39)
Repurchase of ordinary shares	(353)	(300)
Distribution of cash dividends	(159)	—
Taxes withheld and paid on employees' restricted share awards	(14)	—
Net cash used in financing activities	(632)	(360)
Effect of exchange rate fluctuations on cash and cash equivalents	5	(11)
(Decrease) increase in cash and cash equivalents	(52)	271

Cash and cash equivalents at beginning of the period	1,105	1,363
Cash and cash equivalents at end of the period	$1,053	$1,634

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, 2013	315	$ 3	$ 1,723	$ 856	$ (237)	$ 2,345	$ 485	$ 2,830
Net income	—	—	—	914	—	914	66	980
Other comprehensive loss	—	—	—	—	(25)	(25)	3	(22)
Dividends on ordinary shares	—	—	2	(161)	—	(159)	—	(159)
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	—	—	—	(77)	(77)
Taxes withheld on employees' restricted share award vestings	—	—	(3)	—	—	(3)	—	(3)
Repurchase of ordinary shares	(7)	—	(40)	(322)	—	(362)	—	(362)
Share based compensation	—	—	36	—	—	36	—	36
Balance at September 30, 2013	308	$ 3	$ 1,718	$ 1,287	$ (262)	$ 2,746	$ 477	$ 3,223

See notes to consolidated financial statements.

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DELPHI AUTOMOTIVE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

General and basis of presentation—"Delphi," the "Company", the "Successor", "we", "us" and "our" refer to Delphi Automoti 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, and became a subsidiary of Delphi Automotive PLC in connection with the completion of the Company's initial public offering on November 22, 2011. The former Delphi Corporation (now known as DPH Holdings Corp. ("DPHH")) and, as the context may require, its subsidiaries and affiliates, are referred to herein as the "Predecessor." The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements and notes thereto included in this report should be read in conjunction with Delphi's 2012 Annual Report on Form 10-K.

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

Corporate history—In October 2005, the Predecessor and certain of its United States ("U.S.") subsidiaries filed voluntary petitions for reorganization relief under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The Predecessor's non-U.S. subsidiaries which were not included in the Chapter 11 Filings, continued their business operations without supervision from the Bankruptcy Court and were not subject to the requirements of the Bankruptcy Code. On August 19, 2009, Delphi Automotive LLP, a limited liability partnership organized under the laws of England and Wales, was formed for the purpose of acquiring certain assets and subsidiaries of the former Delphi Corporation, its Predecessor ("the Acquisition"). On October 6, 2009 (the "Acquisition Date"), Delphi Automotive LLP acquired the major portion of the business of the Predecessor and issued membership interests to a group of investors consisting of lenders to the Predecessor, General Motors Company ("GM") and the Pension Benefit Guaranty Corporation (the "PBGC").

As a result of the Acquisition, Delphi Automotive LLP acquired a significant portion of the business of the Predecessor and this business constituted the entirety of the operations of the Successor.

On March 31, 2011, all of the outstanding Class A and Class C membership interests held by GM and the PBGC were redeemed, respectively, for approximately $4.4 billion. The redemption transaction was funded by a $3.0 billion credit facility entered into on March 31, 2011 (the "Credit Facility") and existing cash. Refer to Note 8. Debt and Note 12. Shareholders' Equity and Net Income Per Share for additional disclosures.

On May 19, 2011, Delphi Automotive PLC was formed as a Jersey public limited company, and had nominal assets, no liabilities and had conducted no operations prior to its initial public offering. On November 22, 2011, in conjunction with the completion of its initial public offering by the selling shareholders, all of the outstanding equity of Delphi Automotive LLP was exchanged for ordinary shares of Delphi Automotive PLC. As a result, Delphi Automotive LLP became a wholly-owned subsidiary of Delphi Automotive PLC. The transaction whereby Delphi Automotive LLP became a wholly-owned subsidiary of Delphi Automotive PLC had no accounting effects.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation—The consolidated financial statements include the accounts of Delphi and U.S. and non-U.S. subsidiaries in which Delphi holds a controlling financial or management interest and variable interest entities of which Delphi has determined that it is the primary beneficiary. Delphi's share of the earnings or losses of non-controlled affiliates, over which Delphi exercises significant influence (generally a 20% to 50% ownership interest), is included in the consolidated operating results using the equity method of accounting. All adjustments, consisting of only normal recurring items, which are necessary for a fair presentation, have been included. All significant intercompany transactions and balances between consolidated Delphi businesses have been eliminated.

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

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September 30, 2012, Delphi received a dividend of $62 million from one of its equity method investments. The dividend was recognized as a reduction to the investment with $25 million representing a return on investment included in cash flows from operating activities and $37 million representing a return of capital investment and included in cash flows from investing activities.

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

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

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

Intangible Assets—Intangible assets were $742 million and $803 million as of September 30, 2013 and December 31, 2012, respectively. Delphi amortizes definite-lived intangible assets over their estimated useful lives. Delphi has definite-lived intangible assets related to patents and developed technology, customer relationships, trade names and in-process research and development. Delphi does not amortize indefinite-lived in-process research and development, but tests for impairment annually, or more frequently when indicators of potential impairment exist. Costs to renew or extend the term of acquired intangible assets are recognized as expense as incurred. Amortization expense was $27 million and $79 million for the three and nine months ended September 30, 2013 and $20 million and $60 million for the three and nine months ended September 30, 2012, respectively.

Goodwill—Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Delphi tests goodwill for impairment annually or more frequently when indications of potential impairment exist. Delphi monitors the existence of potential impairment indicators throughout the fiscal year.

The Company tests for goodwill impairment at the reporting unit level. Our reporting units are the components of operating segments which constitute businesses for which discrete financial information is available and is regularly reviewed by segment management. No components were aggregated in arriving at our reporting units.

The impairment test involves first qualitatively assessing goodwill for impairment. If the qualitative assessment is not met the Company then performs a quantitative assessment by first comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value reflects the price a market participant would be willing to pay in a potential sale of the reporting unit. If the fair value exceeds carrying value, no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, a second step is required to measure possible goodwill impairment loss. The second step includes hypothetically valuing the tangible and intangible assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying value of that goodwill. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, the Company recognizes an impairment loss in an amount equal to the excess, not to exceed the carrying value. Goodwill was $485 million and $473 million as of September 30, 2013 and December 31, 2012, respectively.

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

Restructuring—Delphi continually evaluates alternatives to align the business with the changing needs of its customers and to lower operating costs. This includes the realignment of its existing manufacturing capacity, facility closures, or similar actions, either in the normal course of business or pursuant to significant restructuring programs. These actions may result in employees receiving voluntary or involuntary employee termination benefits, which are mainly pursuant to union or other contractual agreements. Voluntary termination benefits are accrued when an employee accepts the related offer. Involuntary termination benefits are accrued upon the commitment to a termination plan and the benefit arrangement is communicated to affected employees, or when liabilities are determined to be probable and estimable, depending on the existence of a

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substantive plan for severance or termination. Contract termination costs are recorded when contracts are terminated or when Delphi ceases to use the leased facility and no longer derives economic benefit from the contract. All other exit costs are expensed as incurred. Refer to Note 7. Restructuring.

Customer concentrations—As reflected in the table below, net sales to GM and Volkswagen Group (“VW”), Delphi's two largest customers, totaled approximately 28% and 27% for the three and nine months ended September 30, 2013 and 29% and 29% for the three and nine months ended September 30, 2012 of our total net sales, respectively.

	Percentage of Total Net Sales				Accounts and Other Receivables	
	Three Months Ended September 30,		Nine Months Ended September 30,		September 30, 2013	December 31, 2012
	2013	2012	2013	2012		
					(in millions)	
GM	18 %	18 %	17 %	18 %	$514	$ 382
VW	10 %	11 %	10 %	11 %	218	109

Recently issued accounting pronouncements—In December 2011, the Financial Accounting Standards Board (“FASB”) issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. This guidance requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. In January 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which clarified that the scope of ASU 2011-11 applies to derivatives and securities borrowing or lending transactions subject to an agreement similar to a master netting arrangement. The guidance is effective for annual periods beginning on or after January 1, 2013. Delphi adopted this guidance effective March 31, 2013 and applied it retrospectively for any period presented. Refer to Note 14. Derivatives and Hedging Activities for additional information. The adoption of this guidance did not have a significant impact on Delphi's financial statements.

In February 2013, the FASB issued ASU 2013-2, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This guidance requires an organization to present the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. The guidance is effective for fiscal years beginning after December 15, 2012. Delphi adopted this guidance effective January 1, 2013. Refer to Note 13. Changes in Accumulated Other Comprehensive Income (Loss) for additional information. The adoption of this guidance did not have a significant impact on Delphi's financial statements.

In March 2013, the FASB issued ASU 2013-5, Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This guidance requires a reporting entity that ceases to have a controlling financial interest in a business with a foreign entity, other than a sale of in substance real estate or conveyance of oil and gas mineral rights, to release any related cumulative translation adjustment into net income. The guidance is effective for fiscal years beginning after December 15, 2013. The adoption of this guidance is not expected to have a significant impact on Delphi's financial statements.

3. INVENTORIES

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

	September 30, 2013	December 31, 2012
	(in millions)	
Productive material	$675	$ 586
Work-in-process	145	128
Finished goods	413	352

Total	$1,233	$ 1,066

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4. ASSETS

Other current assets consisted of the following:

	September 30, 2013	December 31, 2012
	(in millions)	
Value added tax receivable	$181	$194
Deferred income taxes	153	148
Prepaid insurance and other expenses	75	86
Reimbursable engineering costs	63	52
Notes receivable	44	22
Debt issuance costs (Note 8)	10	17
Income and other taxes receivable	74	47
Deposits to vendors	11	15
Derivative financial instruments (Note 14)	9	21
Other	20	21
Total	$640	$623

Other long-term assets consisted of the following:

	September 30, 2013	December 31, 2012
	(in millions)	
Deferred income taxes	$269	$281
Debt issuance costs (Note 8)	46	55
Income and other taxes receivable	102	88
Reimbursable engineering costs	87	50
Value added tax receivable	30	33
Derivative financial instruments (Note 14)	4	6
Other	60	69
Total	$598	$582

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5. LIABILITIES

Accrued liabilities consisted of the following:

	September 30, 2013	December 31, 2012
	(in millions)	
Payroll-related obligations	$305	$259
Employee benefits, including current pension obligations	102	123
Executive long-term incentive plan (Note 18)	—	20
Income and other taxes payable	210	261
Warranty obligations (Note 6)	76	92
Restructuring (Note 7)	119	118
Customer deposits	29	35
Deferred income taxes	16	12
Derivative financial instruments (Note 14)	28	12
Accrued interest	29	9
Dividends payable of consolidated affiliates to minority shareholders	51	—
Other	329	300
Total	$1,294	$1,241

Other long-term liabilities consisted of the following:

	September 30, 2013	December 31, 2012
	(in millions)	
Environmental (Note 10)	$20	$18
Extended disability benefits	13	12
Warranty obligations (Note 6)	93	74
Restructuring (Note 7)	31	45
Payroll-related obligations	11	11
Accrued income taxes	32	38
Deferred income taxes	210	185
Derivative financial instruments (Note 14)	10	1
Other	43	50
Total	$463	$434

6. WARRANTY OBLIGATIONS

Expected warranty costs for products sold are recognized at the time of sale of the product based on its estimate of the amount that eventually will be required to settle such obligations. These accruals are based on factors such as past experience, production changes, industry developments and various other considerations. This estimate is adjusted from time to time based on facts and circumstances that impact the status of existing claims. Delphi has recognized its best estimate for its total aggregate warranty reserves across all of its operating segments as of September 30, 2013. The estimated reasonably possible amount to ultimately resolve all matters is not materially different from the recorded reserves as of September 30, 2013.

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The table below summarizes the activity in the product warranty liability for the nine months ended September 30, 2013:

	Warranty Obligations (in millions)
Accrual balance at beginning of period	$166
Provision for estimated warranties incurred during the period	52
Provision for changes in estimate for pre-existing warranties	(2)
Settlements made during the period (in cash or in kind)	(50)
Foreign currency translation and other	3
Accrual balance at end of period	$169

In March 2011, Delphi reached a settlement with its customer related to warranty claims on certain components previously supplied by Delphi’s Powertrain segment and reflected a change in its previous estimate of probable loss as a result of the settlement agreement by recognizing $76 million of warranty expense in cost of sales. In April 2012, Delphi made the final scheduled payment of €60 million (approximately $80 million at April 30, 2012 exchange rates) 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 it relates to executing Delphi’s strategy, either in the normal course of business or pursuant to significant restructuring programs.

In the fourth quarter of 2012, Delphi initiated and committed to approximately $300 million of various restructuring programs which includes costs related to the integration of the Motorized Vehicle Division (“MVL”) acquisition that are intended to further improve Delphi's industry leading cost structure. As part of Delphi's continued efforts to optimize its cost structure, during the first quarter of 2013, an additional $75 million of restructuring actions were initiated, bringing the overall commitments of Delphi's restructuring programs to approximately $375 million. Approximately 80% of the restructuring actions are in Europe, including workforce reductions as well as plant closures, and are expected to be substantially completed during 2014. Approximately $170 million of the total restructuring was recognized in the fourth quarter of 2012, and in the three and nine months ended September 30, 2013 Delphi recorded employee related and other restructuring charges totaling $37 million and $95 million, respectively. 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 for these restructuring actions of approximately $90 million in the nine months ended September 30, 2013, and expects future cash expenditures in 2013 of approximately $70 million.

