

Aptiv PLC
Form 10-Q
October 31, 2018
Table of Contents

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

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

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

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

5 Hanover Quay

Grand Canal Dock

Dublin 2, Ireland

(Address of principal executive offices)

353-1-259-7013

(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . No .

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes . No .

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

Large accelerated filer . Accelerated filer .

Non-accelerated filer . Smaller reporting company .

Emerging growth company .

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

Edgar Filing: Aptiv PLC - Form 10-Q

Exchange Act. "

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

The number of the registrant's ordinary shares outstanding, \$0.01 par value per share as of October 26, 2018, was 263,472,291.

Table of Contents

APTIV PLC
INDEX

	Page
Part I - Financial Information	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>	3
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>	4
<u>Consolidated Balance Sheets as of September 30, 2018 (Unaudited) and December 31, 2017</u>	5
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>	6
<u>Consolidated Statement of Shareholders' Equity for the Nine Months Ended September 30, 2018 (Unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	8
<u>Cautionary Statement Regarding Forward Looking Information</u>	55
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	56
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	78
Item 4. <u>Controls and Procedures</u>	78
Part II - Other Information	
Item 1. <u>Legal Proceedings</u>	79
Item 1A. <u>Risk Factors</u>	79
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	79
Item 6. <u>Exhibits</u>	80
<u>Signatures</u>	81
Exhibits	

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

APTIV PLC

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	2017	2018	2017	2018
	(in millions, except per share amounts)			
Net sales	\$3,485	\$3,148	\$10,799	\$9,444
Operating expenses:				
Cost of sales	2,834	2,498	8,739	7,540
Selling, general and administrative	232	230	751	686
Amortization	31	29	91	87
Restructuring (Note 7)	65	18	100	101
Total operating expenses	3,162	2,775	9,681	8,414
Operating income	323	373	1,118	1,030
Interest expense	(34)	(35)	(104)	(103)
Other income (expense), net (Note 16)	4	(7)	27	(22)
Income from continuing operations before income taxes and equity income	293	331	1,041	905
Income tax expense	(66)	(31)	(208)	(88)
Income from continuing operations before equity income	227	300	833	817
Equity income, net of tax	4	6	17	24
Income from continuing operations	231	306	850	841
Income from discontinued operations, net of tax (Note 21)	—	107	—	310
Net income	231	413	850	1,151
Net income attributable to noncontrolling interest	9	18	30	52
Net income attributable to Aptiv	\$222	\$395	\$820	\$1,099
Amounts attributable to Aptiv:				
Income from continuing operations	\$222	\$297	\$820	\$814
Income from discontinued operations	—	98	—	285
Net income	\$222	\$395	\$820	\$1,099
Basic net income per share:				
Continuing operations	\$0.84	\$1.11	\$3.09	\$3.04
Discontinued operations	—	0.37	—	1.07
Basic net income per share attributable to Aptiv	\$0.84	\$1.48	\$3.09	\$4.11
Weighted average number of basic shares outstanding	264.56	266.24	265.02	267.60
Diluted net income per share:				
Continuing operations	\$0.84	\$1.11	\$3.09	\$3.04
Discontinued operations	—	0.37	—	1.06
Diluted net income per share attributable to Aptiv	\$0.84	\$1.48	\$3.09	\$4.10
Weighted average number of diluted shares outstanding	265.33	267.16	265.74	268.23

Cash dividends declared per share	\$0.22	\$0.29	\$0.44	\$0.87
-----------------------------------	--------	--------	--------	--------

See notes to consolidated financial statements.

3

Table of Contents

APTIV PLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended September 30, 2018		2017		Nine Months Ended September 30, 2018		2017	
	(in millions)							
Net income	\$231	\$413	\$850	\$1,151				
Other comprehensive (loss) income:								
Currency translation adjustments	(36)	87	(168)	276				
Net change in unrecognized gain (loss) on derivative instruments, net of tax (Note 14)	14	(9)	(19)	34				
Employee benefit plans adjustment, net of tax	2	(6)	12	(1)				
Other comprehensive (loss) income	(20)	72	(175)	309				
Comprehensive income	211	485	675	1,460				
Comprehensive income attributable to noncontrolling interests	5	21	22	59				
Comprehensive income attributable to Aptiv	\$206	\$464	\$653	\$1,401				
See notes to consolidated financial statements.								

Table of ContentsAPTIV PLC
CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (Unaudited)	December 31, 2017
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$771	\$ 1,596
Restricted cash	1	1
Accounts receivable, net	2,635	2,440
Inventories (Note 3)	1,358	1,083
Other current assets (Note 4)	439	521
Total current assets	5,204	5,641
Long-term assets:		
Property, net	3,056	2,804
Investments in affiliates	101	91
Intangible assets, net (Note 2)	1,216	1,219
Goodwill (Note 2)	2,162	1,944
Other long-term assets (Note 4)	588	470
Total long-term assets	7,123	6,528
Total assets	\$12,327	\$ 12,169
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (Note 8)	\$24	\$ 17
Accounts payable	2,254	2,227
Accrued liabilities (Note 5)	1,109	1,296
Total current liabilities	3,387	3,540
Long-term liabilities:		
Long-term debt (Note 8)	4,084	4,132
Pension benefit obligations	439	454
Other long-term liabilities (Note 5)	608	526
Total long-term liabilities	5,131	5,112
Total liabilities	8,518	8,652
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, 264,097,440 and 265,839,794 issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	3	3
Additional paid-in-capital	1,633	1,649
Retained earnings	2,610	2,118
Accumulated other comprehensive loss (Note 13)	(638	) (471
Total Aptiv shareholders' equity	3,608	3,299
Noncontrolling interest	201	218
Total shareholders' equity	3,809	3,517

Total liabilities and shareholders' equity
See notes to consolidated financial statements.

\$12,327 \$ 12,169

5

Table of Contents

APTIV PLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30, 2018 2017	
	(in millions)	
Cash flows from operating activities:		
Net income	\$850	\$1,151
Income from discontinued operations, net of tax	—	310
Income from continuing operations	850	841
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	383	305
Amortization	91	87
Amortization of deferred debt issuance costs	5	5
Restructuring expense, net of cash paid	(2)	9
Deferred income taxes	(73)	2
Pension and other postretirement benefit expenses	29	31
Income from equity method investments, net of dividends received	(9)	(16)
Gain on sale of assets	—	(1)
Share-based compensation	33	43
Changes in operating assets and liabilities:		
Accounts receivable, net	(128)	(122)
Inventories	(250)	(266)
Other assets	(110)	(102)
Accounts payable	78	83
Accrued and other long-term liabilities	86	(223)
Other, net	(58)	36
Pension contributions	(35)	(27)
Net cash provided by operating activities from continuing operations	890	685
Net cash (used in) provided by operating activities from discontinued operations	(19)	355
Net cash provided by operating activities	871	1,040
Cash flows from investing activities:		
Capital expenditures	(661)	(480)
Proceeds from sale of property / investments	10	6
Cost of business acquisitions, net of cash acquired	(512)	(40)
Cost of technology investments	—	(50)
Settlement of derivatives	(6)	(12)
Net cash used in investing activities from continuing operations	(1,169)	(576)
Net cash used in investing activities from discontinued operations	—	(106)
Net cash used in investing activities	(1,169)	(682)
Cash flows from financing activities:		
Net repayments under other short-term debt agreements	(19)	(8)
Proceeds from issuance of senior notes, net of issuance costs	—	796
Contingent consideration and deferred acquisition purchase price payments	(13)	(24)
Dividend payments of consolidated affiliates to minority shareholders	(26)	(10)
Repurchase of ordinary shares	(214)	(383)

Edgar Filing: Aptiv PLC - Form 10-Q

Distribution of cash dividends	(175)	(233)
Taxes withheld and paid on employees' restricted share awards	(35)	(33)
Net cash (used in) provided by financing activities	(482)	105
Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash	(45)	52
(Decrease) increase in cash, cash equivalents and restricted cash	(825)	515
Cash, cash equivalents and restricted cash at beginning of the period	1,597	839
Cash, cash equivalents and restricted cash at end of the period	\$772	\$1,354
Cash, cash equivalents and restricted cash of discontinued operations	\$—	\$891
Cash, cash equivalents and restricted cash of continuing operations	\$772	\$463
See notes to consolidated financial statements.		