The following table summarizes the restructuring charges recorded for the three and nine months ended September 30, 2013 and 2012 by operating segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Segment	2013	2012	2013	2012
	(in millions)			
Electrical/Electronic Architecture	$7	$1	$26	$6
Powertrain Systems	8	—	20	4
Electronics and Safety	19	1	44	3
Thermal Systems	3	1	5	4
Total	$37	$3	$95	$17

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The table below summarizes the activity in the restructuring liability for the nine months ended September 30, 2013:

	Employee Termination Benefits Liability	Other Exit Costs Liability	Total
	(in millions)		
Accrual balance at January 1, 2013	$157	$6	$163
Provision for estimated expenses incurred during the period	94	1	95
Payments made during the period	(103)	(3)	(106)
Foreign currency and other	(2)	—	(2)
Accrual balance at September 30, 2013	$146	$4	$150

8. DEBT

The following is a summary of debt outstanding, net of discounts of approximately $0 million and $4 million related to the Tranche A Term Loan and the Tranche B Term Loan, defined below, as of September 30, 2013 and December 31, 2012:

	September 30, 2013	December 31, 2012
	(in millions)	
Accounts receivable factoring	$—	$19
5.875%, senior notes, due 2019	500	500
6.125%, senior notes, due 2021	500	500
5.00%, senior notes, due 2023	800	—
Tranche A Term Loan, due 2018	568	567
Tranche B Term Loan, due 2017	—	772
Capital leases and other	50	106
Total debt	2,418	2,464
Less: current portion	(59)	(140)
Long-term debt	$2,359	$2,324

Credit Agreement

In March 2011, in conjunction with the redemption of membership interests from Class A and Class C membership interest holders, Delphi Corporation (the “Issuer”), a wholly-owned U.S. subsidiary of Delphi Automotive LLP, entered into a credit agreement with JPMorgan Chase Bank, N.A., as lead arranger and administrative agent, with respect to $3.0 billion in senior secured credit facilities (the “Original Credit Agreement”). The Original Credit Agreement was amended and restated on each of May 17, 2011, September 14, 2012 (as so amended and restated, the “2012 Credit Agreement”) and March 1, 2013. (The Original Credit Agreement and each amendment and restatement of the Original Credit Agreement are individually and collectively referred to herein as the “Credit Agreement”). The Original Credit Agreement provided for a senior secured 5-year term loan in an original amount of $258 million (the “Original Tranche A Term Loan” and, as subsequently modified from time to time, the “Tranche A Term Loan”), a senior secured 6-year term loan in an original amount of $950 million (the “Tranche B Term Loan”), and a $500 million revolving credit facility (as subsequently modified from time to time, the “Revolving Credit Facility”). Under the 2012 Credit Agreement, the Company increased the Revolving Credit Facility to $1.3 billion and the Original Tranche A Term Loan to $574 million. As a result of prior payments on the Tranche A Term Loan, the Company received incremental proceeds of $363 million under the 2012 Credit Agreement, which was used to pay a portion of the cost of acquiring MVL. On March 1, 2013, following the senior unsecured note issuance in February 2013 (as more fully described below), the Tranche B Term Loan was fully repaid, the Tranche A Term Loan was increased to $575 million, the Revolving Credit Facility was increased to $1.5 billion, and the terms of the Tranche A Term Loan and the Revolving Credit Facility were extended to March 1, 2018. These resulted in the recognition of a loss on debt extinguishment of

$39 million during the nine months ended September 30, 2013. Approximately $14 million in issuance costs were paid in conjunction with the March 2013 amendment. Unamortized debt issuance costs associated with the Tranche A Term Loan and Revolving Credit Facility of $28 million are being amortized over the term of the Credit Agreement, as extended pursuant to the March 1, 2013 amendment. At September 30, 2013 the Revolving Credit Facility was undrawn and Delphi had approximately $10 million in letters of credit

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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 the Issuer's option, at either (a) the Administrative Agent's Alternate Base Rate ("ABR" as defined in the Credit Agreement) or (b) the London Interbank Offered Rate ("Adjusted LIBO Rate" as defined in the Credit Agreement) ("LIBOR") plus in either case a percentage per annum as set forth in the table below (the "Applicable Rate"). The Tranche B Term Loan had a LIBOR floor of 1.00%. A comparison of the Applicable Rates under the 2012 Credit Agreement and current Credit Agreement is set forth below:

	Credit Agreement (September 30, 2013)		2012 Credit Agreement (December 31, 2012)	
	LIBOR plus	ABR plus	LIBOR plus	ABR plus
Revolving Credit Facility	1.50%	0.50%	2.00%	1.00%
Tranche A Term Loan	1.50%	0.50%	2.00%	1.00%
Tranche B Term Loan	N/A	N/A	2.50%	1.50%

The Applicable Rate under the Credit Agreement may increase or decrease from time to time based on changes in credit ratings with the minimum interest level of 1.00% and maximum level of 2.25%. Accordingly, the interest rate will fluctuate during the term of the Credit Agreement based on changes in the ABR, LIBOR or future changes in our corporate credit ratings. The Credit Agreement also requires that the Issuer pay certain commitment fees on the unused portion of the Revolving Credit Facility and certain letter of credit issuance and fronting fees.

The interest rate period with respect to LIBOR interest rate options can be set at one-, two-, three-, or six-months as selected by the Issuer in accordance with the terms of the Credit Agreement (or other period as may be agreed by the applicable lenders), but payable no less than quarterly. The Issuer may elect to change the selected interest rate in accordance with the provisions of the Credit Agreement. As of September 30, 2013, the Issuer selected the one-month LIBOR interest rate option, as detailed in the table below, and the amounts outstanding, and rates effective as of September 30, 2013 were based on Delphi's current credit rating and applicable margin for the Credit Agreement:

	LIBOR plus	Borrowings as of September 30, 2013	Rates effective as of September 30, 2013
Revolving Credit Facility	1.50%	$—	—%
Tranche A Term Loan	1.50%	568	1.6875%

The Issuer is obligated to make quarterly principal payments throughout the term of the Tranche A Term Loan according to the amortization schedule in the Credit Agreement. Borrowings under the Credit Agreement are prepayable at the Issuer's option without premium or penalty. The Credit Agreement also contains certain mandatory prepayment provisions in the event the Company receives net cash proceeds from any asset sale or casualty event. No mandatory prepayments under these provisions have been made or are due through September 30, 2013.

The Credit Agreement contains certain covenants that limit, among other things, the Company's (and the Company's subsidiaries') ability to incur additional indebtedness or liens, to dispose of assets, to make certain investments, to prepay certain indebtedness and to pay dividends, or to make other distributions or redemptions/repurchases, in respect of the Company's equity interests. In addition, the Credit Agreement requires that the Company maintain a consolidated leverage ratio (the ratio of Consolidated Total Indebtedness to Consolidated EBITDA, each as defined in the Credit Agreement) of less than 2.75 to 1.0. The Credit Agreement also contains events of default customary for financings of this type. The Company was in compliance with the Credit Agreement covenants as of September 30, 2013. At any time when Delphi Automotive PLC and Delphi Corporation have received investment grade credit ratings as specified in the Credit Agreement and other conditions in the Credit Agreement are met, all security interests on the collateral will be released, subject to potential reinstatement if the investment grade condition ceases to be satisfied. In addition, certain covenants shall not apply after Delphi Automotive PLC and Delphi Corporation have received investment grade credit ratings as specified in the Credit Agreement and no default has occurred or is continuing, provided that such covenants may be reinstated if the investment grade condition ceases to be satisfied.

All obligations under the Credit Agreement are borrowed by Delphi Corporation and jointly and severally guaranteed by its direct and indirect parent companies and by certain of Delphi Automotive PLC's existing and future direct and indirect subsidiaries, subject to certain exceptions set forth in the Credit Agreement. All obligations under the Credit Agreement, including the guarantees of those obligations, are secured by certain assets of Delphi Corporation and the guarantors, including substantially all of the assets of Delphi Automotive PLC, and its U.S. subsidiaries, and certain assets of Delphi Corporation's direct and indirect parent companies.

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Senior Notes
On May 17, 2011, Delphi Corporation issued $500 million of 5.875% senior unsecured notes due 2019 and $500 million of 6.125% senior unsecured notes due 2021 (the “2011 Senior Notes”) in a transaction exempt from registration under Rule 144A and Regulation S of the Securities Act of 1933 (the “Securities Act”). Delphi paid approximately $23 million of debt issuance costs in connection with the 2011 Senior Notes. The net proceeds of approximately $1 billion as well as cash on hand were used to pay down amounts outstanding under the Original Credit Agreement. In May 2012, Delphi Corporation exchanged all of the 2011 Senior Notes for registered notes (“New Senior Notes”) with terms identical in all material respects to the terms of the 2011 Senior Notes, except that the New Senior Notes are registered under the Securities Act, and the transfer restrictions and registration rights relating to the 2011 Senior Notes no longer apply. No proceeds were received by Delphi Corporation as a result of the exchange. Interest is payable semi-annually on May 15 and November 15 of each year to holders of record at the close of business on May 1 or November 1 immediately preceding the interest payment date.
The indenture governing the New Senior Notes limits, among other things, Delphi’s (and Delphi’s subsidiaries’) ability to incur additional indebtedness or liens, dispose of assets, make certain restricted payments or investments, enter into transactions with affiliates and merge with or into other entities. As of September 30, 2013, the Company was in compliance with the provisions of the New Senior 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 the Securities Act. The proceeds were primarily utilized to prepay our term loan indebtedness under our 2012 Credit Agreement. Delphi paid approximately $12 million of issuance costs in connection with the 2013 Senior Notes. Interest is payable semi-annually on February 15 and August 15 of each year to holders of record at the close of business on February 1 or August 1 immediately preceding the interest payment date.
The indenture governing the 2013 Senior Notes limits, among other things, 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 September 30, 2013, the Company was in compliance with the provisions of the 2013 Senior Notes.
The senior notes are fully and unconditionally guaranteed, jointly and severally, by Delphi Automotive PLC and certain of its existing and future subsidiaries, subject to customary release provisions (other than in the case of Delphi Automotive PLC).
Other Financing
Accounts receivable factoring—Various accounts receivable factoring facilities are maintained in Europe and are accounted for as short-term debt. These factoring facilities are available through various financial institutions. Additionally, during the three months ended September 30, 2013, Delphi entered into a new accounts receivable factoring agreement in Europe to replace and consolidate current European factoring facilities. The new agreement is a €350 million committed facility and borrowings under the new program are subject to the availability of eligible accounts receivable. As of September 30, 2013 and December 31, 2012, $0 million and $19 million, respectively, were outstanding under European accounts receivable factoring facilities.
Capital leases and other—As of September 30, 2013 and December 31, 2012, approximately $50 million and approximately $106 million, respectively, of other debt issued by certain non-U.S. subsidiaries and capital lease obligations were outstanding.
Interest—Cash paid for interest related to amounts outstanding totaled $78 million and $74 million for the nine months ended September 30, 2013 and 2012, respectively.

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

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

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The amounts shown below reflect the defined benefit pension expense for the three and nine months ended September 30, 2013 and 2012:

	Non-U.S. Plans		U.S. Plans	
	Three Months Ended September 30,			
	2013	2012	2013	2012
	(in millions)			
Service cost	$13	$11	$—	$—
Interest cost	22	22	—	—
Expected return on plan assets	(17)	(17)	—	—
Amortization of actuarial losses	1	—	—	—
Net periodic benefit cost	$19	$16	$—	$—

	Non-U.S. Plans		U.S. Plans	
	Nine Months Ended September 30,			
	2013	2012	2013	2012
	(in millions)			
Service cost	$41	$34	$—	$—
Interest cost	65	63	1	2
Expected return on plan assets	(52)	(50)	—	—
Amortization of actuarial losses	5	—	—	—
Net periodic benefit cost	$59	$47	$1	$2

Other postretirement benefit obligations were approximately $10 million and $15 million at September 30, 2013 and December 31, 2012, respectively.

10. COMMITMENTS AND CONTINGENCIES

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 September 30, 2013 and December 31, 2012, the undiscounted reserve for environmental investigation and remediation was approximately $23 million (of which $3 million was recorded in accrued liabilities and $20 million was recorded in other long-term liabilities) and $21 million (of which $3 million was recorded in accrued liabilities and $18 million was recorded in other long-term liabilities). 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 September 30, 2013, the difference between the recorded liabilities and the reasonably possible range of loss was not material.

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.

Brazil Matters

Delphi conducts significant business operations in Brazil that are subject to the Brazilian federal labor, social security, environmental, tax and customs laws, as well as a variety of state and local laws. While Delphi believes it complies with such laws, they are complex, subject to varying interpretations, and the Company is often engaged in litigation with government agencies regarding the application of these laws to particular circumstances. As of September 30, 2013, the majority of claims asserted against Delphi in Brazil relate to such litigation. The remaining claims relate to commercial and labor litigation with

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private parties in Brazil. As of September 30, 2013, claims totaling approximately $200 million (using September 30, 2013 foreign currency rates) have been asserted against Delphi in Brazil. As of September 30, 2013, the Company maintains accruals for these asserted claims of $33 million (using September 30, 2013 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.

11. INCOME TAXES

For purposes of comparability and consistency, the Company uses the notional U.S. federal income tax rate when presenting the Company's reconciliation of the income tax provision. The Company is a U.K. resident taxpayer and as such is not generally subject to U.K. tax on remitted foreign earnings. As a result, the Company does not anticipate foreign earnings would be subject to a 35% tax rate upon repatriation to the U.K., as is the case when U.S. based companies repatriate earnings to the U.S. A reconciliation of the provision for income taxes compared with the amounts at the notional U.S. federal statutory rate was:

	Nine Months Ended September 30,			
	2013		2012	
	(in millions)			
Notional U.S. federal income taxes at statutory rate	$398		$425	
Income taxed at other rates	(219	)	(192	)
Change in valuation allowance	—		(1	)
Other change in tax reserves	(5	)	(12	)
Withholding taxes	38		11	
Tax credits	(48	)	(12	)
Change in tax law	12		6	
Other adjustments	6		2	
Total income tax expense	$182		$227	
Effective tax rate	16	%	19	%

The Company's tax rate is affected by the tax rates in the jurisdictions in which the Company operates, the relative amount of income earned by jurisdiction, jurisdictions with a statutory tax rate less than the U.S. rate of 35% 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 geographic income mix was favorably impacted in 2013, as compared to 2012, primarily due to tax planning initiatives.

The effective tax rate was 16% and 19% for the nine months ended September 30, 2013 and 2012, respectively. The American Taxpayer Relief Act of 2012 was enacted on January 2, 2013 which retroactively reinstates expired tax provisions known as tax extenders including the research and development tax credit. The income tax accounting effect, including any retroactive effect, of a tax law change is accounted for in the period of enactment, which in this case was the first quarter of 2013. As a result, the effective tax rate for the nine months ended September 30, 2013 was impacted by a benefit of approximately $22 million related to the 2012 research and development credit in addition to the 2013 research and development credit. On July 17, 2013, the United Kingdom-Finance Bill of 2013 became law as the Finance Act 2013 (the "U.K. Finance Act"). The U.K. Finance Act provides for a reduction to the corporate income tax rate from 23% to 21% effective April 1, 2014, with a further reduction to 20% effective April 1, 2015. The impact of this legislation was recorded as a discrete item during the third quarter of 2013, the period of enactment, and resulted in increased tax expense of approximately $12 million for the nine months ended September 30, 2013 due to the resultant impact on the net deferred tax asset balances. The effective tax rate in the nine months ended September 30, 2012 was impacted by a reduction of $22 million in tax reserves due to resolution of open issues with tax authorities, an increase of $10 million primarily related to non-U.S. transfer pricing positions, an increase of $6

million related to a reduction to the corporate income tax rate in the United Kingdom from 25% to 23% and a reduction of $14 million in withholding tax expense related to 2012 non-U.S. tax planning actions.
Cash paid or withheld for income taxes was $215 million and $228 million for the nine months ended September 30, 2013 and 2012 respectively.

Tax Return Filing Determinations and Elections

Delphi Automotive LLP, which acquired certain businesses of the Predecessor on October 6, 2009, the Acquisition Date, was established on August 19, 2009 as a limited liability partnership incorporated under the laws of England and Wales. At the time of its formation, Delphi Automotive LLP elected to be treated as a partnership for U.S. federal income tax purposes. The Company believes the Internal Revenue Service (the “IRS”) may assert that Delphi Automotive LLP, and as a result Delphi Automotive PLC, should be treated as a domestic corporation for U.S. federal income tax purposes, retroactive to the Acquisition Date. If Delphi Automotive LLP were treated as a domestic corporation for U.S. federal income tax purposes, the Company expects that, although Delphi Automotive PLC is incorporated under the laws of Jersey and a tax resident in the U.K., it would also be treated as a domestic corporation for U.S. federal income tax purposes.

Delphi Automotive LLP filed U.S. federal partnership tax returns for 2009, 2010, and 2011. The IRS is currently reviewing whether Section 7874 applies to Delphi Automotive LLP’s acquisition of the automotive supply and other businesses of the Predecessor. The Company believes, after consultation with counsel, that neither Delphi Automotive LLP nor Delphi Automotive PLC should be treated as a domestic corporation for U.S. federal income tax purposes, and intends to vigorously contest any assertion by the IRS to the contrary, including through litigation if the Company were unable to reach a satisfactory resolution with the IRS. However, no assurance can be given that the IRS will not contend, or that a court would not conclude, that Delphi Automotive LLP, and therefore Delphi Automotive PLC, should be treated as a domestic corporation for U.S. federal income tax purposes. No accrual for this matter has been recorded as of September 30, 2013.

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

12. SHAREHOLDERS’ EQUITY AND NET INCOME PER SHARE

Overview

On May 19, 2011, Delphi Automotive PLC was formed as a Jersey public limited company, and had nominal assets, no liabilities and had conducted no operations prior to its initial public offering. On November 22, 2011, in conjunction with the completion of its initial public offering, all of the outstanding equity of Delphi Automotive LLP was exchanged for 328,244,510 ordinary shares, par value $0.01 in Delphi Automotive PLC. As a result, Delphi Automotive LLP became a wholly-owned subsidiary of Delphi Automotive PLC, and subsequent to the exchange, Delphi Automotive PLC completed the initial public offering of 24,078,827 ordinary shares by the selling shareholders for an aggregate purchase price of approximately $530 million. Delphi Automotive PLC did not receive any proceeds from the offering, and incurred transaction fees and expenses of approximately $44 million.

Net Income Per Share

Basic net income per share is computed by dividing net income attributable to Delphi by the weighted average number of ordinary shares outstanding during the period. Diluted net income per share reflects the weighted average dilutive impact of all potentially dilutive securities from the date of issuance and is computed using the treasury stock method by dividing net income attributable to Delphi by the diluted weighted average number of ordinary shares outstanding. For all periods presented, the calculation of net income per share contemplates the dilutive impacts, if any, of the Company’s share-based compensation plans. Refer to Note 18. Share-Based Compensation for additional information. For all applicable periods presented, the effect of the Value Creation Plan (“VCP”) awards was anti-dilutive and therefore excluded from the calculation of diluted net income per share, as discussed in Note 18. Share-Based Compensation.

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Weighted Average Shares

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions, except per share data)			
Numerator:				
Net income attributable to Delphi	$271	$269	$914	$941
Denominator:				
Weighted average ordinary shares outstanding, basic	309.68	320.93	312.08	325.00
Dilutive shares related to Restricted Stock Units ("RSUs")	0.94	0.35	0.79	0.28
Weighted average ordinary shares outstanding, including dilutive shares	310.62	321.28	312.87	325.28
Net income per share attributable to Delphi:				
Basic	$0.88	$0.84	$2.93	$2.89
Diluted	$0.87	$0.84	$2.92	$2.89
Anti-dilutive securities share impact:	—	3.50	—	3.16

Share Repurchase Program

In January 2012, the Board of Directors authorized a share repurchase program of up to $300 million of ordinary shares. The program was scheduled to terminate on the earlier of December 31, 2012 or when the Company attained $300 million of ordinary share repurchases, which was fully satisfied in September 2012. Subsequently, in September 2012, the Board of Directors authorized a new share repurchase program of up to $750 million of ordinary shares. This program will terminate when the Company attains $750 million of ordinary share repurchases and provides for share repurchases 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 nine months ended September 30, 2013 and September 30, 2012 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Total Number of Shares Repurchased	2,120,000	5,443,213	7,415,583	10,740,453
Average Price Paid per Share	$56.50	$29.78	$48.80	$29.08
Total (in millions)	$120	$162	$362	$312

As of September 30, 2013, approximately $285 million of share repurchases remained available under the program adopted in September 2012. Additionally, during the period from October 1, 2013 to October 31, 2013, the Company repurchased 397,589 shares at a weighted average share price of $57.85 pursuant to an automatic trading plan with set trading instructions established by the Company, leaving approximately $262 million remaining available under the September 2012 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

On February 26, 2013, the Board of Directors approved the initiation of dividend payments on its ordinary shares and declared a regular quarterly cash dividend. During the nine months ended September 30, 2013, the Company declared and paid cash dividends per common share as follows:

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Three months ended:	2013 Dividend Per Share	Amount (in millions)
September 30	$0.17	$53
June 30	0.17	53
March 31	0.17	53
Total	$0.51	$159

Other

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

Under the terms of the Acquisition and the Fourth LLP Agreement, if cumulative distributions to the members of Delphi Automotive LLP under certain provisions of the Fourth LLP Agreement exceed $7.2 billion, Delphi, as disbursing agent on behalf of DPHH, is required to pay to the holders of allowed general unsecured claims against the Predecessor, $32.50 for every $67.50 in excess of $7.2 billion distributed to the members, up to a maximum amount of $300 million. This contingency is not considered probable of occurring as of September 30, 2013.

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 nine months ended September 30, 2013 and September 30, 2012 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Foreign currency translation adjustments:				
Balance at beginning of period	$(179)	$(193)	$(62)	$(120)
Aggregate adjustment for the period	110	82	(7)	9
Balance at end of period	(69)	(111)	(69)	(111)
Gains (losses) on derivatives:				
Balance at beginning of period	$(25)	$(9)	$14	$(45)
Other comprehensive income before reclassifications (net tax effect of $10 million, $15 million, $9 million and $35 million)	4	24	(29)	59
Reclassification to income (net tax effect of $5 million, $0 million, $1 million and $1 million)	6	2	—	3
Balance at end of period	(15)	17	(15)	17
Pension and postretirement plans:				
Balance at beginning of period	$(173)	$(19)	$(189)	$(18)
Other comprehensive income before reclassifications (net tax effect of $2 million, $0 million, $2 million and $0 million)	(7)	—	6	(1)
Reclassification to income (net tax effect of $0 million, $0 million, $1 million and $0 million)	2	(1)	5	(1)
Balance at end of period	(178)	(20)	(178)	(20)
Accumulated other comprehensive (loss) income, end of period	(262)	(114)	(262)	(114)

Reclassifications from accumulated other comprehensive income to income for the three and nine months ended September 30, 2013 were as follows:

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Reclassification out of Accumulated Other Comprehensive Income

Details about Accumulated Other Comprehensive Income Components	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013	Affected Line Item in the Statement of Operations
	(in millions)		
Gains (losses) on derivatives:			
Commodity derivatives	$(8)	$(17)	Cost of Sales
Foreign currency derivatives	5	19	Cost of Sales
Foreign currency derivatives	(8)	(3)	Other Income
	(11)	(1)	Total loss before income taxes
	5	1	Income tax benefit (expense)
	(6)	—	Net loss
	—	—	Net income attributable to noncontrolling interest
	$(6)	$—	Net loss attributable to Delphi
Pension and postretirement plans:			
Actuarial gains/(losses)	$(2)	$(6)	(1)
	(2)	(6)	Total loss before income taxes
	—	1	Income tax benefit
	(2)	(5)	Net loss
	—	—	Net income attributable to noncontrolling interest
	$(2)	$(5)	Net loss attributable to Delphi
Total reclassifications for the period	$(8)	$(5)	

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

14. DERIVATIVES AND HEDGING ACTIVITIES

Delphi is exposed to market risk, such as fluctuations in foreign currency exchange rates, commodity prices and changes in interest rates, which may result in cash flow risks. To manage the volatility relating to these exposures, Delphi aggregates the exposures on a consolidated basis to take advantage of natural offsets. For exposures that are not offset within its operations, Delphi enters into various derivative transactions pursuant to its risk management policies, which prohibit holding or issuing derivative financial instruments for speculative purposes, and designation of derivative instruments is performed on a transaction basis to support hedge accounting. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged. Delphi assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its documented policy. As of September 30, 2013, Delphi has entered into derivative instruments to hedge cash flows extending out to October 2015.

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As of September 30, 2013, the Company had the following outstanding notional amounts related to commodity and foreign currency forward contracts that were entered into to hedge forecasted exposures:

Commodity	Quantity Hedged	Unit of Measure
	(in thousands)	
Copper	87,633	pounds
Primary Aluminum	34,425	pounds
Secondary Aluminum	19,021	pounds

Foreign Currency	Quantity Hedged	Unit of Measure	Notional Amount (Approximate USD Equivalent)
	(in millions)		
Mexican Peso	10,856	MXN	$830
Euro	181	EUR	245
Polish Zloty	322	PLN	105
New Turkish Lira	214	TRY	105
Brazilian Real	193	BRL	85
Chinese Yuan Renminbi	406	CNY	65
Hungarian Forint	10,877	HUF	50
Romanian Leu	138	RON	40

The Company had additional commodity and foreign currency forward contracts with notional amounts that individually amounted to less than $10 million.

The fair value of derivative financial instruments recorded in the consolidated balance sheets as of September 30, 2013 and December 31, 2012 are as follows:

	Asset Derivatives		Liability Derivatives		Net Amounts of Assets and Liabilities Presented in the Balance Sheet
	Balance Sheet Location	September 30, 2013	Balance Sheet Location	September 30, 2013	September 30, 2013
	(in millions)				
Designated derivatives instruments:					
Commodity derivatives	Other Current Assets	$ 1	Accrued Liabilities	$ 16	
Foreign currency derivatives*	Other Current Assets	8	Other Current Assets	2	6
Foreign currency derivatives*	Accrued Liabilities	5	Accrued Liabilities	15	(10)
Commodity derivatives	Other Long-Term Assets	1	Other Long-Term Liabilities	4	
	Other Long-Term Assets	4	Other Long-Term Assets	1	3

Foreign currency derivatives*					
Foreign currency derivatives*	Other Long-Term Liabilities	1	Other Long-Term Liabilities	7	(6)
Total		$ 20		$ 45	
Derivatives not designated:					
Foreign currency derivatives*	Other Current Assets	$ 3	Other Current Assets	$ 1	2
Foreign currency derivatives*	Accrued Liabilities	—	Accrued Liabilities	2	(2)
Total		$ 3		$ 3	

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	Asset Derivatives		Liability Derivatives		Net Amounts of Assets and Liabilities Presented in the Balance Sheet
	Balance Sheet Location	December 31, 2012	Balance Sheet Location	December 31, 2012	December 31, 2012
	(in millions)				
Designated derivatives instruments:					
Commodity derivatives	Other Current Assets	$ 2	Accrued Liabilities	$ 7	
Foreign currency derivatives*	Other Current Assets	24	Other Current Assets	5	19
Foreign currency derivatives*	Accrued Liabilities	—	Accrued Liabilities	5	(5)
Commodity derivatives	Other Long-Term Assets	1	Other Long-Term Liabilities	1	
Foreign currency derivatives*	Other Long-Term Assets	7	Other Long-Term Assets	2	5
Total		$ 34		$ 20	
Derivatives not designated:					
None					

* 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 liability position as of September 30, 2013 and net asset position as of December 31, 2012. The change from a net asset as of December 31, 2012 to a net liability position at September 30, 2013 is primarily due to unfavorable movements in the forward rates of certain foreign currencies and commodities.

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

Three Months Ended September 30, 2013	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)		
Designated derivatives instruments:			
Commodity derivatives	$24	$(8)	$ —
Foreign currency derivatives	(10)	(3)	—
Total	$14	$(11)	$ —

	Gain Recognized in Income
Derivatives not designated:	
Commodity derivatives	$—

Foreign currency derivatives	1
Total	$ 1

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The effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the three months ended September 30, 2012 is as follows:

Three Months Ended September 30, 2012	Gain Recognized in OCI (Effective Portion)	(Loss) Gain Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
	(in millions)		
Designated derivatives instruments:			
Commodity derivatives	$15	$(7)	$ —
Foreign currency derivatives	24	5	—
Total	$39	$(2)	$ —

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

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

Nine Months Ended September 30, 2013	Loss Recognized in OCI (Effective Portion)	(Loss) Gain Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
	(in millions)		
Designated derivatives instruments:			
Commodity derivatives	$(31)	$(17)	$ —
Foreign currency derivatives	(7)	16	—
Total	$(38)	$(1)	$ —

	Gain Recognized in Income
Derivatives not designated:	
Commodity derivatives	$—
Foreign currency derivatives	1
Total	$1

The effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the nine months ended September 30, 2012 is as follows:

Nine Months Ended September 30, 2012	Gain Recognized in OCI (Effective Portion)	(Loss) Gain Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)

	(in millions)		
Designated derivatives instruments:			
Commodity derivatives	$19	$(9)	$ —
Foreign currency derivatives	75	5	1
Total	$94	$(4)	$ 1

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

The gain or loss reclassified from OCI into income for the effective portion of designated derivative instruments and the gain or loss recognized in income for the ineffective portion of designated derivative instruments excluded from effectiveness testing were recorded to cost of sales and other income in the consolidated statements of operations for the three and nine months ended September 30, 2013 and 2012. The gain or loss recognized in income for non-designated derivative instruments was recorded in other income, net and cost of goods sold for the three and nine months ended September 30, 2013 and 2012.

Gains and losses on derivatives qualifying as cash flow hedges are recorded in OCI, to the extent that hedges are effective, until the underlying transactions are recognized in earnings. Unrealized amounts in accumulated OCI will fluctuate based on changes in the fair value of hedge derivative contracts at each reporting period. Loss included in accumulated OCI as of September 30, 2013 was approximately $16 million (approximately $15 million net of tax). Of this loss, approximately $11 million is expected to be included in cost of sales within the next 12 months, $1 million is expected to be included in other income within the next 12 months and $4 million is expected to be included in cost of sales in subsequent periods. Cash flow hedges are discontinued when Delphi determines it is no longer probable that the originally forecasted transactions will occur. The amount included in cost of sales related to hedge ineffectiveness was insignificant for the three and nine months ended September 30, 2013 and 2012, respectively.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements on a Recurring Basis

All derivative instruments are required to be reported on the balance sheet at fair value unless the transactions qualify and are designated as normal purchases or sales. Changes in fair value are reported currently through earnings unless they meet hedge accounting criteria. Delphi's derivative exposures are with counterparties with long-term investment grade credit ratings. Delphi estimates the fair value of its derivative contracts using an income approach based on valuation techniques to convert future amounts to a single, discounted amount. Estimates of the fair value of foreign currency and commodity derivative instruments are determined using exchange traded prices and rates. Delphi also considers the risk of non-performance in the estimation of fair value, and includes an adjustment for non-performance risk in the measure of fair value of derivative instruments. The non-performance risk adjustment reflects the credit default spread ("CDS") applied to the net commodity by counterparty and foreign currency exposures by counterparty. When Delphi is in a net derivative asset position, the counterparty CDS rates are applied to the net derivative asset position. When Delphi is in a net derivative liability position, estimates of peer companies' CDS rates are applied to the net derivative liability position.

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

As of September 30, 2013 and December 31, 2012, Delphi was in a net derivative liability position of $25 million and a net asset position of $14 million, respectively, and no significant adjustments were recorded for nonperformance risk based on the application of peer companies' CDS rates and because Delphi's exposures were to counterparties with investment grade credit ratings.