6

Table of Contents

APTIV PLC

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)

	Ordinary Shares		Additional	Retained	Other	Accumulated	Total	Noncontrolling	Total
	Number of Shares	Amount	Paid in Capital	Earnings	Comprehensive Loss	Aptiv Shareholders' Equity	Shareholders' Equity	Interest	Shareholders' Equity
	(in millions)								
Balance at January 1, 2018	266	\$ 3	\$ 1,649	\$ 2,118	\$ (471)	\$ 3,299	\$ 218		\$ 3,517
Net income	—	—	—	820	—	820	30		850
Other comprehensive loss	—	—	—	—	(167)	(167)	(8)		(175)
Dividends on ordinary shares	—	—	—	(116)	—	(116)	—		(116)
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	—	—	—	(39)		(39)
Taxes withheld on employees' restricted share award vestings	—	—	(35)	—	—	(35)	—		(35)
Repurchase of ordinary shares	(3)	—	(14)	(208)	—	(222)	—		(222)
Share-based compensation	1	—	33	—	—	33	—		33
Distribution of Delphi Technologies	—	—	—	5	—	5	—		5
Adjustment for recently adopted accounting pronouncements (Note 2)	—	—	—	(9)	—	(9)	—		(9)
Balance at September 30, 2018	264	\$ 3	\$ 1,633	\$ 2,610	\$ (638)	\$ 3,608	\$ 201		\$ 3,809

See notes to consolidated financial statements.

Table of Contents

APTIV PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. GENERAL

General and basis of presentation—“Aptiv,” the “Company,” “we,” “us” and “our” refer to Aptiv PLC, a public limited company which was formed under the laws of Jersey on May 19, 2011 as Delphi Automotive PLC, which together with its subsidiaries acquired certain assets of the former Delphi Corporation (now known as DPH Holdings Corp. (“DPHH”)) and completed an initial public offering on November 22, 2011. On December 4, 2017 (the “Distribution Date”), the Company completed the separation (the “Separation”) of its former Powertrain Systems segment by distributing to Aptiv shareholders on a pro rata basis all of the issued and outstanding ordinary shares of Delphi Technologies PLC (“Delphi Technologies”), a public limited company formed to hold the spun-off business. To effect the Separation, the Company distributed to its shareholders one ordinary share of Delphi Technologies for every three Aptiv ordinary shares outstanding as of November 22, 2017, the record date for the distribution. Following the Separation, the remaining company changed its name to Aptiv PLC and New York Stock Exchange (“NYSE”) symbol to “APTV.” Also, as a result of the Separation, Delphi Technologies became an independent public company trading on the NYSE under the symbol “DLPH” as of the Distribution Date. Delphi Technologies’ historical financial results through the Distribution Date are reflected in the Company’s consolidated financial statements as a discontinued operation, as more fully described in Note 21. Discontinued Operations.

In April 2018, primarily as a result of the impact of the Separation on the Company’s U.K. presence and the centralization of the Company’s non-manufacturing European footprint, along with the long-term stability of the financial and regulatory environment in Ireland and continued uncertainties with regards to the impending exit of the U.K. from the European Union, Aptiv PLC changed its tax residence from the U.K. to Ireland. Aptiv PLC remains a public limited company incorporated under the laws of Jersey, and will continue to be subject to United States Securities and Exchange Commission reporting requirements and prepare financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The consolidated financial statements have been prepared in accordance with U.S. GAAP and all adjustments, consisting of only normal recurring items, which are necessary for a fair presentation, have been included. The consolidated financial statements and notes thereto included in this report should be read in conjunction with Aptiv’s 2017 Annual Report on Form 10-K.

Nature of operations—Aptiv is a leading global technology and mobility company serving the automotive sector. We design and manufacture vehicle components and provide electrical, electronic and active safety technology solutions to the global automotive market. Aptiv operates manufacturing facilities and technical centers utilizing a regional service model that enables the Company to efficiently and effectively serve its global customers from best cost countries. In line with the long-term growth in emerging markets, Aptiv has been increasing its focus on these markets, particularly in China, where the Company has a major manufacturing base and strong customer relationships.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation—The consolidated financial statements include the accounts of Aptiv and U.S. and non-U.S. subsidiaries in which Aptiv holds a controlling financial or management interest and variable interest entities of which Aptiv has determined that it is the primary beneficiary. Aptiv’s share of the earnings or losses of non-controlled affiliates over which Aptiv exercises significant influence (generally a 20% to 50% ownership interest) is included in the consolidated operating results using the equity method of accounting. When Aptiv does not have the ability to exercise significant influence (generally when ownership interest is less than 20%), investments in non-consolidated affiliates are accounted for in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, and are measured at cost, less impairments, adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer. All significant intercompany transactions and balances between consolidated Aptiv businesses have been eliminated. The Company monitors its investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If the Company determines that

such a decline has occurred, an impairment loss is recorded, which is measured as the difference between carrying value and estimated fair value. Estimated fair value is generally determined using an income approach based on discounted cash flows or negotiated transaction values.

During the three and nine months ended September 30, 2018 and 2017, Aptiv received dividends of \$8 million and \$7 million, respectively, from its equity method investments. The dividends were recognized as a reduction to the investment and represented a return on investment included in cash flows from operating activities from continuing operations.

Investments in non-consolidated affiliates totaled \$56 million and \$56 million as of September 30, 2018 and December 31, 2017, respectively, and are classified within other long-term assets in the consolidated balance sheet.

Table of Contents

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

Revenue recognition—Beginning in the first quarter of 2018, Aptiv recognizes revenue in accordance with ASU 2014-09, Revenue from Contracts with Customers. Refer to Note 22. Revenue for additional information regarding the Company’s revenue recognition policies.

Net income per share—Basic net income per share is computed by dividing net income attributable to Aptiv 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 Aptiv by the diluted weighted average number of ordinary shares outstanding during the period. Unless otherwise noted, share and per share amounts included in these notes are on a diluted basis. Refer to Note 12. Shareholders’ Equity and Net Income Per Share for additional information including the calculation of basic and diluted net income per share.

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

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

Intangible assets—Intangible assets were \$1,216 million and \$1,219 million as of September 30, 2018 and December 31, 2017, respectively. Aptiv amortizes definite-lived intangible assets over their estimated useful lives. Aptiv has definite-lived intangible assets related to patents and developed technology, customer relationships and trade names. Indefinite-lived in-process research and development intangible assets are not amortized, but are tested for impairment annually, or more frequently when indicators of potential impairment exist, until the completion or abandonment of the associated research and development efforts. Upon completion of the projects, the assets will be amortized over the expected economic life of the asset, which will be determined on that date. Should the project be determined to be abandoned, and if the asset developed has no alternative use, the full value of the asset will be charged to expense. The Company also has intangible assets related to acquired trade names that are classified as indefinite-lived when there are no foreseeable limits on the periods of time over which they are expected to contribute cash flows. These indefinite-lived trade name assets are tested for impairment annually, or more frequently when indicators of potential impairment exist. Costs to renew or extend the term of acquired intangible assets are recognized as expense as incurred. Amortization expense was \$31 million and \$91 million for the three and nine months ended September 30, 2018 and \$29 million and \$87 million and for the three and nine months ended September 30, 2017, respectively.

Goodwill—Goodwill is the excess of the purchase price over the estimated fair value of identifiable net assets acquired in business combinations. The Company tests goodwill for impairment annually in the fourth quarter, or more frequently when indications of potential impairment exist. The Company monitors the existence of potential impairment indicators throughout the fiscal year. The Company tests for goodwill impairment at the reporting unit level. Our reporting units are the components of operating segments which constitute businesses for which discrete financial information is available and is regularly reviewed by segment management.

The impairment test involves first qualitatively assessing goodwill for impairment. If the qualitative assessment is not met the Company then performs a quantitative assessment by first comparing the estimated fair value of each reporting unit to its carrying value, including goodwill. Fair value reflects the price a market participant would be willing to pay in a potential sale of the reporting unit. If the estimated fair value exceeds carrying value, then we conclude that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its estimated fair value, a second step is required to measure possible goodwill impairment loss. The second step includes hypothetically valuing the tangible and intangible assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value

Table of Contents

of the reporting unit's goodwill is compared to the carrying value of that goodwill. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, the Company recognizes an impairment loss in an amount equal to the excess, not to exceed the carrying value. There were no indicators of potential goodwill impairment during the nine months ended September 30, 2018. Goodwill was \$2,162 million and \$1,944 million as of September 30, 2018 and December 31, 2017, respectively.

Warranty and product recalls—Expected warranty costs for products sold are recognized at the time of sale of the product based on an estimate of the amount that eventually will be required to settle such obligations. These accruals are based on factors such as past experience, production changes, industry developments and various other considerations. Costs of product recalls, which may include the cost of the product being replaced as well as the customer's cost of the recall, including labor to remove and replace the recalled part, are accrued as part of our warranty accrual at the time an obligation becomes probable and can be reasonably estimated. These estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims. Refer to Note 6. **Warranty Obligations** for additional information.

Discontinued operations—The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs only when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major effect on the Company's operations and financial results. During the year ended December 31, 2017, the Company completed the Separation of its former Powertrain Systems segment by means of a spin-off into Delphi Technologies. Accordingly, the assets and liabilities, operating results and operating and investing cash flows for the previously reported Powertrain Systems segment are presented as discontinued operations separate from the Company's continuing operations and segment results for all periods presented in these consolidated financial statements and the notes to the consolidated financial statements, unless otherwise noted. Refer to Note 21. **Discontinued Operations** for further information regarding the Company's discontinued operations.

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

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

Customer concentrations—As reflected in the table below, combined net sales to General Motors Company ("GM") and Volkswagen Group ("VW"), Aptiv's two largest customers, totaled approximately 19% and 19% of our total net sales for the three and nine months ended September 30, 2018, respectively, and 22% and 23% for the three and nine months

ended September 30, 2017, respectively.

Percentage of Total Net Sales		Accounts and Other Receivables	
Three Months Ended September 30, 2018	Nine Months Ended September 30, 2017	September 2018	December 31, 2017

(in millions)

GM (1)	11 %	12 %	11 %	14 %	\$ 239	\$ 204
VW	8 %	10 %	8 %	9 %	157	145

(1) Net sales to GM includes net sales to GM's former European Opel business prior to its sale to PSA Peugeot Citroën ("PSA") on August 1, 2017, after which date these sales are excluded from net sales to GM.

Table of Contents

Recently adopted accounting pronouncements—Aptiv adopted ASU 2014-09, Revenue from Contracts with Customers, in the first quarter of 2018 using the modified retrospective method. This ASU supersedes most of the existing guidance on revenue recognition in ASC Topic 605, Revenue Recognition and establishes a broad principle that would require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Refer to Note 22, Revenue for additional information.

Aptiv adopted ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, in the first quarter of 2018. This guidance makes targeted improvements to existing U.S. GAAP for financial instruments, including requiring equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. In accordance with this guidance, Aptiv measures equity investments at cost, less impairments, adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer. The adoption of this guidance did not have a significant impact on Aptiv's financial statements.

Aptiv adopted ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, in the first quarter of 2018. This guidance clarifies the presentation requirements of eight specific issues within the statement of cash flows. The adoption of this guidance did not have a significant impact on Aptiv's financial statements, as Aptiv's treatment of the relevant affected items within its consolidated statement of cash flows is consistent with the requirements of this guidance.

Aptiv adopted ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory, in the first quarter of 2018. This guidance requires that the tax effects of all intra-entity sales of assets other than inventory be recognized in the period in which the transaction occurs. The guidance is to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The adoption of this guidance resulted in an adjustment of \$9 million recorded to retained earnings during the nine months ended September 30, 2018.

Aptiv adopted ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, in the first quarter of 2018. This guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and restricted cash. As a result, restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The adoption of this guidance did not have a significant impact on Aptiv's financial statements, other than the classification of restricted cash within the beginning-of-period and end-of-period totals on the consolidated statement of cash flows, as opposed to being excluded from these totals.

Recently issued accounting pronouncements not yet adopted—In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under this guidance, lessees will be required to recognize on the balance sheet a lease liability and a right-of-use asset for all leases, with the exception of short-term leases. The lease liability represents the lessee's obligation to make lease payments arising from a lease, and will be measured as the present value of the lease payments. The right-of-use asset represents the lessee's right to use a specified asset for the lease term, and will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee's initial direct costs. The standard also requires a lessee to recognize a single lease cost allocated over the lease term, generally on a straight-line basis. The new guidance is effective for fiscal years beginning after December 15, 2018. ASU 2016-02 is required to be applied using the modified retrospective approach for all leases existing as of the effective date and provides for certain practical expedients. Early adoption is permitted. As of December 31, 2017, Aptiv had minimum lease commitments under non-cancellable operating leases totaling approximately \$450 million. The adoption of this guidance will result in the addition of right-of-use assets and corresponding lease obligations to the consolidated balance sheet and will not have a material impact on its results of operations or cash flows. As permitted, the Company currently plans to elect the practical expedients upon transition which will retain the lease classification and initial direct costs for leases existing prior to the adoption of this standard. The Company will not reassess whether any contracts which were entered into prior to the adoption of ASU 2016-02 are classified as leases. The

Company is in the process of cataloging existing lease contracts and implementing changes to its systems.

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

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance simplifies how an entity is required to test goodwill for impairment by eliminating step

Table of Contents

two from the goodwill impairment test, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount. Under the new guidance, if a reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The standard will be applied prospectively and is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its financial statements, but does not anticipate a material impact. As this standard is prospective in nature, the impact to Aptiv's financial statements of not performing a step two in order to measure the amount of any potential goodwill impairment will depend on various factors associated with the Company's assessment of goodwill for impairment in those future periods.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging—Targeted Improvements to Accounting for Hedging Activities, which expands and refines the application of hedge accounting for both non-financial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows for the elimination of the stranded income tax effects resulting from the enactment of the Tax Cuts and Jobs Act through a reclassification from accumulated other comprehensive income to retained earnings. The standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on Aptiv's financial statements.