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As of September 30, 2013 and December 31, 2012, 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 September 30, 2013				
Commodity derivatives	$2	$—	$2	$—
Foreign currency derivatives	11	—	11	—
Total	$13	$—	$13	$—
As of December 31, 2012:				
Commodity derivatives	$3	$—	$3	$—
Foreign currency derivatives	24	—	24	—
Total	$27	$—	$27	$—

As of September 30, 2013 and December 31, 2012, 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 September 30, 2013				
Commodity derivatives	$20	$—	$20	$—
Foreign currency derivatives	18	—	18	—
Total	$38	$—	$38	$—
As of December 31, 2012:				
Commodity derivatives	$8	$—	$8	$—
Foreign currency derivatives	5	—	5	—
Total	$13	$—	$13	$—

Financial Instruments

Delphi’s non-derivative financial instruments include debt, which consists of its accounts receivable factoring arrangements, capital leases and other debt issued by Delphi’s non-U.S. subsidiaries, the Tranche A Term Loan, the Tranche B Term Loan (prior to its payoff on March 1, 2013) and the 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 September 30, 2013 and December 31, 2012, total debt was recorded at $2,418 million and $2,464 million, respectively, and had estimated fair values of $2,517 million and $2,557 million, respectively. For all other financial instruments recorded at September 30, 2013 and December 31, 2012, fair value approximates book value.

Fair Value Measurements on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, Delphi also has items in its balance sheet that are measured at fair value on a nonrecurring basis. As these items are not measured at fair value on a recurring basis, they are not included in the tables above. Nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis include long-lived assets, intangible assets, asset retirement obligations, share-based compensation and liabilities for exit or disposal activities measured at fair value upon initial recognition. No significant impairment charges were recorded during the nine months ended September 30, 2013 and 2012. 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.

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16. OTHER INCOME, NET

Other income, net included:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Interest income	$4	$5	$11	$14
Loss on extinguishment of debt	—	(1)	(39)	(1)
Other, net	—	(1)	3	2
Other income (expense), net	$4	$3	$(25)	$15

As further discussed in Note 8. Debt, during the nine months ended September 30, 2013, Delphi amended its Credit Agreement and repaid the entire balance of the Tranche B Term Loan from the Original Credit Agreement, resulting in a loss on extinguishment of debt of $39 million.

17. ACQUISITIONS AND DIVESTITURES

Acquisition of Motorized Vehicles Division of FCI

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

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

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

Intangible assets include estimated amounts recognized for the fair value of customer-based and technology-related assets. It is currently estimated that these intangible assets have a weighted average useful life of approximately 12 years. The valuation of the intangible assets acquired was based on management's estimates, available information, and reasonable and supportable assumptions. The fair value of these assets was generally estimated based on utilizing income and market approaches.

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

Sale of Italian Thermal Special Application Business

On April 30, 2012, Delphi completed the sale of its Thermal Special Application business located in Italy. The net sales of this business were approximately $23 million for the period from January 1 to April 30, 2012. Delphi received net proceeds of $14 million from the sale and recognized a gain on divestiture of $4 million, which is included in cost of sales in the consolidated statement of operations for the year ended December 31, 2012. The results of operations, including the gain on divestiture were not significant to the consolidated financial statements in any period presented, and the divestiture did not meet the discontinued operations criteria.

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Purchase of Noncontrolling Interest in JV

In February 2012, Delphi's Powertrain segment completed the acquisition of the remaining ownership interest in a majority-owned joint venture for a purchase price of $16 million. The acquisition was not material to the Company's consolidated financial statements. Delphi previously had effective control of the joint venture and consolidated its results. The acquisition resulted in the elimination of the non-controlling interest.

Other

During the three months ended September 30, 2013, Delphi sold a European manufacturing facility that was closed as a result of its overall restructuring program, and received proceeds of approximately $20 million and recognized a gain on the disposal of approximately $11 million in cost of sales.

18. SHARE-BASED COMPENSATION

Long Term Incentive Plan

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

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

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

On April 25, 2013, Delphi granted 37,674 RSUs to the Board of Directors at a grant date fair value of approximately $2 million. The grant date fair value was determined based on the closing price of the Company's ordinary shares on April 25, 2013. The RSUs will vest on April 2, 2014, the day before the 2014 annual meeting of shareholders.

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

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

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

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

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

Metric	2013 Grant		2012 Grant	
Average Return on Net Assets (1)	50	%	50	%
Cumulative Net Income	N/A		30	%
Cumulative Earnings Per Share (2)	30	%	N/A	
Relative Total Shareholder Return (3)	20	%	20	%

(1) Average return on net assets is measured by tax-affected operating income divided by average net working capital plus average net property, plant and equipment expense 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 calendar years 2013-2015.

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

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

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

	RSUs		Weighted Average Grant Date Fair Value
	(in thousands)		
Outstanding, January 1, 2013	1,899		$ 31.09
Granted	1,505		41.51
Vested	(285	)	29.26
Forfeited	(188	)	34.16
Outstanding, September 30, 2013	2,931		36.41

Delphi recognized compensation expense of $10 million ($8 million, net of tax) and $8 million ($6 million, net of tax) based on the Company's best estimate of ultimate performance against the respective targets during the three months ended September 30, 2013 and 2012, respectively. Delphi recognized compensation expense of $34 million ($26 million, net of tax) and $20 million ($15 million, net of tax) based on the Company's best estimate of ultimate performance against the respective targets during the nine months ended September 30, 2013 and 2012, 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 September 30, 2013, unrecognized compensation expense on a pretax basis of approximately $73 million is anticipated to be recognized through February 2016. For the nine months ended September 30, 2013 and 2012, respectively, approximately $3 million and $0 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.

Value Creation Plan

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

Approximately $200 million of the VCP awards were settled in cash during the year ended December 31, 2012 and approximately $31 million (including $11 million of taxes to be paid) that remained in accrued liabilities as of December 31,

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2012 related to certain legal entities was paid out in the first quarter of 2013. The cash flow impacts for the nine months ended September 30, 2013 and 2012 were $31 million and $0 million, respectively. Final settlement of the awards for Delphi's officers was comprised of a combination of cash and ordinary shares. On December 31, 2012, 717,230 ordinary shares were issued to Delphi's officers, of which 290,798 ordinary shares were withheld to cover U.S. withholding taxes. For the nine months ended September 30, 2013 and 2012, respectively, approximately $11 million and $0 million of cash was paid and reflected as a financing activity in the statements of cash flows related to the minimum statutory tax withholding for the vested ordinary shares. Delphi recognized compensation expense based on estimates of the enterprise value over the requisite vesting periods of the awards. Compensation expense recognized during the three and nine months ended September 30, 2012 totaled $27 million ($20 million, net of tax) and $107 million ($80 million, net of tax), respectively.

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

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

Basis of Presentation

In May 2011, Delphi Corporation issued the 2011 Senior Notes in a transaction exempt from registration under Rule 144A and Regulation S of the Securities Act. The 2011 Senior Notes were exchanged for the New Senior Notes in an exchange offer completed in May 2012. Additionally, in February 2013, Delphi Corporation issued the 2013 Senior Notes registered under the Securities Act. All series of the Company's outstanding senior notes have been issued by Delphi Corporation (“Subsidiary Issuer”) and are fully and unconditionally guaranteed by certain of its direct and indirect parent companies the (“Parent Companies”) and by certain of Delphi Automotive PLC’s direct and indirect subsidiaries (the “Guarantor Subsidiaries”) on a joint and several basis, subject to customary release provisions (other than in the case of Delphi Automotive PLC). Subsidiaries not subject to the guarantee (“Non-Guarantor Subsidiaries”) consist primarily of the non-U.S. subsidiaries of the Company. Refer to Note 8. Debt for more information.

In lieu of providing separate audited financial statements for the Guarantors, the Company has included the accompanying condensed consolidating financial statements. These condensed consolidating financial statements are presented on the equity method. Under this method, the investments in subsidiaries are recorded at cost and adjusted for the parent’s share of the subsidiary’s cumulative results of operations, capital contributions and distributions and other equity changes. The 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 September 30, 2013

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$—	$—	$1,368	$2,993	$(344)	$4,017
Operating expenses:						
Cost of sales	—	—	1,203	2,483	(348)	3,338
Selling, general and administrative	41	—	43	143	1	228
Amortization	—	—	14	13	—	27
Restructuring	—	—	3	34	—	37
Total operating expenses	41	—	1,263	2,673	(347)	3,630
Operating (loss) income	(41)	—	105	320	3	387
Interest expense	(15)	(47)	(16)	(3)	47	(34)
Other income (expense), net	15	15	1	17	(44)	4
(Loss) income before income taxes and equity income	(41)	(32)	90	334	6	357
Income tax benefit (expense)	—	12	(27)	(56)	(1)	(72)
(Loss) income before equity income	(41)	(20)	63	278	5	285
Equity in net income of affiliates	—	—	—	8	—	8
Equity in net income (loss) of subsidiaries	312	74	—	—	(386)	—
Net income (loss)	271	54	63	286	(381)	293
Net income attributable to noncontrolling interest	—	—	—	22	—	22
Net income (loss) attributable to Delphi	$271	$54	$63	$264	$(381)	$271

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Statement of Operations Nine Months Ended September 30, 2013

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$—	$—	$ 4,084	$ 9,210	$ (1,013)	$ 12,281
Operating expenses:						
Cost of sales	—	—	3,556	7,611	(1,026)	10,141
Selling, general and administrative	120	—	145	432	2	699
Amortization	—	—	41	38	—	79
Restructuring	—	—	10	85	—	95
Total operating expenses	120	—	3,752	8,166	(1,024)	11,014
Operating (loss) income	(120)	—	332	1,044	11	1,267
Interest expense	(41)	(141)	(47)	(9)	132	(106)
Other income (expense), net	45	9	2	49	(130)	(25)
(Loss) income before income taxes and equity income	(116)	(132)	287	1,084	13	1,136
Income tax benefit (expense)	—	49	(69)	(158)	(4)	(182)
(Loss) income before equity income	(116)	(83)	218	926	9	954
Equity in net income of affiliates	—	—	—	26	—	26
Equity in net income (loss) of subsidiaries	1,030	252	—	—	(1,282)	—
Net income (loss)	914	169	218	952	(1,273)	980
Net income attributable to noncontrolling interest	—	—	—	66	—	66
Net income (loss) attributable to Delphi	$ 914	$ 169	$ 218	$ 886	$ (1,273)	$ 914

Statement of Operations Three Months Ended September 30, 2012

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$—	$—	$ 1,339	$ 2,696	$ (372)	$ 3,663
Operating expenses:						
Cost of sales	—	—	1,158	2,277	(377)	3,058
Selling, general and administrative	33	—	66	117	(1)	215
Amortization	—	—	14	6	—	20
Restructuring	—	—	1	2	—	3
Total operating expenses	33	—	1,239	2,402	(378)	3,296
Operating (loss) income	(33)	—	100	294	6	367
Interest expense	(18)	(47)	(15)	(3)	51	(32)
Other income (expense), net	16	28	(2)	12	(51)	3
(Loss) income before income taxes and equity income	(35)	(19)	83	303	6	338
Income tax benefit (expense)	—	7	(22)	(35)	(2)	(52)
(Loss) income before equity income	(35)	(12)	61	268	4	286
Equity in net income of affiliates	—	—	—	6	—	6

Equity in net income (loss) of subsidiaries	304	61	—	—	(365)	—
Net income (loss)	269	49	61	274	(361)	292
Net income attributable to noncontrolling interest	—	—	—	23	—	23
Net income (loss) attributable to Delphi	$269	$49	$61	$251	$(361)	$ 269

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Statement of Operations Nine Months Ended September 30, 2012

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$—	$—	$4,234	$8,667	$(1,149)	$11,752
Operating expenses:						
Cost of sales	—	—	3,614	7,253	(1,164)	9,703
Selling, general and administrative	96	—	214	364	(1)	673
Amortization	—	—	41	19	—	60
Restructuring	—	—	5	12	—	17
Total operating expenses	96	—	3,874	7,648	(1,165)	10,453
Operating (loss) income	(96)	—	360	1,019	16	1,299
Interest expense	(53)	(129)	(38)	(10)	130	(100)
Other income (expense), net	38	73	(2)	36	(130)	15
(Loss) income before income taxes and equity income	(111)	(56)	320	1,045	16	1,214
Income tax benefit (expense)	—	21	(85)	(158)	(5)	(227)
(Loss) income before equity income	(111)	(35)	235	887	11	987
Equity in net income of affiliates	—	—	—	18	—	18
Equity in net income (loss) of subsidiaries	1,052	235	—	—	(1,287)	—
Net income (loss)	941	200	235	905	(1,276)	1,005
Net income attributable to noncontrolling interest	—	—	—	64	—	64
Net income (loss) attributable to Delphi	$941	$200	$235	$841	$(1,276)	$941

Statement of Comprehensive Income Three Months Ended September 30, 2013

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	$271	$54	$63	$286	$(381)	$293
Other comprehensive income (loss):						
Currency translation adjustments	—	—	—	113	—	113
Net change in unrecognized gain (loss) on derivative instruments, net of tax	—	—	12	(2)	—	10
Employee benefit plans adjustment, net of tax	—	—	—	(5)	—	(5)
Other comprehensive income	—	—	12	106	—	118
Equity in other comprehensive income (loss) of subsidiaries	115	12	—	—	(127)	—
Comprehensive income (loss)	386	66	75	392	(508)	411
Comprehensive income attributable to noncontrolling interests	—	—	—	25	—	25
	$386	$66	$75	$367	$(508)	$386

Comprehensive income (loss)
attributable to Delphi

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Statement of Comprehensive Income Nine Months Ended September 30, 2013

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	$914	$169	$218	$952	$(1,273)	$980
Other comprehensive income (loss):						
Currency translation adjustments	—	—	—	(4)	—	(4)
Net change in unrecognized gain on derivative instruments, net of tax	—	—	(27)	(2)	—	(29)
Employee benefit plans adjustment, net of tax	—	—	—	11	—	11
Other comprehensive (loss) income	—	—	(27)	5	—	(22)
Equity in other comprehensive (loss) income of subsidiaries	(25)	(27)	—	—	52	—
Comprehensive income (loss)	889	142	191	957	(1,221)	958
Comprehensive income attributable to noncontrolling interests	—	—	—	69	—	69
Comprehensive income (loss) attributable to Delphi	$889	$142	$191	$888	$(1,221)	$889

Statement of Comprehensive Income Three Months Ended September 30, 2012

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	$269	$49	$61	$274	$(361)	$292
Other comprehensive income (loss):						
Currency translation adjustments	—	—	—	82	—	82
Net change in unrecognized gain on derivative instruments, net of tax	—	—	26	—	—	26
Employee benefit plans adjustment, net of tax	—	—	—	(1)	—	(1)
Other comprehensive income	—	—	26	81	—	107
Equity in other comprehensive income (loss) of subsidiaries	106	26	—	—	(132)	—
Comprehensive income (loss)	375	75	87	355	(493)	399
Comprehensive income attributable to noncontrolling interests	—	—	—	24	—	24
Comprehensive income (loss) attributable to Delphi	$375	$75	$87	$331	$(493)	$375

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Statement of Comprehensive Income Nine Months Ended September 30, 2012

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	$941	$200	$235	$905	$(1,276)	$1,005
Other comprehensive income (loss):						
Currency translation adjustments	—	—	—	9	—	9
Net change in unrecognized gain on derivative instruments, net of tax	—	—	62	—	—	62
Employee benefit plans adjustment, net of tax	—	—	—	(2)	—	(2)
Other comprehensive income	—	—	62	7	—	69
Equity in other comprehensive income (loss) of subsidiaries	69	62	—	—	(131)	—
Comprehensive income (loss)	1,010	262	297	912	(1,407)	1,074
Comprehensive income attributable to noncontrolling interests	—	—	—	64	—	64
Comprehensive income (loss) attributable to Delphi	$1,010	$262	$297	$848	$(1,407)	$1,010