3. INVENTORIES

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

	September 30, 2018	December 31, 2017
	(in millions)	
Productive material	\$ 772	\$ 584
Work-in-process	105	100
Finished goods	481	399
Total	\$ 1,358	\$ 1,083

4. ASSETS

Other current assets consisted of the following:

	September 30, 2018	December 31, 2017
	(in millions)	
Value added tax receivable	\$ 175	\$ 160
Prepaid insurance and other expenses	93	104
Reimbursable engineering costs	63	33
Notes receivable	30	16
Income and other taxes receivable	30	46
Deposits to vendors	7	8
Derivative financial instruments (Note 14)	17	30

Edgar Filing: Aptiv PLC - Form 10-Q

Accounts receivable to be remitted to Delphi Technologies (Note 21)	23	123
Other	1	1
Total	\$ 439	\$ 521

12

Table of Contents

Other long-term assets consisted of the following:

	September 30, 2018	December 31, 2017
	(in millions)	
Deferred income taxes, net	\$ 241	\$ 185
Unamortized Revolving Credit Facility debt issuance costs (Note 8)	6	8
Income and other taxes receivable	6	22
Reimbursable engineering costs	130	66
Value added tax receivable	35	37
Equity investments (Note 17)	56	56
Derivative financial instruments (Note 14)	7	8
Other	107	88
Total	\$ 588	\$ 470

5. LIABILITIES

Accrued liabilities consisted of the following:

	September 30, 2018	December 31, 2017
	(in millions)	
Payroll-related obligations	\$268	\$ 218
Employee benefits, including current pension obligations	67	116
Income and other taxes payable	233	233
Warranty obligations (Note 6)	36	41
Restructuring (Note 7)	80	90
Customer deposits	36	28
Derivative financial instruments (Note 14)	9	15
Accrued interest	30	41
Dividends payable	—	59
Accounts payable to be remitted on behalf of Delphi Technologies (Note 21)	13	132
Other	337	323
Total	\$1,109	\$ 1,296

Table of Contents

Other long-term liabilities consisted of the following:

	September 30, 2018	December 31, 2017
	(in millions)	
Environmental (Note 10)	\$ 2	\$ 4
Extended disability benefits	9	9
Warranty obligations (Note 6)	17	17
Restructuring (Note 7)	49	42
Payroll-related obligations	10	10
Accrued income taxes	192	154
Deferred income taxes, net	223	222
Derivative financial instruments (Note 14)	6	11
Deferred compensation related to nuTonomy acquisition (Note 17)	38	4
Other	62	53
Total	\$ 608	\$ 526

6. WARRANTY OBLIGATIONS

Expected warranty costs for products sold are recognized principally at the time of sale of the product based on an estimate of the amount that eventually will be required to settle such obligations. These accruals are based on factors such as past experience, production changes, industry developments and various other considerations. The estimated costs related to product recalls based on a formal campaign soliciting return of that product are accrued at the time an obligation becomes probable and can be reasonably estimated. These estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims. Aptiv has recognized its best estimate for its total aggregate warranty reserves, including product recall costs, across all of its operating segments as of September 30, 2018. The Company estimates the reasonably possible amount to ultimately resolve all matters in excess of the recorded reserves as of September 30, 2018 to be zero to \$15 million.

The table below summarizes the activity in the product warranty liability for the nine months ended September 30, 2018:

	Warranty Obligations
	(in millions)
Accrual balance at beginning of period	\$ 58
Provision for estimated warranties incurred during the period	31
Changes in estimate for pre-existing warranties	7
Settlements made during the period (in cash or in kind)	(43)
Foreign currency translation and other	—
Accrual balance at end of period	\$ 53

In September 2016, one of the Company's OEM customers initiated a recall to enhance airbag deployment systems in certain vehicles. Aptiv's Advanced Safety and User Experience segment had supplied sensors and related control modules for the airbags in the affected vehicles. During the first quarter of 2017, Aptiv reached an agreement with its customer related to this matter and recognized an incremental \$43 million of warranty expense within cost of sales during the nine months ended September 30, 2017.

Table of Contents**7. RESTRUCTURING**

Aptiv'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 Aptiv's strategy, either in the normal course of business or pursuant to significant restructuring programs.

As part of Aptiv's continued efforts to optimize its cost structure, it has undertaken several restructuring programs which include workforce reductions as well as plant closures. These programs are primarily focused on the continued rotation of our manufacturing footprint to best cost locations in Europe and on reducing global overhead costs, including programs implemented to realign the Company's organizational structure due to changes in roles and workforce as a result of the spin-off of the former Powertrain Systems segment. The Company recorded employee-related and other restructuring charges related to these programs totaling approximately \$65 million and \$100 million during the three and nine months ended September 30, 2018, respectively, which is primarily comprised of \$37 million and \$59 million, respectively, recognized for programs focused on the continued rotation of our manufacturing footprint to best cost locations in Europe and reducing overhead costs in the region.

Restructuring costs of approximately \$18 million and \$101 million were recorded during the three and nine months ended September 30, 2017, respectively, which included the recognition of approximately \$36 million during the nine months ended September 30, 2017 of employee-related and other costs related to the closure of an Advanced Safety and User Experience Western European manufacturing site, pursuant to the Company's ongoing European footprint rotation strategy.

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. Aptiv incurred cash expenditures related to its restructuring programs of approximately \$102 million and \$92 million in the nine months ended September 30, 2018 and 2017, respectively.

The following table summarizes the restructuring charges recorded for the three and nine months ended September 30, 2018 and 2017 by operating segment:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2017	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	(in millions)			
Signal and Power Solutions	\$58	\$17	\$87	\$44
Advanced Safety and User Experience	7	1	13	57
Total	\$65	\$18	\$100	\$101

The table below summarizes the activity in the restructuring liability for the nine months ended September 30, 2018:

	Employee Termination Benefit Liability	Other Costs	Exit Liability	Total
	(in millions)			
Accrual balance at January 1, 2018	\$131	\$	1	\$132
Provision for estimated expenses incurred during the period	100	—		100
Payments made during the period	(101)	(1)		(102)
Foreign currency and other	(1)	—		(1)

Accrual balance at September 30, 2018	\$ 129	\$ —	\$ 129
---------------------------------------	--------	------	--------

Table of Contents

8. DEBT

The following is a summary of debt outstanding, net of unamortized issuance costs and discounts, as of September 30, 2018 and December 31, 2017, respectively:

	September 30, 2018	December 31, 2017
	(in millions)	
3.15%, senior notes, due 2020 (net of \$2 and \$2 unamortized issuance costs and \$0 and \$1 discount, respectively)	\$648	\$ 647
4.15%, senior notes, due 2024 (net of \$3 and \$4 unamortized issuance costs and \$1 and \$1 discount, respectively)	696	695
1.50%, Euro-denominated senior notes, due 2025 (net of \$4 and \$4 unamortized issuance costs and \$2 and \$3 discount, respectively)	816	833
4.25%, senior notes, due 2026 (net of \$3 and \$4 unamortized issuance costs, respectively)	647	646
1.60%, Euro-denominated senior notes, due 2028 (net of \$3 and \$4 unamortized issuance costs and \$1 and \$1 discount, respectively)	583	595
4.40%, senior notes, due 2046 (net of \$3 and \$3 unamortized issuance costs and \$2 and \$2 discount, respectively)	295	295
Tranche A Term Loan, due 2021 (net of \$1 and \$2 unamortized issuance costs, respectively)	389	396
Capital leases and other	34	42
Total debt	4,108	4,149
Less: current portion	(24)	(17)
Long-term debt	\$4,084	\$ 4,132

Credit Agreement

Aptiv PLC and its wholly-owned subsidiary Aptiv Corporation entered into a credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent (the “Administrative Agent”), under which it maintains senior secured credit facilities currently consisting of a term loan (the “Tranche A Term Loan”) and a revolving credit facility of \$2.0 billion (the “Revolving Credit Facility”). The Credit Agreement was entered into in March 2011 and has been subsequently amended and restated on several occasions, most recently on August 17, 2016. The 2016 amendment extended the maturity of the Revolving Credit Facility and the Tranche A Term Loan from 2018 to 2021, increased the capacity of the Revolving Credit Facility from \$1.5 billion to \$2.0 billion and permitted Aptiv PLC to act as a borrower on the Revolving Credit Facility.

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

As of September 30, 2018, there were no amounts drawn on the Revolving Credit Facility and approximately \$7 million in letters of credit issued under the Credit Agreement. Letters of credit issued under the Credit Agreement reduce availability under the Revolving Credit Facility.

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

Edgar Filing: Aptiv PLC - Form 10-Q

September 30, December 31,
2018 2017

LIBOR ^{ABR}_{plus} LIBOR ^{ABR}_{plus}

Revolving Credit Facility	1.10%	0.10%	1.10%	0.10%
Tranche A Term Loan	1.25%	0.25%	1.25%	0.25%

The Applicable Rate under the Credit Agreement may increase or decrease from time to time based on changes in the Company's credit ratings. Accordingly, the interest rate will fluctuate during the term of the Credit Agreement based on

Table of Contents

changes in the ABR, LIBOR or future changes in the Company's corporate credit ratings. The Credit Agreement also requires that Aptiv pay certain facility fees on the Revolving Credit Facility and certain letter of credit issuance and fronting fees.

The interest rate period with respect to LIBOR interest rate options can be set at one-, two-, three-, or six-months as selected by Aptiv in accordance with the terms of the Credit Agreement (or other period as may be agreed by the applicable lenders). Aptiv may elect to change the selected interest rate option in accordance with the provisions of the Credit Agreement. As of September 30, 2018, Aptiv selected the one-month LIBOR interest rate option on the Tranche A Term Loan, and the rate effective as of September 30, 2018, as detailed in the table below, was based on the Company's current credit rating and the Applicable Rate for the Credit Agreement:

	Borrowings	
	as of	
	September 30, 2018	Rate effective as of September 30, 2018
Applicable Rate	(in millions)	%
Tranche A Term Loan LIBOR plus 1.25%	\$ 390	3.4375 %

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

The Credit Agreement contains certain covenants that limit, among other things, the Company's (and the Company's subsidiaries') ability to incur certain additional indebtedness or liens or to dispose of substantially all of its assets. In addition, the Credit Agreement requires that the Company maintain a consolidated leverage ratio (the ratio of Consolidated Total Indebtedness to Consolidated EBITDA, each as defined in the Credit Agreement) of less than 3.50 to 1.0. The Credit Agreement also contains events of default customary for financings of this type. The Company was in compliance with the Credit Agreement covenants as of September 30, 2018.

As of September 30, 2018, all obligations under the Credit Agreement were borrowed by Aptiv Corporation and jointly and severally guaranteed by its direct and indirect parent companies, subject to certain exceptions set forth in the Credit Agreement. Refer to Note 19. Supplemental Guarantor and Non-Guarantor Condensed Consolidating Financial Statements for additional information.

Senior Unsecured Notes

On March 3, 2014, Aptiv Corporation issued \$700 million in aggregate principal amount of 4.15% senior unsecured notes due 2024 (the "2014 Senior Notes") in a transaction registered under the Securities Act. The 2014 Senior Notes were priced at 99.649% of par, resulting in a yield to maturity of 4.193%. The proceeds were primarily utilized to redeem \$500 million of 5.875% senior unsecured notes due 2019 and to repay a portion of the Tranche A Term Loan. Aptiv paid approximately \$6 million of issuance costs in connection with the 2014 Senior Notes. Interest is payable semi-annually on March 15 and September 15 of each year to holders of record at the close of business on March 1 or September 1 immediately preceding the interest payment date.

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

On November 19, 2015, Aptiv PLC issued \$1.3 billion in aggregate principal amount of senior unsecured notes in a transaction registered under the Securities Act, comprised of \$650 million of 3.15% senior unsecured notes due 2020 (the "3.15% Senior Notes") and \$650 million of 4.25% senior unsecured notes due 2026 (the "4.25% Senior Notes") (collectively, the "2015 Senior Notes"). The 3.15% Senior Notes were priced at 99.784% of par, resulting in a yield to

maturity of 3.197%, and the 4.25% Senior Notes were priced at 99.942% of par, resulting in a yield to maturity of 4.256%. The proceeds were primarily utilized to fund a portion of the cash consideration for the acquisition of HellermannTyton PLC and for general corporate purposes, including the payment of fees and expenses associated with the HellermannTyton PLC acquisition and the related financing transaction. Aptiv incurred approximately \$8 million of issuance costs in connection with the 2015 Senior Notes. Interest on the 3.15% Senior Notes is payable semi-annually on May 19 and November 19 of each year to holders of record at the close of business on May 4 or November 4 immediately preceding the interest payment date. Interest on the 4.25% Senior Notes is payable semi-annually on January 15 and July 15 of each year to holders of record at the close of business on January 1 or July 1 immediately preceding the interest payment date.

Table of Contents

On September 15, 2016, Aptiv PLC issued €500 million in aggregate principal amount of 1.60% Euro-denominated senior unsecured notes due 2028 (the “2016 Euro-denominated Senior Notes”) in a transaction registered under the Securities Act. The 2016 Euro-denominated Senior Notes were priced at 99.881% of par, resulting in a yield to maturity of 1.611%. The proceeds, together with proceeds from the 2016 Senior Notes described below, were utilized to redeem the \$800 million of 5.00% senior unsecured notes due 2023. Aptiv incurred approximately \$4 million of issuance costs in connection with the 2016 Euro-denominated Senior Notes. Interest is payable annually on September 15. The Company has designated the 2016 Euro-denominated Senior Notes as a net investment hedge of the foreign currency exposure of its investments in certain Euro-denominated wholly-owned subsidiaries. Refer to Note 14. Derivatives and Hedging Activities for further information.

On September 20, 2016, Aptiv PLC issued \$300 million in aggregate principal amount of 4.40% senior unsecured notes due 2046 (the “2016 Senior Notes”) in a transaction registered under the Securities Act. The 2016 Senior Notes were priced at 99.454% of par, resulting in a yield to maturity of 4.433%. The proceeds, together with proceeds from the 2016 Euro-denominated Senior Notes, were utilized to redeem the \$800 million of 5.00% senior unsecured notes due 2023. Aptiv incurred approximately \$3 million of issuance costs in connection with the 2016 Senior Notes. Interest is payable semi-annually on April 1 and October 1 of each year to holders of record at the close of business on March 15 or September 15 immediately preceding the interest payment date.

Although the specific terms of each indenture governing each series of senior notes vary, the indentures contain certain restrictive covenants, including with respect to Aptiv’s (and Aptiv’s subsidiaries) ability to incur liens, enter into sale and leaseback transactions and merge with or into other entities. As of September 30, 2018, the Company was in compliance with the provisions of all series of the outstanding senior notes.

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

Other Financing

Receivable factoring—Aptiv maintains a €300 million European accounts receivable factoring facility that is available on a committed basis. This facility is accounted for as short-term debt and borrowings are subject to the availability of eligible accounts receivable. Collateral is not required related to these trade accounts receivable. This program renews on a non-committed, indefinite basis unless terminated by either party. Borrowings bear interest at Euro Interbank Offered Rate (“EURIBOR”) plus 0.42% for borrowings denominated in Euros. No amounts were outstanding on the European accounts receivable factoring facility as of September 30, 2018 or December 31, 2017.

Capital leases and other—As of September 30, 2018 and December 31, 2017, approximately \$34 million and \$42 million, respectively, of other debt primarily issued by certain non-U.S. subsidiaries and capital lease obligations was outstanding.