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Balance Sheet as of September 30, 2013

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
ASSETS						
Current assets:						
Cash and cash equivalents	$16	$—	$68	$969	$—	$ 1,053
Restricted cash	—	—	—	5	—	5
Accounts receivable, net	—	—	822	2,034	—	2,856
Inventories	—	—	367	876	(10)	1,233
Other current assets	—	10	176	463	(9)	640
Total current assets	16	10	1,433	4,347	(19)	5,787
Long-term assets:						
Property, net	—	—	645	2,337	—	2,982
Investments in affiliates	—	—	—	217	—	217
Investments in subsidiaries	4,520	1,642	—	—	(6,162)	—
Intangible assets, net	—	—	356	871	—	1,227
Other long-term assets	5	46	40	505	2	598
Total long-term assets	4,525	1,688	1,041	3,930	(6,160)	5,024
Total assets	$4,541	$1,698	$2,474	$8,277	$ (6,179)	$ 10,811
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Short-term debt	$—	$22	$23	$14	$—	$ 59
Accounts payable	—	—	693	1,811	—	2,504
Accrued liabilities	10	28	163	1,101	(8)	1,294
Total current liabilities	10	50	879	2,926	(8)	3,857
Long-term liabilities:						
Long-term debt	—	2,346	2	11	—	2,359
Intercompany accounts, net	1,785	(663)	964	(2,086)	—	—
Pension benefit obligations	—	—	66	843	—	909
Other long-term liabilities	—	—	229	234	—	463
Total long-term liabilities	1,785	1,683	1,261	(998)	—	3,731
Total liabilities	1,795	1,733	2,140	1,928	(8)	7,588
Total Delphi shareholders' equity	2,746	(35)	334	5,872	(6,171)	2,746
Noncontrolling interest	—	—	—	477	—	477
Total shareholders' equity	2,746	(35)	334	6,349	(6,171)	3,223
Total liabilities and shareholders' equity	$4,541	$1,698	$2,474	$8,277	$ (6,179)	$ 10,811

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Balance Sheet as of December 31, 2012

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
ASSETS						
Current assets:						
Cash and cash equivalents	$2	$—	$118	$985	$—	$ 1,105
Restricted cash	—	—	—	8	—	8
Accounts receivable, net	—	—	641	1,784	—	2,425
Inventories	—	—	308	764	(6)	1,066
Other current assets	—	17	141	465	—	623
Total current assets	2	17	1,208	4,006	(6)	5,227
Long-term assets:						
Property, net	—	—	592	2,268	—	2,860
Investments in affiliates	—	—	—	231	—	231
Investments in subsidiaries	3,987	1,663	—	—	(5,650)	—
Intangible assets, net	—	—	390	886	—	1,276
Other long-term assets	—	55	44	481	2	582
Total long-term assets	3,987	1,718	1,026	3,866	(5,648)	4,949
Total assets	$3,989	$1,735	$2,234	$7,872	$ (5,654)	$ 10,176
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Short-term debt	$—	$31	$23	$86	$—	$ 140
Accounts payable	—	—	578	1,700	—	2,278
Accrued liabilities	—	10	221	1,010	—	1,241
Total current liabilities	—	41	822	2,796	—	3,659
Long-term liabilities:						
Long-term debt	—	2,308	2	14	—	2,324
Intercompany accounts, net	1,644	(537)	755	(1,862)	—	—
Pension benefit obligations	—	—	73	856	—	929
Other long-term liabilities	—	—	192	242	—	434
Total long-term liabilities	1,644	1,771	1,022	(750)	—	3,687
Total liabilities	1,644	1,812	1,844	2,046	—	7,346
Total Delphi shareholders' equity	2,345	(77)	390	5,341	(5,654)	2,345
Noncontrolling interest	—	—	—	485	—	485
Total shareholders' equity	2,345	(77)	390	5,826	(5,654)	2,830
Total liabilities and shareholders' equity	$3,989	$1,735	$2,234	$7,872	$ (5,654)	$ 10,176

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Statement of Cash Flows for the Nine Months Ended September 30, 2013

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net cash (used in) provided by operating activities	$(188)	$—	$366	$892	$—	$ 1,070
Cash flows from investing activities:						
Capital expenditures	—	—	(147)	(365)	—	(512)
Proceeds from sale of property/investments	—	—	1	23	—	24
Cost of business and technology acquisitions, net of cash acquired	—	—	—	(10)	—	(10)
Decrease in restricted cash	—	—	—	3	—	3
Net cash used in investing activities	—	—	(146)	(349)	—	(495)
Cash flows from financing activities:						
Net repayments under other short-term debt agreements	—	—	—	(79)	—	(79)
Repayments under long-term debt agreements	—	(1,349)	—	—	—	(1,349)
Proceeds from issuance of senior secured term loans, net of issuance costs	—	560	—	—	—	560
Proceeds from issuance of senior notes, net of issuance costs	—	788	—	—	—	788
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	(26)	—	(26)
Intercompany dividends and net increase (decrease) in intercompany obligations	714	1	(257)	(458)	—	—
Repurchase of ordinary shares	(353)	—	—	—	—	(353)
Distribution of cash dividends	(159)	—	—	—	—	(159)
Taxes withheld and paid on employees' restricted share awards	—	—	(13)	(1)	—	(14)
Net cash provided by (used in) financing activities	202	—	(270)	(564)	—	(632)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	—	5	—	5
Decrease in cash and cash equivalents	14	—	(50)	(16)	—	(52)
Cash and cash equivalents at beginning of period	2	—	118	985	—	1,105
Cash and cash equivalents at end of period	$16	$—	$68	$969	$—	$ 1,053

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Statement of Cash Flows for the Nine Months Ended September 30, 2012

	Parent Companies	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net cash (used in) provided by operating activities	$(34)	$—	$461	$741	$—	$ 1,168
Cash flows from investing activities:						
Capital expenditures	—	—	(159)	(404)	—	(563)
Proceeds from sale of property/investments	—	—	2	16	—	18
Increase in restricted cash	—	—	—	(2)	—	(2)
Acquisition of minority held shares	—	—	—	(16)	—	(16)
Dividends from equity method investments in excess of earnings	—	—	—	37	—	37
Net cash used in investing activities	—	—	(157)	(369)	—	(526)
Cash flows from financing activities:						
Net repayments under other short-term debt agreements	—	—	—	(16)	—	(16)
Proceeds from issuance of senior secured term loans, net of issuance costs	—	(5)	—	—	—	(5)
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	(39)	—	(39)
Intercompany dividends and net increase (decrease) in intercompany obligations	284	5	(289)	—	—	—
Repurchase of ordinary shares	(300)	—	—	—	—	(300)
Net cash used in financing activities	(16)	—	(289)	(55)	—	(360)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	—	(11)	—	(11)
(Decrease) increase in cash and cash equivalents	(50)	—	15	306	—	271
Cash and cash equivalents at beginning of period	53	—	186	1,124	—	1,363
Cash and cash equivalents at end of period	$3	$—	$201	$1,430	$—	$ 1,634

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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, diesel and automotive aftermarket, and original equipment service.
- Electronics and Safety, which includes component and systems integration expertise in infotainment and connectivity, body controls and security systems, displays, mechatronics, passive and active safety electronics and electric and hybrid electric vehicle power electronics, as well as advanced development of software.
- Thermal Systems, which includes heating, ventilating and air conditioning ("HVAC") systems, components for multiple transportation and other adjacent markets, and powertrain cooling and related technologies.
- Eliminations and Other, which includes i) the elimination of inter-segment transactions, and ii) certain other expenses and income of a non-operating or strategic nature.

The accounting policies of the segments are the same as those described in Note 2. Significant Accounting Policies, except that the disaggregated financial results for the segments have been prepared using a management approach, which is consistent with the basis and manner in which management internally disaggregates financial information for the purposes of assisting internal operating decisions. Generally, Delphi evaluates performance based on stand-alone segment net income before depreciation and amortization (including long-lived asset and goodwill impairment), interest expense, other income (expense), net, income tax expense, equity income, net of tax, restructuring and other acquisition-related costs ("Adjusted EBITDA") and accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, at current market prices. Through December 31, 2012, the Company's management believed that net income before depreciation and amortization (including long-lived asset and goodwill impairment), interest expense, other income (expense), net, income tax expense, equity income, net of tax, ("EBITDA") was a meaningful measure of performance and it was used by management to analyze Company and stand-alone segment operating performance. Management also used EBITDA for planning and forecasting purposes. Effective January 1, 2013, Delphi's management began utilizing Adjusted EBITDA as a key performance measure and for planning and forecasting purposes because of our restructuring and other acquisition-related costs. Segment Adjusted EBITDA and EBITDA should not be considered substitutes for results prepared in accordance with U.S. GAAP and should not be considered alternatives to net income attributable to Delphi, which is the most directly comparable financial measure to Adjusted EBITDA and EBITDA that is in accordance with U.S. GAAP. Segment Adjusted EBITDA and EBITDA, as determined and measured by Delphi, should also not be compared to similarly titled measures reported by other companies.

Included below are sales and operating data for Delphi's segments for the three and nine months ended September 30, 2013 and 2012.

	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other (1)	Total
For the Three Months Ended September 30, 2013:						
Net sales	$1,956	$1,048	$705	$364	$(56)	$4,017
EBITDA	$298	$134	$81	$12	$—	$525
Adjusted EBITDA	$309	$142	$100	$15	$—	$566
Depreciation and amortization	$61	$48	$19	$10	$—	$138
Operating income	$237	$86	$62	$2	$—	$387
Equity income	$4	$1	$—	$4	$(1)	$8
	$11	$6	$—	$5	$—	$22

Net income attributable to noncontrolling interest

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	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other (1)	Total
For the Three Months Ended September 30, 2012:						
Net sales	$1,607	$1,087	$648	$374	$(53)	$3,663
EBITDA	$210	$169	$78	$23	$—	$480
Adjusted EBITDA	$211	$169	$79	$24	$—	$483
Depreciation and amortization	$39	$44	$20	$10	$—	$113
Operating income	$171	$125	$58	$13	$—	$367
Equity income (loss)	$5	$(1)	$—	$3	$(1)	$6
Net income attributable to noncontrolling interest	$10	$8	$—	$5	$—	$23

	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other (1)	Total
For the Nine Months Ended September 30, 2013:						
Net sales	$5,921	$3,316	$2,123	$1,097	$(176)	$12,281
EBITDA	$883	$474	$253	$58	$—	$1,668
Adjusted EBITDA	$919	$494	$297	$63	$—	$1,773
Depreciation and amortization	$174	$140	$55	$32	$—	$401
Operating income	$709	$334	$198	$26	$—	$1,267
Equity income	$11	$4	$—	$12	$(1)	$26
Net income attributable to noncontrolling interest	$31	$22	$—	$13	$—	$66

	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other (1)	Total
For the Nine Months Ended September 30, 2012:						
Net sales	$5,049	$3,597	$2,092	$1,192	$(178)	$11,752
EBITDA	$708	$571	$269	$91	$—	$1,639
Adjusted EBITDA	$714	$575	$272	$95	$—	$1,656
Depreciation and amortization	$112	$134	$62	$32	$—	$340
Operating income	$596	$437	$207	$59	$—	$1,299
Equity income (loss)	$14	$—	$—	$7	$(3)	$18
Net income attributable to noncontrolling interest	$28	$24	$—	$12	$—	$64

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

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The reconciliation of Adjusted EBITDA to EBITDA includes restructuring and other acquisition-related costs. The reconciliation of Adjusted EBITDA to net income attributable to Delphi for the three and nine months ended September 30, 2013 and 2012 are as follows:

	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
For the Three Months Ended September 30, 2013:						
Adjusted EBITDA	$309	$142	$100	$15	$—	$566
Restructuring	(7)	(8)	(19)	(3)	—	(37)
Other acquisition-related costs	(4)	—	—	—	—	(4)
EBITDA	$298	$134	$81	$12	$—	$525
Depreciation and amortization	(61)	(48)	(19)	(10)	—	(138)
Operating income	$237	$86	$62	$2	$—	387
Interest expense						(34)
Other income, net						4
Income before income taxes and equity income						357
Income tax expense						(72)
Equity income, net of tax						8
Net income						$293
Net income attributable to noncontrolling interest						22
Net income attributable to Delphi						$271

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	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
For the Three Months Ended September 30, 2012:						
Adjusted EBITDA	$211	$169	$79	$24	$—	$483
Restructuring	(1)	—	(1)	(1)	—	(3)
EBITDA	$210	$169	$78	$23	$—	$480
Depreciation and amortization	(39)	(44)	(20)	(10)	—	(113)
Operating income	$171	$125	$58	$13	$—	367
Interest expense						(32)
Other income, net						3
Income before income taxes and equity income						338
Income tax expense						(52)
Equity income, net of tax						6
Net income						$292
Net income attributable to noncontrolling interest						23
Net income attributable to Delphi						$269

	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
For the Nine Months Ended September 30, 2013:						
Adjusted EBITDA	$919	$494	$297	$63	$—	$1,773
Restructuring	(26)	(20)	(44)	(5)	—	(95)
Other acquisition-related costs	(10)	—	—	—	—	(10)
EBITDA	$883	$474	$253	$58	$—	$1,668
Depreciation and amortization	(174)	(140)	(55)	(32)	—	(401)
Operating income	$709	$334	$198	$26	$—	1,267
Interest expense						(106)
Other expense, net						(25)
Income before income taxes and equity income						1,136
Income tax expense						(182)
Equity income, net of tax						26
Net income						$980
Net income attributable to noncontrolling interest						66
Net income attributable to Delphi						$914

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	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
For the Nine Months Ended September 30, 2012:						
Adjusted EBITDA	$714	$575	$272	$95	$—	$1,656
Restructuring	(6)	(4)	(3)	(4)	—	(17)
EBITDA	$708	$571	$269	$91	$—	$1,639
Depreciation and amortization	(112)	(134)	(62)	(32)	—	(340)
Operating income	$596	$437	$207	$59	$—	1,299
Interest expense						(100)
Other income, net						15
Income before income taxes and equity income						1,214
Income tax expense						(227)
Equity income, net of tax						18
Net income						$1,005
Net income attributable to noncontrolling interest						64
Net income attributable to Delphi						$941

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q, including the exhibits being filed as part of this report, as well as other statements made by Delphi Automotive PLC (“Delphi,” the “Company,” “we,” “us” and “our”), contain forward-looking statements that reflect, when made, the Company’s current views with respect to current events and financial performance. Such forward-looking statements are subject to many risks, uncertainties and factors relating to the Company’s operations and business environment, which may cause the actual results of the Company to be materially different from any future results, express or implied, by such forward-looking statements. All statements that address future operating, financial or business performance or the Company’s strategies or expectations are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” “potential,” “outlook” or other comparable terminology. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following: global economic conditions, including conditions affecting the credit market; the cyclical nature of automotive sales and production; the potential disruptions in the supply of and changes in the competitive environment for raw material integral to the Company’s products; the Company’s ability to maintain contracts that are critical to its operations; the ability of the Company to integrate and realize the benefits of recent acquisitions; the ability of the Company to attract, motivate and/or retain key executives; the ability of the Company to avoid or continue to operate during a strike, or partial work stoppage or slow down by any of its unionized employees or those of its principal customers, and the ability of the Company to attract and retain customers. Additional factors are discussed under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s filings with the Securities and Exchange Commission, including those set forth in the Company's Annual Report on Form 10-K for fiscal year ended December 31, 2012. 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 nine months ended September 30, 2013. 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, and became a subsidiary of Delphi Automotive PLC in connection with the completion of the Company’s initial public offering on November 22, 2011.