Interest—Cash paid for interest related to debt outstanding totaled \$110 million and \$102 million for the nine months ended September 30, 2018 and 2017, respectively.

9. PENSION BENEFITS

Certain of Aptiv’s non-U.S. subsidiaries sponsor defined benefit pension plans, which generally provide benefits based on negotiated amounts for each year of service. Aptiv’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, Aptiv has defined benefit plans in South Korea, Turkey and Italy for which amounts are payable to employees immediately upon separation. The obligations for these plans are recorded over the requisite service period.

Aptiv sponsors a Supplemental Executive Retirement Program (“SERP”) for those employees who were U.S. executives of DPHH prior to September 30, 2008 and were still U.S. executives of the Company 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 Aptiv. The SERP is closed to new members.

Table of Contents

The amounts shown below reflect the defined benefit pension expense for the three and nine months ended September 30, 2018 and 2017:

	Non-U.S. Plans		U.S. Plans	
	2018	2017	2018	2017
	Three Months Ended September 30,			
	2018 2017 2018 2017			
	(in millions)			
Service cost	\$4	\$5	\$—	\$—
Interest cost	7	9	—	—
Expected return on plan assets	(6)	(8)	—	—
Curtailment loss	—	1	—	—
Amortization of actuarial losses	4	5	—	—
Net periodic benefit cost	\$9	\$12	\$—	\$—

	Non-U.S. Plans		U.S. Plans	
	2018	2017	2018	2017
	Nine Months Ended September 30,			
	2018 2017 2018 2017			
	(in millions)			
Service cost	\$13	\$15	\$—	\$—
Interest cost	21	21	—	1
Expected return on plan assets	(19)	(20)	—	—
Curtailment loss	1	4	—	—
Amortization of actuarial losses	11	10	1	—
Net periodic benefit cost	\$27	\$30	\$1	\$1

Other postretirement benefit obligations were approximately \$4 million and \$4 million at September 30, 2018 and December 31, 2017, respectively.

10. COMMITMENTS AND CONTINGENCIES

Ordinary Business Litigation

Aptiv 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 Aptiv 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 Aptiv. With respect to warranty matters, although Aptiv cannot ensure that the future costs of warranty claims by customers will not be material, Aptiv believes its established reserves are adequate to cover potential warranty settlements.

Unsecured Creditors Litigation

Aptiv was subject to ongoing litigation related to general unsecured claims against the former Delphi Corporation, now known as DPHH, resulting from that entity's 2005 bankruptcy filing. The Fourth Amended and Restated Limited Liability Partnership Agreement of Delphi Automotive LLP (the "Fourth LLP Agreement") was entered into on July 12, 2011 by the members of Delphi Automotive LLP in order to position the Company for its initial public offering. Under the terms of the Fourth LLP Agreement, if cumulative distributions to the members of Delphi Automotive LLP

under certain provisions of the Fourth LLP Agreement exceed \$7.2 billion, Aptiv, as disbursing agent on behalf of DPHH, is required to pay to the holders of allowed general unsecured claims against DPHH \$32.50 for every \$67.50 in excess of \$7.2 billion distributed to the members, up to a maximum amount of \$300 million. On January 12, 2017, the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) granted summary judgment in favor of the unsecured creditors and thus the \$300 million maximum distribution for general unsecured claims was triggered. In connection with the January 2017 ruling, the Company recorded a reserve of \$300 million in the fourth quarter of 2016. In March 2017, the Bankruptcy Court issued a ruling on the application of pre-judgment interest owed on the amount of the distribution to be made to the holders of general unsecured claims. Pursuant to this ruling, Aptiv recorded an additional reserve of \$27 million during the first quarter of 2017.

Table of Contents

During the second quarter of 2017, Aptiv and the plaintiffs reached an agreement to settle this matter for \$310 million, which was subsequently approved by the Bankruptcy Court. In July 2017, the Company paid the \$310 million settlement pursuant to the terms of the settlement agreement. In accordance with the terms of the settlement agreement, the Company recorded a net incremental charge of \$10 million to other expense during the nine months ended September 30, 2017.

Brazil Matters

Aptiv conducts business operations in Brazil that are subject to the Brazilian federal labor, social security, environmental, tax and customs laws, as well as a variety of state and local laws. While Aptiv 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, 2018, the majority of claims asserted against Aptiv in Brazil relate to such litigation. The remaining claims in Brazil relate to commercial and labor litigation with private parties. As of September 30, 2018, claims totaling approximately \$145 million (using September 30, 2018 foreign currency rates) have been asserted against Aptiv in Brazil. As of September 30, 2018, the Company maintains accruals for these asserted claims of \$20 million (using September 30, 2018 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 Aptiv's results of operations could be materially affected. The Company estimates the reasonably possible loss in excess of the amounts accrued related to these claims to be zero to \$125 million.

Environmental Matters

Aptiv 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, 2018 and December 31, 2017, the undiscounted reserve for environmental investigation and remediation was approximately \$4 million (of which \$2 million was recorded in accrued liabilities and \$2 million was recorded in other long-term liabilities) and \$4 million (which was recorded in other long-term liabilities), respectively. Aptiv 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, Aptiv's results of operations could be materially affected. At September 30, 2018, the difference between the recorded liabilities and the reasonably possible range of potential loss was not material.

11. INCOME TAXES

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

income tax provision in the period in which the change in estimate occurs.

20

Table of Contents

The Company's income tax expense and effective tax rate for the three and nine months ended September 30, 2018 and 2017 were as follows:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
--	--	--	---	--

(dollars in millions)

Income tax expense	\$66	\$31	\$208	\$88
Effective tax rate	23 %	9 %	20 %	10 %

The Company's tax rate is affected by the fact that its parent entity was a U.K. resident taxpayer and became an Irish resident taxpayer in April 2018, the tax rates in Ireland, the U.K. and other jurisdictions in which the Company operates, the relative amount of income earned by jurisdiction and the relative amount of losses or income for which no tax benefit or expense was recognized due to a valuation allowance. The Company's effective tax rate was impacted by unfavorable changes in geographic income mix in 2018 as compared to 2017, primarily due to changes in the underlying business operations.

The Company's effective tax rate for the three and nine months ended September 30, 2018 also includes net discrete tax expense of \$28 million and \$48 million, respectively, primarily related to the Company's intellectual property transfer and a change in the provisional accrual of transition tax for untaxed foreign earnings, as described below. The effective tax rate for the three and nine months ended September 30, 2017 includes net discrete tax benefits of \$11 million and \$23 million, respectively, primarily related to provision to return adjustments and changes in reserves. The Tax Cuts and Jobs Act (the "Tax Legislation") was enacted in the United States on December 22, 2017, significantly revising the U.S. corporate income tax by, among other things, lowering corporate income tax rates and imposing a one-time repatriation tax on deemed repatriated earnings of foreign subsidiaries. Pursuant to ASU 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, the Company recognized the provisional effects of the enactment of the Tax Legislation of approximately \$50 million during the year ended December 31, 2017 for which measurement could be reasonably estimated. The impact was primarily the result of increased tax expense due to the one-time deemed repatriation tax and a reduction of our foreign tax credit, partially offset by the favorable impact of the reduced tax rate on the Company's net deferred tax liabilities. Pursuant to ASU 2018-05, adjustments to the provisional amounts recorded by the Company as of December 31, 2017 that are identified within a subsequent measurement period of up to one year from the enactment date will be included as an adjustment to tax expense from continuing operations in the period the amounts are determined. To-date in 2018, the U.S. Treasury Department and the Internal Revenue Service ("IRS") have issued additional guidance, particularly with respect to computing the transition tax on the untaxed foreign earnings of foreign subsidiaries. During the nine months ended September 30, 2018, the Company recorded approximately \$25 million to income tax expense as an adjustment to the provisional amounts recorded as of December 31, 2017, primarily related to a reduction of our foreign tax credit as a result of recently issued regulatory guidance. The Company continues to refine its assessment through further analysis of certain aspects of the Tax Legislation and the recently issued guidance. Accordingly, the ultimate impact of the Tax Legislation may differ from these estimates due to its continued analysis or further regulatory guidance that may be issued.