Executive Overview

Our Business

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

Delphi's total net sales during the three and nine months ended September 30, 2013 were $4.0 billion and $12.3 billion, an increase of 10% and 5% compared to the same periods of 2012, respectively. Although declines in the European economic environment in the third quarter were less pronounced than previous quarters, continued and persistent economic uncertainties translated into tepid consumer demand for vehicles. Consequently, further reductions in OEM vehicle production schedules, as well as reduced vehicle content, adversely affects our sales and results of operations. Our sales in Europe compared to the prior year period increased 7% in the three months ended September 30, 2013 primarily as a result of the Motorized Vehicle Division (“MVL”) acquisition in October 2012, but declined 2% in the nine months ended September 30, 2013, reflecting these continued weak business conditions. However, our overall lean cost structure along with improving sales in North America as the U.S. economy continues to strengthen and above-market sales growth in the Asia Pacific region, specifically China, enabled us to maintain strong gross margins consistent with the prior year period.

In light of the continued economic uncertainties, particularly in Europe, and as part of our continued efforts to optimize our industry leading cost structure and increase shareholder value, we initiated and committed to approximately $75 million of further restructuring actions, primarily in Europe, during the first quarter of 2013. These restructuring initiatives are in addition to approximately $300 million of restructuring programs initiated during the fourth quarter of 2012, bringing the overall commitments of our restructuring programs to approximately $375 million. Approximately 80% of the overall restructuring actions are in Europe, and are expected to be substantially completed during 2014. Approximately $170 million of the total was recognized in the fourth quarter of 2012, with an additional $37 million and $95 million recognized in the three and nine months ended September 30, 2013. As we continue to operate in a cyclical industry that is impacted by movements in the global economy, we continually evaluate opportunities to further adjust our cost structure. However, we believe our strong balance sheet coupled with our flexible cost structure will position us to capitalize on any strengthening of the global economy and improvements in OEM production volumes.

Trends, Uncertainties and Opportunities

Rate of economic recovery. Our business is directly related to automotive sales and automotive vehicle production by our customers. Automotive sales depend on a number of factors, including economic conditions. Although global automotive vehicle production increased approximately 6% from 2011 to 2012 and is expected to increase by an additional 2% in 2013,

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economic uncertainties persist in Europe, resulting in reduced consumer demand for vehicles and a decrease in vehicle production in Europe of 5% from 2011 to 2012 with an additional decline of 2% expected from 2012 to 2013. Continued economic weakness in Europe or weakness in North America or Asia could result in a significant reduction in automotive sales and production by our customers, which would have an adverse effect on our business, results of operations and financial condition. Additionally, volatility in oil and gasoline prices negatively impacts consumer confidence and automotive sales, as well as the mix of future sales (from trucks and sport utility vehicles toward smaller, fuel-efficient passenger cars). While our diversified customer and geographic revenue base have well positioned us to withstand the impact of industry downturns and benefit from industry upturns, shifts to vehicles with less content would adversely impact our profitability.

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

We have a strong presence in China, where we have operated for nearly 20 years. All of our business segments have operations and sales in China. As a result, we have well-established relationships with all of the major OEMs in China. We generated approximately $2.3 billion in revenue from China in 2012. With only 22 of our 33 offered products locally manufactured in 2012, we believe we have the opportunity to expand additional product lines into China, and as a result, we see further growth potential.

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

Global capabilities. Many OEMs are adopting 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 has largely migrated to service the North American market out of Mexico, the South American market out of Brazil, the European market out of Eastern Europe and North Africa and the Asia Pacific market out of China.

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

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

Engineering, design & development. Our history and culture of innovation have enabled us to develop significant intellectual property and design and development expertise to provide advanced technology solutions that meet the demands of our customers. We have a team of more than 18,000 scientists, engineers and technicians as of December 31, 2012 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 $1.6 billion (which includes approximately $400 million of co-investment by customers and government agencies) annually in research and development and engineering, to maintain our portfolio of innovative products, and owned/held approximately 7,000 patents and protective rights as of December 31, 2012. We also encourage “open innovation” and collaborate extensively with peers in the industry, government agencies and academic institutions. Our technology competencies are recognized by both customers and suppliers, government agencies, who have co-invested approximately $400 million annually in new product development, accelerating the pace of innovation and reducing the risk associated with successful commercialization of technological breakthroughs.

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

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

We are focused on maintaining a low fixed cost structure that provides us flexibility to remain profitable despite decreases in industry volumes and at all points of the traditional vehicle industry production cycle. We believe that our lean cost structure will allow us to remain profitable at all points of the traditional vehicle industry production cycle. As a result, approximately 93% of our hourly workforce is located in low cost countries. Furthermore, we have substantial operational flexibility by leveraging a large workforce of temporary workers, which represented approximately 31% of the hourly workforce as of September 30, 2013. However, we will continue to adjust our cost structure and manufacturing footprint in response to continued economic uncertainties, as evidenced by the restructuring activities, including the actions related to the integration of MVL, we initiated in the fourth quarter of 2012 and continued in 2013. Assuming constant product mix and pricing, and based on our 2012 results, we estimate that our net income before depreciation and amortization (including long-lived asset and goodwill impairment), interest expense, other income (expense), net, income tax expense and equity income, net of tax (“EBITDA”) breakeven level would be reached if we experienced a 36% downturn to current product volumes.

We have a strong balance sheet with gross debt of approximately $2.4 billion and substantial liquidity of approximately $2.6 billion of cash and cash equivalents and available financing under our Revolving Credit Facility (as defined below in Liquidity and Capital Resources) as of September 30, 2013, 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.

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

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

On October 26, 2012, we completed the acquisition of FCI Group's (“FCI”) MVL. MVL is a leading global manufacturer of automotive connection systems with a focus on high-value, leading technology applications. We believe this transaction enhances our position as a leading supplier of automotive electrical/electronic architecture, expands our portfolio of high-growth electronic connectors, further strengthens our premier customer base, enhances our footprint in fast-growing markets, provides significant opportunity to accelerate long-term sales and earnings growth and delivers significant synergies which are expected to expand EBITDA margins. We are integrating MVL into our Electrical/Electronic Architecture segment. Given the timing of the acquisition it is not fully reflected in our 2012 results and impacts comparability to 2013 results.

Mexico Tax Reform. Delphi conducts its Mexican operations primarily through the maquiladora regime, which has historically provided certain tax benefits. Currently proposed tax reform legislation that may become effective January 1, 2014 would increase the statutory tax rate for these operations as well as limit certain deductions. This proposed legislation has been approved by the Mexican congress and is awaiting presidential approval. The Company is currently reviewing the proposed Mexico tax reform initiatives and legislation, however, it is not practicable at this time to determine the impact, if any, on our results from operations.

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

Three and Nine Months Ended September 30, 2013 versus Three and Nine Months Ended September 30, 2012

The results of operations for the three and nine months ended September 30, 2013 and 2012 were as follows:

	Three Months Ended September 30,					Nine Months Ended September 30,				
	2013		2012		Favorable/ (unfavorable)	2013		2012		Favorable/ (unfavorable)
	(dollars in millions)									
Net sales	$4,017		$3,663		$ 354	$12,281		$11,752		$ 529
Cost of sales	3,338		3,058		(280)	10,141		9,703		(438)
Gross margin	679	16.9%	605	16.5%	74	2,140	17.4%	2,049	17.4%	91
Selling, general and administrative	228		215		(13)	699		673		(26)
Amortization	27		20		(7)	79		60		(19)
Restructuring	37		3		(34)	95		17		(78)
Operating income	387		367		20	1,267		1,299		(32)
Interest expense	(34)		(32)		(2)	(106)		(100)		(6)
Other income (expense), net	4		3		1	(25)		15		(40)
Income before income taxes and equity income	357		338		19	1,136		1,214		(78)
Income tax expense	(72)		(52)		(20)	(182)		(227)		45
Income before equity income	285		286		(1)	954		987		(33)

Equity income, net of tax	8	6	2	26	18	8
Net income	293	292	1	980	1,005	(25)
Net income attributable to noncontrolling interest	22	23	1	66	64	(2)
Net income attributable to Delphi	$271	$269	$ 2	$914	$941	$ (27)

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Total Net Sales

Below is a summary of our total net sales for the three months ended September 30, 2013 versus September 30, 2012.

	Three Months Ended September 30,			Variance Due To:				
	2013	2012	Favorable/ (unfavorable)	Volume, net of contractual price reductions	FX	Commodity pass-through	Other	Total
	(in millions)			(in millions)				
Total net sales	$4,017	$3,663	$354	$112	$46	$(10)	$206	$354

Total net sales for the three months ended September 30, 2013 increased 10% compared to the three months ended September 30, 2012. We experienced volume growth of 4% for the period, partially offset by contractual price reductions, as well as an increase due to favorable currency impacts, primarily related to the Euro. Net sales also increased due to increased sales resulting from the acquisition of MVL in October 2012, net of other divestitures, of approximately $206 million, reflected in Other above.

Below is a summary of our total net sales for the nine months ended September 30, 2013 versus September 30, 2012.

	Nine Months Ended September 30,			Variance Due To:				
	2013	2012	Favorable/ (unfavorable)	Volume, net of contractual price reductions	FX	Commodity pass-through	Other	Total
	(in millions)			(in millions)				
Total net sales	$12,281	$11,752	$529	$(135)	$44	$(14)	$634	$529

Total net sales for the nine months ended September 30, 2013 increased 5% compared to the nine months ended September 30, 2012. Volumes were consistent overall for the period, as a result of increased sales in North America and Asia Pacific, offset by continued OEM production volume reductions in Europe. Overall net sales increased primarily as a result of the acquisition of MVL in October 2012, net of other divestitures, of approximately $627 million, reflected in Other above.

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 $280 million for the three months ended September 30, 2013 compared to the three months ended September 30, 2012, as summarized below.

	Three Months Ended September 30,			Variance Due To:				
	2013	2012	Favorable/ (unfavorable)	Volume (a)	FX	Operational performance	Other	Total
	(dollars in millions)			(in millions)				
Cost of sales	$3,338	$3,058	$(280)	$(145)	$(43)	$78	$(170)	$(280)
Gross margin	$679	$605	$74	$(34)	$3	$78	$27	$74
Percentage of net sales	16.9 %	16.5 %						

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

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

- Increased costs of approximately $150 million resulting primarily from the acquisition of MVL in October 2012, net of other divestitures.
- The absence of a favorable customer settlement related to warranty of $25 million in the prior period.

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- A gain on the disposal of property of approximately $11 million from the sale of a manufacturing site that was closed as a result of Delphi's overall restructuring program.

Cost of sales increased $438 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012, as summarized below.

	Nine Months Ended September 30,			Variance Due To:				
	2013	2012	Favorable/ (unfavorable)	Volume (a)	FX	Operational performance	Other	Total
	(dollars in millions)			(in millions)				
Cost of sales	$10,141	$9,703	$(438)	$(120)	$(38)	$198	$(478)	$(438)
Gross margin	$2,140	$2,049	$91	$(256)	$6	$198	$143	$91
Percentage of net sales	17.4 %	17.4 %						

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

The increase in cost of sales reflects consistent volumes before contractual price reductions for the nine month period, partially offset by operational performance improvements, and the following items in Other above:

- Increased costs of approximately $466 million resulting primarily from the acquisition of MVL in October 2012, net of other divestitures.
- The absence of a favorable customer settlement related to warranty of $25 million in the prior period.
- A gain on the disposal of property of approximately $11 million from the sale of a manufacturing site that was closed as a result of Delphi's overall restructuring program.

Selling, General and Administrative Expense

	Three Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(dollars in millions)		
Selling, general and administrative expense	$228	$215	$(13)
Percentage of net sales	5.7 %	5.9 %	

	Nine Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(dollars in millions)		
Selling, general and administrative expense	$699	$673	$(26)
Percentage of net sales	5.7 %	5.7 %	

Selling, general and administrative expense (“SG&A”) includes administrative expenses, information technology costs and incentive compensation related costs, and decreased slightly as a percentage of sales for the three months ended September 30, 2013 compared to 2012 while remaining essentially flat as a percentage of sales during the nine months ended September 30, 2013 compared to 2012 due to a reduction in accruals for incentive compensation, offset by costs from the acquisition of MVL in October 2012.

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Amortization

	Three Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(in millions)		
Amortization	$27	$20	$(7)

	Nine Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(in millions)		
Amortization	$79	$60	$(19)

Amortization expense reflects the non-cash charge related to definite-lived intangible assets. The increase in amortization during the three and nine months ended September 30, 2013 compared to 2012 resulted primarily from the acquisition of MVL in October 2012. In 2013, we expect to incur incremental, non-cash amortization charges of approximately $20 million, primarily as a result of the MVL acquisition.

Restructuring

	Three Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(dollars in millions)		
Restructuring	$37	$3	$(34)
Percentage of net sales	0.9%	0.1%	

	Nine Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(dollars in millions)		
Restructuring	$95	$17	$(78)
Percentage of net sales	0.8%	0.1%	

The increase in restructuring expense in 2013 as compared to 2012 is due to the initiation in the fourth quarter of 2012 of various restructuring actions, primarily in Europe, in response to lower OEM production volumes in Europe and continued economic uncertainties. The restructuring actions include workforce reductions, as well as plant closures, and are expected to be substantially completed during 2014.

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

Interest Expense

	Three Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(in millions)		
Interest expense	$34	$32	$(2)

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	Nine Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(in millions)		
Interest expense	$106	$100	$(6)

The increase in interest expense reflects the issuance of $800 million of 10-year unsecured senior notes in the first quarter of 2013 offset by a reduction in interest expense from the repayments of the senior secured Tranche B Term Loan.
Refer to Note 8. Debt to the consolidated financial statements for additional information.

Other Income, net

	Three Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(in millions)		
Other income, net	$4	$3	$1

	Nine Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(in millions)		
Other (expense) income, net	$(25)	$15	$(40)

The decrease in other income, net for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012 is a result of Delphi amending its Credit Agreement and repaying the entire balance of the Tranche B Term Loan from the Original Credit Agreement, resulting in a loss on extinguishment of debt of $39 million.
Refer to Note 16. Other income, net and Note 8. Debt to the consolidated financial statements included herein for additional information.

Income Taxes

	Three Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(in millions)		
Income tax expense	$72	$52	$(20)

	Nine Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(in millions)		
Income tax expense	$182	$227	$45

The Company’s tax rate is affected by the tax rates in the jurisdictions in which the Company operates, the relative amount of income earned by jurisdiction, jurisdictions with a statutory tax rate less than the U.S. rate of 35% 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 geographic income mix was favorably impacted in 2013, as compared to 2012, primarily due to tax planning initiatives.