Aptiv PLC was a U.K. resident taxpayer, and became an Irish resident taxpayer in April 2018. As the Company is not a domestic corporation for U.S. federal income tax purposes, it is not subject to U.S. tax on remitted foreign earnings. Aptiv PLC was generally not subject to U.K. tax on the repatriation of foreign earnings and, as a result of its capital structure, believes it will also not be subject to Irish tax on the repatriation of foreign earnings.

Cash paid or withheld for income taxes was \$205 million and \$171 million for the nine months ended September 30, 2018 and 2017, respectively.

Intellectual Property Transfer

During the three months ended September 30, 2018, the Company finalized changes to its corporate entity operating structure, including transferring certain intellectual property amongst certain of its subsidiaries, primarily to align corporate entities with the Company's evolving operations and business model following the Separation of its former Powertrain Systems segment. The transfer of assets occurred between wholly-owned legal entities in different tax jurisdictions. As the impact of the transfer was the result of an intra-entity transaction, the resulting gain on the transfer was eliminated for purposes of the consolidated financial statements. However, the transferring entity recognized a gain on the transfer of assets that was subject to income tax in its local jurisdiction. In accordance with ASU 2016-16, which the Company adopted in the first quarter of 2018, as further described in Note 2. Significant Accounting Policies, the income tax expense recorded as a result of the intra-entity transfer of the intellectual property was approximately \$24 million, net during the three months ended September 30, 2018.

Table of Contents

12. SHAREHOLDERS' EQUITY AND NET INCOME PER SHARE

Net Income Per Share

Basic net income per share is computed by dividing net income attributable to Aptiv 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 Aptiv by the diluted weighted average number of ordinary shares outstanding during the period. For all periods presented, the calculation of diluted net income per share contemplates the dilutive impacts, if any, of the Company's share-based compensation plans. Refer to Note 18. Share-Based Compensation for additional information.

Weighted Average Shares

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	(in millions, except per share data)			
Numerator:				
Income from continuing operations	\$222	\$297	\$820	\$814
Income from discontinued operations	—	98	—	285
Net income attributable to Aptiv	\$222	\$395	\$820	\$1,099
Denominator:				
Weighted average ordinary shares outstanding, basic	264.56	266.24	265.02	267.60
Dilutive shares related to restricted stock units ("RSUs")	0.77	0.92	0.72	0.63
Weighted average ordinary shares outstanding, including dilutive shares	265.33	267.16	265.74	268.23
Basic net income per share:				
Continuing operations	\$0.84	\$1.11	\$3.09	\$3.04
Discontinued operations	—	0.37	—	1.07
Basic net income per share attributable to Aptiv	\$0.84	\$1.48	\$3.09	\$4.11
Diluted net income per share:				
Continuing operations	\$0.84	\$1.11	\$3.09	\$3.04
Discontinued operations	—	0.37	—	1.06
Diluted net income per share attributable to Aptiv	\$0.84	\$1.48	\$3.09	\$4.10
Anti-dilutive securities share impact	—	—	—	—

Share Repurchase Program

In April 2016, the Board of Directors authorized a share repurchase program of up to \$1.5 billion of ordinary shares, which commenced in September 2016 following the completion of the Company's \$1.5 billion January 2015 share repurchase program. This share repurchase program provides for share purchases in the open market or in privately negotiated transactions, depending on share price, market conditions and other factors, as determined by the Company.

A summary of the ordinary shares repurchased during the three and nine months ended September 30, 2018 and 2017 is as follows:

Edgar Filing: Aptiv PLC - Form 10-Q

	Three Months		Nine Months	
	Ended September		Ended September	
	30,	30,	30,	30,
	2018	2017	2018	2017
Total number of shares repurchased	793,424	1,018,930	2,513,136	667,193
Average price paid per share	\$86.08	\$ 92.99	\$88.24	\$ 82.00
Total (in millions)	\$69	\$ 95	\$222	\$ 383

22

Table of Contents

As of September 30, 2018, approximately \$767 million of share repurchases remained available under the April 2016 share repurchase program. During the period from October 1, 2018 to October 30, 2018, the Company repurchased an additional \$42 million worth of shares pursuant to a trading plan with set trading instructions established by the Company. As a result, approximately \$725 million of share repurchases remain available under the April 2016 share repurchase program. All repurchased shares were retired, and are reflected as a reduction of ordinary share capital for the par value of the shares, with the excess applied as reductions to additional paid-in-capital and retained earnings.

Dividends

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

	Dividend Amount	
	Per	(in
	Share	millions)
2018:		
Third quarter	\$ 0.22	\$ 58
Second quarter	0.22	58
First quarter	0.22	59
Total	\$ 0.66	\$ 175
2017:		
Fourth quarter	\$ 0.29	\$ 77
Third quarter	0.29	77
Second quarter	0.29	78
First quarter	0.29	78
Total	\$ 1.16	\$ 310

In addition, in October 2018, the Board of Directors declared a regular quarterly cash dividend of \$0.22 per ordinary share, payable November 21, 2018 to shareholders of record at the close of business on November 7, 2018.

Other

On December 4, 2017, Aptiv distributed the issued and outstanding ordinary shares of Delphi Technologies to the Company's shareholders. The Company distributed to its shareholders one ordinary share of Delphi Technologies for every three Aptiv ordinary shares outstanding as of November 22, 2017, the record date for the distribution. Shareholders received cash in lieu of any fractional ordinary shares of Delphi Technologies.

Table of Contents

13. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in accumulated other comprehensive income (loss) attributable to Aptiv (net of tax) for the three and nine months ended September 30, 2018 and 2017 are shown below. Prior period other comprehensive income includes activity relating to discontinued operations.

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	(in millions)			
Foreign currency translation adjustments:				
Balance at beginning of period	\$(497)	\$(614)	\$(369)	\$(799)
Aggregate adjustment for the period (1)	(32)	84	(160)	269
Balance at end of period	(529)	(530)	(529)	(530)
Gains (losses) on derivatives:				
Balance at beginning of period	(29)	32	4	(11)
Other comprehensive income before reclassifications (net tax effect of \$8, \$5, \$8 and \$15)	14	(3)	(12)	26
Reclassification to income (net tax effect of \$1, \$0, \$2 and \$10)	—	(6)	(7)	8
Balance at end of period	(15)	23	(15)	23
Pension and postretirement plans:				
Balance at beginning of period	(96)	(400)	(106)	(405)
Other comprehensive income before reclassifications (net tax effect of \$1 \$4, \$1 and \$8)	(1)	(15)	2	(25)
Reclassification to income (net tax effect of \$1, \$2, \$2 and \$5)	3	9	10	24
Balance at end of period	(94)	(406)	(94)	(406)
Accumulated other comprehensive loss, end of period	\$(638)	\$(913)	\$(638)	\$(913)

Includes \$22 million of losses and \$31 million of gains for the three and nine months ended September 30, 2018, respectively, and \$44 million and \$147 million of losses for the three and nine months ended September 30, 2017, respectively, related to non-derivative net investment hedges. Refer to Note 14. Derivatives and Hedging Activities for further description of these hedges.