The effective tax rate was 20% and 15% for the three months ended September 30, 2013 and 2012, respectively. The effective tax rate for the three months ended September 30, 2013 was impacted by the United Kingdom-Finance Bill of 2013, which became law as the Finance Act 2013 (the "U.K. Finance Act") on July 17, 2013. The U.K. Finance Act provides for a reduction to the corporate income tax rate from 23% to 21% effective April 1, 2014, with a further reduction to 20% effective

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April 1, 2015. The impact of this legislation was recorded as a discrete item during the third quarter of 2013, the period of enactment, and resulted in increased tax expense of approximately $12 million for the three months ended September 30, 2013 due to the resultant impact on the net deferred tax asset balances. The effective tax rate in the three months ended September 30, 2012 was favorably impacted as a result of the relative mix of income earned in each jurisdiction and tax planning actions, partially offset by an increase of $6 million related to a reduction to the corporate income tax rate in the United Kingdom from 25% to 23%.

The effective tax rate was 16% and 19% for the nine months ended September 30, 2013 and 2012, respectively. The American Taxpayer Relief Act of 2012 was enacted on January 2, 2013 which retroactively reinstated expired tax provisions known as tax extenders including the research and development tax credit. The income tax accounting effect, including any retroactive effect, of a tax law change is accounted for in the period of enactment, which in this case was the first quarter of 2013. As a result, the effective tax rate for the nine months ended September 30, 2013 was impacted by a benefit of approximately $22 million related to the 2012 research and development credit in addition to the 2013 research and development credit. On July 17, 2013, the United Kingdom-Finance Bill of 2013 became law as the Finance Act 2013 (the "U.K. Finance Act"). The U.K. Finance Act provides for a reduction to the corporate income tax rate from 23% to 21% effective April 1, 2014, with a further reduction to 20% effective April 1, 2015. The impact of this legislation was recorded as a discrete item during the third quarter of 2013, the period of enactment, and resulted in increased tax expense of approximately $12 million for the nine months ended September 30, 2013 due to the resultant impact on the net deferred tax asset balances. The effective tax rate in the nine months ended September 30, 2012 was impacted by a reduction of $22 million in tax reserves due to resolution of open issues with tax authorities, an increase of $10 million primarily related to non-U.S. transfer pricing positions, an increase of $6 million related to a reduction to the corporate income tax rate in the United Kingdom from 25% to 23% and a reduction of $14 million in withholding tax expense related to 2012 non-U.S. tax planning actions.

Equity Income

	Three Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(in millions)		
Equity income, net of tax	$8	$6	$2

	Nine Months Ended September 30,		
	2013	2012	Favorable/ (unfavorable)
	(in millions)		
Equity income, net of tax	$26	$18	$8

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 during the three and nine months ended September 30, 2013 as compared to the three and nine months ended September 30, 2012 primarily due to improved performance of our Korean joint ventures.

Results of Operations by Segment

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

- Electrical/Electronic Architecture, which includes complete electrical architecture and component products.
- Powertrain Systems, which includes extensive systems integration expertise in gasoline, diesel and fuel handling and full end-to-end systems including fuel injection, combustion, electronics controls, exhaust handling, test and validation capabilities, diesel and automotive aftermarket, and original equipment service.
- Electronics and Safety, which includes component and systems integration expertise in infotainment and connectivity, body controls and security systems, displays, mechatronics, passive and active safety electronics and electric and

hybrid electric vehicle power electronics, as well as advanced development of software.

- Thermal Systems, which includes heating, ventilating and air conditioning systems, components for multiple transportation and other adjacent markets, and powertrain cooling and related technologies.
- Eliminations and Other, which includes i) the elimination of inter-segment transactions, and ii) certain other expenses and income of a non-operating or strategic nature.

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Through December 31, 2012, we evaluated performance based on stand-alone segment EBITDA and accounted for inter-segment sales and transfers as if the sales or transfers were to third parties, at current market prices. Our management believed that EBITDA was a meaningful measure of performance and it was used by management to analyze Company and stand-alone segment operating performance. Management also used EBITDA for planning and forecasting purposes. Effective January 1, 2013, our management began utilizing segment Adjusted EBITDA as a key performance measure because of our significant restructuring and other acquisition-related costs. Segment Adjusted EBITDA and EBITDA should not be considered substitutes for results prepared in accordance with U.S. GAAP and should not be considered alternatives to net income attributable to Delphi, which is the most directly comparable financial measure to Adjusted EBITDA and EBITDA that is in accordance with U.S. GAAP. Segment Adjusted EBITDA and EBITDA, as determined and measured by Delphi, should also not be compared to similarly titled measures reported by other companies.

The reconciliation of Adjusted EBITDA to EBITDA includes restructuring and other acquisition-related costs. The reconciliation of Adjusted EBITDA to net income attributable to Delphi for the three and nine months ended September 30, 2013 and 2012 are as follows:

	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
For the Three Months Ended September 30, 2013:						
Adjusted EBITDA	$309	$142	$100	$15	$—	$566
Restructuring	(7)	(8)	(19)	(3)	—	(37)
Other acquisition-related costs	(4)	—	—	—	—	(4)
EBITDA	$298	$134	$81	$12	$—	$525
Depreciation and amortization	(61)	(48)	(19)	(10)	—	(138)
Operating income	$237	$86	$62	$2	$—	387
Interest expense						(34)
Other income, net						4
Income before income taxes and equity income						357
Income tax expense						(72)
Equity income, net of tax						8
Net income						$293
Net income attributable to noncontrolling interest						22
Net income attributable to Delphi						$271

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	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
For the Three Months Ended September 30, 2012:						
Adjusted EBITDA	$211	$169	$79	$24	$—	$483
Restructuring	(1)	—	(1)	(1)	—	(3)
EBITDA	$210	$169	$78	$23	$—	$480
Depreciation and amortization	(39)	(44)	(20)	(10)	—	(113)
Operating income	$171	$125	$58	$13	$—	367
Interest expense						(32)
Other income, net						3
Income before income taxes and equity income						338
Income tax expense						(52)
Equity income, net of tax						6
Net income						$292
Net income attributable to noncontrolling interest						23
Net income attributable to Delphi						$269

	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
For the Nine Months Ended September 30, 2013:						
Adjusted EBITDA	$919	$494	$297	$63	$—	$1,773
Restructuring	(26)	(20)	(44)	(5)	—	(95)
Other acquisition-related costs	(10)	—	—	—	—	(10)
EBITDA	$883	$474	$253	$58	$—	$1,668
Depreciation and amortization	(174)	(140)	(55)	(32)	—	(401)
Operating income	$709	$334	$198	$26	$—	1,267
Interest expense						(106)
Other expense, net						(25)
Income before income taxes and equity income						1,136
Income tax expense						(182)
Equity income, net of tax						26
Net income						$980
Net income attributable to noncontrolling interest						66
Net income attributable to Delphi						$914

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	Electrical/ Electronic Architecture (in millions)	Powertrain Systems	Electronics and Safety	Thermal Systems	Eliminations and Other	Total
For the Nine Months Ended September 30, 2012:						
Adjusted EBITDA	$714	$575	$272	$95	$—	$1,656
Restructuring	(6)	(4)	(3)	(4)	—	(17)
EBITDA	$708	$571	$269	$91	$—	$1,639
Depreciation and amortization	(112)	(134)	(62)	(32)	—	(340)
Operating income	$596	$437	$207	$59	$—	1,299
Interest expense						(100)
Other income, net						15
Income before income taxes and equity income						1,214
Income tax expense						(227)
Equity income, net of tax						18
Net income						$1,005
Net income attributable to noncontrolling interest						64
Net income attributable to Delphi						$941

Net sales, gross margin as a percentage of net sales and Adjusted EBITDA by segment for the three and nine months ended September 30, 2013 and 2012 are as follows:

Net Sales by Segment

	Three Months Ended September 30,			Variance Due To:				
	2013	2012	Favorable/ (unfavorable)	Volume, net of contractual price reductions	FX	Commodity Pass-through	Other	Total
	(in millions)			(in millions)				
Electrical/Electronic Architecture	$1,956	$1,607	$ 349	$132	$12	$ (9)	$214	$349
Powertrain Systems	1,048	1,087	(39)	(55)	16	—	—	(39)
Electronics and Safety	705	648	57	41	15	—	1	57
Thermal Systems	364	374	(10)	(5)	2	(1)	(6)	(10)
Eliminations and Other	(56)	(53)	(3)	(1)	1	—	(3)	(3)
Total	$4,017	$3,663	$ 354	$112	$46	$ (10)	$206	$354

Included in Other above are increased sales of approximately $206 million related to the net impact of acquisitions and divestitures.

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	Nine Months Ended September 30,			Variance Due To:				
	2013	2012	Favorable/ (unfavorable)	Volume, net of contractual price reductions	FX	Commodity Pass-through	Other	Total
	(in millions)			(in millions)				
Electrical/Electronic Architecture	$5,921	$5,049	$ 872	$214	$5	$ (14)	$667	$872
Powertrain Systems	3,316	3,597	(281)	(303)	17	—	5	(281)
Electronics and Safety	2,123	2,092	31	2	23	—	6	31
Thermal Systems	1,097	1,192	(95)	(52)	(1)	—	(42)	(95)
Eliminations and Other	(176)	(178)	2	4	—	—	(2)	2
Total	$12,281	$11,752	$ 529	$(135)	$44	$ (14)	$634	$529

Included in Other above are increased sales of approximately $627 million related to the net impact of acquisitions and divestitures.

Gross Margin Percentage by Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Electrical/Electronic Architecture	18.5 %	16.3 %	18.3 %	17.3 %
Powertrain Systems	17.1 %	19.0 %	18.3 %	19.6 %
Electronics and Safety	16.3 %	15.6 %	17.0 %	16.3 %
Thermal Systems	6.6 %	9.4 %	8.2 %	10.7 %
Eliminations and Other	— %	— %	— %	— %
Total	16.9 %	16.5 %	17.4 %	17.4 %

Adjusted EBITDA by Segment

	Three Months Ended September 30,			Variance Due To:			
	2013	2012	Favorable/ (unfavorable)	Volume, net of contractual price reductions	Operational performance	Other	Total
	(in millions)			(in millions)			
Electrical/Electronic Architecture	$309	$211	$ 98	$24	$ 19	$55	$98
Powertrain Systems	142	169	(27)	(34)	30	(23)	(27)
Electronics and Safety	100	79	21	(12)	22	11	21
Thermal Systems	15	24	(9)	(12)	9	(6)	(9)
Eliminations and Other	—	—	—	1	—	(1)	—
Total	$566	$483	$ 83	$(33)	$ 80	$36	$83

As noted in the table above, Adjusted EBITDA for the three months ended September 30, 2013 as compared to the three months ended September 30, 2012 was impacted by volume and contractual price reductions including product mix, and operational performance improvements, as well as the following items included in Other in the table above:

- $3 million of increase due to fluctuations in foreign currency exchange rates.
- $56 million of increase due to acquisitions/divestitures primarily related to the October 2012 MVL acquisition.
- A gain on the disposal of property of approximately $11 million resulting from the sale of a manufacturing site that was closed as a result of Delphi's overall restructuring program.

- The absence of a favorable customer settlement related to warranty of $25 million in the prior period.

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	Nine Months Ended September 30,			Variance Due To:			
	2013	2012	Favorable/ (unfavorable)	Volume, net of contractual price reductions	Operational performance	Other	Total
	(in millions)			(in millions)			
Electrical/Electronic Architecture	$919	$714	$ 205	$(1)	$ 50	$156	$205
Powertrain Systems	494	575	(81)	(158)	66	11	(81)
Electronics and Safety	297	272	25	(63)	68	20	25
Thermal Systems	63	95	(32)	(33)	15	(14)	(32)
Eliminations and Other	—	—	—	1	—	(1)	—
Total	$1,773	$1,656	$ 117	$(254)	$ 199	$172	$117

As noted in the table above, Adjusted EBITDA for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012 was impacted by volume and contractual price reductions including product mix, and operational performance improvements, as well as the following items included in Other in the table above:

- $7 million of increase due to fluctuations in foreign currency exchange rates.
- $156 million of increase due to acquisitions/divestitures primarily related to the October 2012 MVL acquisition.
- A gain on the disposal of property of approximately $11 million resulting from the sale of a manufacturing site that was closed as a result of Delphi's overall restructuring program.
- The absence of a favorable customer settlement related to warranty of $25 million in the prior period.

Liquidity and Capital Resources

Overview of Capital Structure

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

As of September 30, 2013, we had cash and cash equivalents of $1.1 billion and net debt (defined as outstanding debt less cash and cash equivalents) of $1.4 billion. We also have access to additional liquidity pursuant to the terms of the $1.5 billion Revolving Credit Facility and a €350 million committed European factoring facility as described below. We expect existing cash, available liquidity and cash flows from operations to continue to be sufficient to fund our global operating activities, including restructuring and dividend payments, any mandatory payments required under the Credit Agreement as described below, and capital expenditures. We also continue to expect to be able to move funds between different countries to manage our global liquidity needs without material adverse tax implications, subject to current monetary policies and to the terms of the Credit Agreement. Based on this, we believe we possess sufficient liquidity to fund our operations and capital investments in 2013 and beyond.

Share Repurchases

In January 2012, the Board of Directors authorized a share repurchase program of up to $300 million of ordinary shares. The program was scheduled to terminate on the earlier of December 31, 2012 or when the Company attained $300 million of ordinary share repurchases, which was fully satisfied in September 2012. Subsequently, in September 2012, the Board of Directors authorized a new share repurchase program of up to $750 million of ordinary shares. This program will terminate when the Company attains $750 million of ordinary shares repurchases and provides for share repurchases 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 nine months ended September 30, 2013 and September 30, 2012 is as follows:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Total Number of Shares Repurchased	2,120,000	5,443,213	7,415,583	10,740,453
Average Price Paid per Share	$56.50	$29.78	$48.80	$29.08
Total (in millions)	$120	$162	$362	$312

As of September 30, 2013, approximately $285 million of share repurchases remained available under the program adopted in September 2012. Additionally, during the period from October 1, 2013 to October 31, 2013, the Company repurchased 397,589 shares at a weighted average share price of $57.85 pursuant to an automatic trading plan with set trading instructions established by the Company, leaving approximately $262 million remaining available under the September 2012 share repurchase program. All repurchased shares were retired.

Dividends from Equity Investees

During the three and nine months ended September 30, 2013, Delphi received dividends of $10 million and $30 million from two of its equity method investments, respectively. The dividends were recognized as a reduction to the investment and represented a return on investment included in cash flows from operating activities. During the nine months ended September 30, 2012, Delphi received a dividend of $62 million from one of its equity method investments. The dividend was recognized as a reduction to the investment with $25 million representing a return on investment included in cash flows from operating activities and $37 million representing a return of capital investment and included in cash flows from investing activities.

Dividends to Holders of Ordinary Shares

On February 26, 2013, the Board of Directors approved the initiation of dividend payments on its ordinary shares and declared a regular quarterly cash dividend. During the nine months ended September 30, 2013, the Company declared and paid cash dividends per common share as follows:

Three months ended:	2013 Dividend Per Share	Amount (in millions)
September 30	$0.17	$53
June 30	0.17	53
March 31	0.17	53
Total	$0.51	$159

In addition, in October 2013, the Board of Directors declared a regular quarterly cash dividend of $0.17 per ordinary share, payable on November 27, 2013 to shareholders of record at the close of business on November 15, 2013.

Credit Agreement

In March 2011, in conjunction with the redemption of membership interests from Class A and Class C membership interest holders, Delphi Corporation (the "Issuer"), a wholly-owned U.S. subsidiary of Delphi Automotive LLP, entered into a credit agreement with JPMorgan Chase Bank, N.A., as lead arranger and administrative agent, with respect to $3.0 billion in senior secured credit facilities (the "Original Credit Agreement"). The Original Credit Agreement was amended and restated on each of May 17, 2011, September 14, 2012 (as so amended and restated, the "2012 Credit Agreement") and March 1, 2013. (The Original Credit Agreement and each amendment and restatement of the Original Credit Agreement are individually and collectively referred to herein as the "Credit Agreement"). The Original Credit Agreement provided for a senior secured 5-year term loan in an original amount of $258 million (the "Original Tranche A Term Loan" and, as subsequently modified from time to time, the "Tranche A Term Loan"), a senior secured 6-year term loan in an original amount of $950 million (the "Tranche B Term Loan"), and a $500 million revolving credit facility (as subsequently modified from time to time, the "Revolving Credit Facility"). Under the 2012 Credit Agreement, the Company increased the Revolving Credit Facility to $1.3 billion and the Original Tranche A Term Loan to $574 million. As a result of prior payments on the Tranche A Term Loan, the Company received incremental proceeds of $363 million under the 2012 Credit Agreement, which was used to pay a portion of the cost of acquiring MVL. On March 1, 2013, following the senior unsecured note issuance in February 2013 (as more fully described below), the Tranche B Term Loan was fully repaid, the Tranche A Term Loan was increased to $575 million, the Revolving Credit Facility was increased to $1.5 billion, and the terms of the Tranche A Term Loan and the Revolving Credit Facility were extended to March 1, 2018. These resulted in the recognition of a loss on debt extinguishment of $39 million during the nine months ended September 30, 2013. Approximately $14 million in issuance costs were paid in conjunction with the March 2013 amendment. Unamortized debt issuance costs associated with the Tranche A Term Loan and Revolving Credit Facility of $28 million are being amortized over the term of the Credit Agreement, as extended pursuant to the March 1, 2013 amendment. At September 30, 2013 the Revolving Credit Facility was undrawn and Delphi had approximately $10 million in letters of credit issued under the Credit Agreement. The maximum amount drawn under the Revolving Credit Facility during the nine months ended September 30, 2013 to manage intra-month working capital needs was $280 million. Letters of credit issued under the Credit Agreement reduce availability under the Revolving Credit Facility.

Loans under the Credit Agreement bear interest, at the Issuer's option, at either (a) the Administrative Agent's Alternate Base Rate ("ABR" as defined in the Credit Agreement) or (b) the London Interbank Offered Rate ("Adjusted LIBO Rate" as defined in the Credit Agreement) ("LIBOR") plus in either case a percentage per annum as set forth in the table below (the "Applicable Rate"). The Tranche B Term Loan had a LIBOR floor of 1.00%. A comparison of the Applicable Rates under the 2012 Credit Agreement and current Credit Agreement is set forth below:

	Credit Agreement (September 30, 2013)		2012 Credit Agreement (December 31, 2012)	
	LIBOR plus	ABR plus	LIBOR plus	ABR plus
Revolving Credit Facility	1.50 %	0.50 %	2.00 %	1.00 %
Tranche A Term Loan	1.50 %	0.50 %	2.00 %	1.00 %
Tranche B Term Loan	N/A	N/A	2.50 %	1.50 %

The Applicable Rate under the Credit Agreement may increase or decrease from time to time based on changes in credit ratings with the minimum interest level of 1.00% and maximum level of 2.25%. Accordingly, the interest rate will fluctuate during the term of the Credit Agreement based on changes in the ABR, LIBOR or future changes in our corporate credit ratings. The Credit Agreement also requires that the Issuer pay certain commitment fees on the unused portion of the Revolving Credit Facility and certain letter of credit issuance and fronting fees.

The interest rate period with respect to LIBOR interest rate options can be set at one-, two-, three-, or six-months as selected by the Issuer in accordance with the terms of the Credit Agreement (or other period as may be agreed by the applicable lenders), but payable no less than quarterly. The Issuer may elect to change the selected interest rate in accordance with the provisions of the Credit Agreement. As of September 30, 2013, the Issuer selected the one-month LIBOR interest rate option, as detailed in the table below, and the amounts outstanding, and rates effective as of September 30, 2013 were based on Delphi's current credit rating and applicable margin for the Credit Agreement:

	LIBOR plus	Borrowings as of September 30, 2013	Rates effective as of September 30, 2013
Revolving Credit Facility	1.50 %	$—	— %
Tranche A Term Loan	1.50 %	568	1.6875 %

The Issuer is obligated to make quarterly principal payments throughout the term of the Tranche A Term Loan according to the amortization schedule in the Credit Agreement. Borrowings under the Credit Agreement are prepayable at the Issuer's option without premium or penalty. The Credit Agreement also contains certain mandatory prepayment provisions in the event the Company receives net cash proceeds from any asset sale or casualty event. No mandatory prepayments under these provisions have been made or are due through September 30, 2013.

The Credit Agreement contains certain covenants that limit, among other things, the Company's (and the Company's subsidiaries') ability to incur additional indebtedness or liens, to dispose of assets, to make certain investments, to prepay certain indebtedness and to pay dividends, or to make other distributions or redemptions/repurchases, in respect of the Company's equity interests. In addition, the Credit Agreement requires that the Company maintain a consolidated leverage ratio (the ratio of Consolidated Total Indebtedness to Consolidated EBITDA, each as defined in the Credit Agreement) of less than 2.75 to 1.0. The Credit Agreement also contains events of default customary for financings of this type. The Company was in compliance with the Credit Agreement covenants as of September 30, 2013. At any time when Delphi Automotive PLC and Delphi Corporation have received investment grade credit ratings as specified in the Credit Agreement and other conditions in the Credit Agreement are met, all security interests on the collateral will be released, subject to potential reinstatement if the investment grade condition ceases to be satisfied. In addition, certain covenants shall not apply after Delphi Automotive PLC and Delphi Corporation have received investment grade credit ratings as specified in the Credit Agreement and no default has occurred or is continuing, provided that such covenants may be reinstated if the investment grade condition ceases to be satisfied. All obligations under the Credit Agreement are borrowed by Delphi Corporation and jointly and severally guaranteed by its direct and indirect parent companies and by certain of Delphi Automotive PLC's existing and future direct and indirect subsidiaries, subject to certain exceptions set forth in the Credit Agreement. All obligations under the Credit Agreement, including the guarantees of those obligations, are secured by certain assets of Delphi Corporation and the guarantors, including substantially all of the assets of Delphi Automotive PLC, and its U.S. subsidiaries, and certain assets of Delphi Corporation's direct and indirect parent companies.

Senior Notes

On May 17, 2011, Delphi Corporation issued $500 million of 5.875% senior unsecured notes due 2019 and $500 million of 6.125% senior unsecured notes due 2021 (the "2011 Senior Notes") in a transaction exempt from registration under Rule 144A and Regulation S of the Securities Act of 1933 (the "Securities Act"). Delphi paid approximately $23 million of debt issuance costs in connection with the 2011 Senior Notes. The net proceeds of approximately $1 billion as well as cash on hand were used to pay down amounts outstanding under the Original Credit Agreement. In May 2012, Delphi Corporation exchanged all of the 2011 Senior Notes for registered notes ("New Senior Notes") with terms identical in all material respects to the terms of the 2011 Senior Notes, except that the New Senior Notes are registered under the Securities Act, and the transfer restrictions and registration rights relating to the 2011 Senior Notes no longer apply. No proceeds were received by Delphi Corporation as a result of the exchange. Interest is payable semi-annually on May 15 and November 15 of each year to holders of record at the close of business on May 1 or November 1 immediately preceding the interest payment date.

The indenture governing the New Senior Notes limits, among other things, Delphi's (and Delphi's subsidiaries') ability to incur additional indebtedness or liens, dispose of assets, make certain restricted payments or investments, enter into transactions with affiliates and merge with or into other entities. As of September 30, 2013, the Company was in compliance with the provisions of the New Senior 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 the Securities Act. The proceeds were primarily utilized to prepay our term loan indebtedness under our 2012 Credit Agreement. Delphi paid approximately $12 million of issuance costs in connection with the 2013 Senior Notes. Interest is payable semi-annually on February 15 and August 15 of each year to holders of record at the close of business on February 1 or August 1 immediately preceding the interest payment date.

The indenture governing the 2013 Senior Notes limits, among other things, 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 September 30, 2013, the Company was in compliance with the provisions of the 2013 Senior Notes.

The senior notes are fully and unconditionally guaranteed, jointly and severally, by Delphi Automotive PLC and certain of its existing and future subsidiaries, subject to customary release provisions (other than in the case of Delphi Automotive PLC).

Other Financing

Accounts receivable factoring—Various accounts receivable factoring facilities are maintained in Europe and are accounted for as short-term debt. These uncommitted factoring facilities are available through various financial institutions. Additionally, during the three months ended September 30, 2013, Delphi entered into a new accounts receivable factoring agreement in Europe to replace and consolidate current European factoring facilities. The new agreement is a €350 million committed facility and borrowings under the new program are subject to the availability of eligible accounts receivable. As of September 30, 2013 and December 31, 2012, $0 million and $19 million, respectively, were outstanding under European accounts receivable factoring facilities.

Capital leases and other—As of September 30, 2013 and December 31, 2012, approximately $50 million and approximately $106 million, respectively, of other debt issued by certain non-U.S. subsidiaries and capital lease obligations were outstanding.

Government Programs—Delphi commonly seeks manufacturing development and financial assistance incentive programs that may be awarded by government entities. Delphi has numerous technology and manufacturing development programs that are competitively awarded from agencies of the U.S. Federal Government. These U.S. based programs are from the U.S. Department of Transportation ("DOT"), the U.S. Department of Energy ("DOE"), and the U.S. Department of Defense ("DoD"). We received approximately $6 million from these Federal agencies in the nine months ended September 30, 2013 for work performed. We continue to pursue many technology development programs by bidding on competitively procured programs from DOT, DOE and DoD. Some of these programs were bid with us being the lead or “Prime Contractor”, and some were bid with us as a “Subrecipient” to the Prime Contractor. Additionally, during the nine months ended September 30, 2013, we received approximately $27 million of capital spending reimbursements related to specific capital spending initiatives which added manufacturing equipment capacity and employees to Delphi facilities located in Eastern Europe.

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Warranty settlement—On April 30, 2011, we paid €90 million (approximately $133 million at April 30, 2011 exchange rates) under the terms of a March 2011 warranty settlement. In April 2012, we made the final scheduled payment of €60 million (approximately $80 million at April 30, 2012 exchange rates) related to this matter.

Cash Flows

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

Cash in the U.S. is primarily managed centrally through a U.S. cash pooling arrangement and cash in Europe is primarily managed centrally through a European cash pooling arrangement. Outside the U.S. and Europe, cash may be managed through a country cash pool, a self-managed cash flow arrangement or a combination of the two depending on our presence in the respective country.

Operating Activities. Net cash provided by operating activities totaled $1,070 million and $1,168 million for the nine months ended September 30, 2013 and 2012, respectively. The $98 million decrease primarily reflects lower earnings, increased working capital requirements, and the timing of accrued amounts related to the VCP, the final amount of which was paid out in its entirety during the nine months ended September 30, 2013. Cash flow from operating activities for the nine months ended September 30, 2013 consisted of net earnings of $980 million increased by $502 million for non-cash charges for depreciation and amortization, pension and other postretirement benefit expenses and extinguishment of debt, offset by $472 million related to changes in operating assets and liabilities, net of restructuring and pension contributions. Cash flow from operating activities for the nine months ended September 30, 2012 consisted of net earnings of $1,005 million increased by $389 million for non-cash charges for depreciation and amortization and pension and other postretirement benefit expenses, offset by $282 million related to changes in operating assets and liabilities, net of restructuring and pension contributions.

Investing Activities. Net cash used in investing activities totaled $495 million and $526 million for the nine months ended September 30, 2013 and 2012, respectively. The decrease is primarily due to the decrease in capital expenditures of $51 million, partially offset by $37 million of dividends from equity method investments in excess of earnings received in the nine months ended September 30, 2012.

Financing Activities. Net cash used in financing activities totaled $632 million and $360 million for the nine months ended September 30, 2013 and 2012, respectively. The increase in net cash used in financing activities during the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 is primarily due to the use of an incremental $53 million of cash on hand in 2013 as compared to 2012 to repurchase ordinary shares and the $159 million payment of cash dividends on Delphi's ordinary shares. Additionally, the net proceeds of approximately $790 million received from the issuance of the 5.00% senior unsecured notes due in 2023 were used in conjunction with the amendment of the 2012 Credit Agreement to pay off in its entirety the $773 million of the Tranche B Term Loan.

Off-Balance Sheet Arrangements

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

Contingencies and Environmental Matters

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

Recently Issued Accounting Pronouncements

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

Critical Accounting Estimates

There have been no significant changes in our critical accounting estimates during the three and nine months ended September 30, 2013.

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, 2012.

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 September 30, 2013, the Company’s management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated, for disclosure purposes, changes to the Company’s internal control over financial reporting that occurred during the nine months ended September 30, 2013 that have materially affected, or are reasonably likely to affect, the Company’s internal control over financial reporting. As noted in our Annual Report on Form 10-K, management has excluded the acquired operations of the Motorized Vehicle Division of FCI (“MVL”) from its assessment of the effectiveness of the Company's internal control over financial reporting as MVL was acquired during the fourth quarter of 2012. 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 September 30, 2013.

Changes in Internal Control over Financial Reporting

Except as noted below, there were no material changes in the Company’s internal controls over financial reporting during the nine months ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

During the nine months ended September 30, 2013, the Company implemented a global financial consolidations software system, and maintained and monitored appropriate internal controls during the implementation period. The Company believes that its internal control environment has been enhanced as a result of this implementation.

PART II

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, 2012. 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

There have been no material changes in risk factors for the Company in the period covered by this report. For information regarding factors that could affect the Company’s results of operations, financial condition and liquidity, see the risk factors discussed in Part I, “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

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

A summary of our ordinary shares repurchased during the three months ended September 30, 2013, 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) (1)
July 1, 2013 to July 31, 2013	—	$—	—	$405
August 1, 2013 to August 31, 2013	701,809	54.77	701,809	366
September 1, 2013 to September 30, 2013	1,418,191	57.36	1,418,191	285
Total	2,120,000	56.50	2,120,000	

(1) In September 2012, the Board of Directors authorized a share repurchase program of up to $750 million. This program follows the completion of $300 million of shares repurchased under the Company's previously announced share repurchase program that was approved by the Board of Directors and commenced in January 2012. The timing of repurchases is dependent on price, market conditions and applicable regulatory requirements.

(2) Excluding commissions.

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ITEM 6. EXHIBITS

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

* Filed herewith.

Filed electronically with the Report.

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SIGNATURES

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

DELPHI AUTOMOTIVE PLC

/s/ Kevin P. Clark
By: Kevin P. Clark
Executive Vice President and
Chief Financial Officer

Dated: November 5, 2013