Table of Contents

Reclassifications from accumulated other comprehensive income (loss) to income for the three and nine months ended September 30, 2018 and 2017 were as follows:

Reclassification Out of Accumulated Other Comprehensive Income (Loss)

Details About Accumulated Other Comprehensive Income Components	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017		Affected Line Item in the Statement of Operations
	2018	2017	2018	2017	

(in millions)

Gains (losses) on derivatives:

Commodity derivatives	\$1	\$5	\$16	\$8	Cost of sales
Foreign currency derivatives	(2)	1	(11)	(26)	Cost of sales
	(1)	6	5	(18)	Income before income taxes
	1	—	2	10	Income tax expense
	—	6	7	(8)	Net income
	—	—	—	—	Net income attributable to noncontrolling interest
	\$—	\$6	\$7	\$(8)	Net income attributable to Aptiv

Pension and postretirement plans:

Actuarial losses	\$(4)	\$(11)	\$(12)	\$(29)	Other income (expense), net (1)
	(4)	(11)	(12)	(29)	Income before income taxes
	1	2	2	5	Income tax expense
	(3)	(9)	(10)	(24)	Net income
	—	—	—	—	Net income attributable to noncontrolling interest
	\$(3)	\$(9)	\$(10)	\$(24)	Net income attributable to Aptiv

Total reclassifications for the period \$ (3) \$ (3) \$ (3) \$ (32)

(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

Cash Flow Hedges

Aptiv 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, Aptiv aggregates the exposures on a consolidated basis to take advantage of natural offsets. For exposures that are not offset within its operations, Aptiv 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. Aptiv assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its documented policy.

Table of Contents

As of September 30, 2018, the Company had the following outstanding notional amounts related to commodity and foreign currency forward and option contracts designated as cash flow hedges that were entered into to hedge forecasted exposures:

Commodity	Quantity Hedged	Unit of Measure	Notional Amount (Approximate USD Equivalent)
	(in thousands)		(in millions)
Copper	88,540	pounds	\$ 240
Foreign Currency	Quantity Hedged	Unit of Measure	Notional Amount (Approximate USD Equivalent)
		(in millions)	
Mexican Peso	9,815	MXN	\$ 520
Chinese Yuan Renminbi	2,166	RMB	315
Polish Zloty	424	PLN	115
New Turkish Lira	83	TRY	15

As of September 30, 2018, Aptiv has entered into derivative instruments to hedge cash flows extending out to September 2020.

Gains and losses on derivatives qualifying as cash flow hedges are recorded in other comprehensive income (“OCI”), to the extent that hedges are effective, until the underlying transactions are recognized in earnings. Unrealized amounts in accumulated OCI will fluctuate based on changes in the fair value of hedge derivative contracts at each reporting period. Net losses on cash flow hedges included in accumulated OCI as of September 30, 2018 were \$1 million (\$4 million gain, net of tax). Of this total, approximately \$2 million of losses are expected to be included in cost of sales within the next 12 months and \$1 million of gains are expected to be included in cost of sales in subsequent periods. Cash flow hedges are discontinued when Aptiv 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, 2018 and 2017. Cash flows from derivatives used to manage commodity and foreign exchange risks designated as cash flow hedges are classified as operating activities within the consolidated statement of cash flows.

Net Investment Hedges

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

Since the first quarter of 2016, the Company has entered into a series of forward contracts, each of which have been designated as net investment hedges of the foreign currency exposure of the Company's investments in certain Chinese Yuan Renminbi ("RMB")-denominated subsidiaries. In December 2016, the Company entered into a forward contract with a notional amount of 1.8 billion RMB (approximately \$265 million, using December 31, 2016 foreign currency rates), which matured in June 2017, and the Company paid \$12 million at settlement. In June 2017, the Company entered into a forward contract with a notional amount of 2.4 billion RMB (approximately \$345 million, using June 30, 2017 foreign currency rates), which matured in December 2017, and the Company paid \$16 million at settlement. In December 2017, the Company entered into a forward contract with a notional amount of 1.9 billion RMB (approximately \$290 million, using December 31, 2017 foreign currency rates), which matured in June 2018, and the Company paid \$10 million at settlement. In June 2018, the Company entered into a forward contract with a notional amount of 486 million RMB (approximately \$75 million, using June 30, 2018 foreign currency rates), which matures in December 2018. Refer to the tables below for details of the fair value recorded in the consolidated balance sheet and the effects recorded in the consolidated statement of comprehensive income related to these derivative instruments.

Table of Contents

The Company has designated the €700 million 2015 Euro-denominated Senior Notes and the €500 million 2016 Euro-denominated Senior Notes, as more fully described in Note 8. Debt, as net investment hedges of the foreign currency exposure of its investments in certain Euro-denominated subsidiaries. Due to changes in the value of the Euro-denominated debt instruments designated as net investment hedges, during the three and nine months ended September 30, 2018, \$22 million of losses and \$31 million of gains, respectively, were recognized within the cumulative translation adjustment component of OCI. During the three and nine months ended September 30, 2017, \$44 million and \$147 million, respectively, of losses were recognized within the cumulative translation adjustment component of OCI. Cumulative losses included in accumulated OCI on these net investment hedges were \$86 million as of September 30, 2018 and \$117 million as of December 31, 2017. There were no amounts reclassified or recognized for ineffectiveness during the three and nine months ended September 30, 2018 or 2017.

Derivatives Not Designated as Hedges

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

In conjunction with the acquisition of KUM, as more fully disclosed in Note 17. Acquisitions and Divestitures, in March 2018, the Company entered into forward contracts, requiring no initial net investment, with notional amounts totaling 559 billion South Korean Won (“KRW”) (approximately \$520 million using March 1, 2018 foreign currency rates) to hedge portions of the currency risk associated with the cash payment for the acquisition. Pursuant to the requirements of ASC 815, Derivatives and Hedging, the forwards did not qualify as hedges for accounting purposes, and therefore, changes in the fair value of the forwards were recognized in other income (expense), net. In conjunction with the closing of the acquisition, Aptiv settled the forward contracts in the second quarter of 2018 and received \$4 million, which is reflected within investing activities from continuing operations in the consolidated statement of cash flows. During the nine months ended September 30, 2018, the change in fair value resulted in a pre-tax gain of \$4 million, included within other income in the consolidated statement of operations.

Fair Value of Derivative Instruments in the Balance Sheet

The fair value of derivative financial instruments recorded in the consolidated balance sheets as of September 30, 2018 and December 31, 2017 are as follows:

	Asset Derivatives		Liability Derivatives		Net Amounts of Assets and (Liabilities) Presented in the Balance Sheet
	Balance Sheet Location	September 30, 2018	Balance Sheet Location	September 30, 2018	September 30, 2018
	(in millions)				
Derivatives designated as cash flow hedges:					
Commodity derivatives	Other current assets	\$ 1	Accrued liabilities	\$ 8	
Foreign currency derivatives*	Other current assets	16	Other current assets	4	\$ 12
Foreign currency derivatives*	Accrued liabilities	4	Accrued liabilities	5	(1)
Commodity derivatives	Other long-term assets	—	Other long-term liabilities	5	
Foreign currency derivatives*	Other long-term assets	8	Other long-term assets	1	7

Edgar Filing: Aptiv PLC - Form 10-Q

Foreign currency derivatives*	Other long-term liabilities	—	Other long-term liabilities	1	(1)
Derivatives designated as net investment hedges:						
Foreign currency derivatives	Other current assets	4	Accrued liabilities	—		
Total derivatives designated as hedges		\$ 33		\$ 24		

27

Table of Contents

	Asset Derivatives		Liability Derivatives		Net Amounts of Assets and (Liabilities) Presented in the Balance Sheet
	Balance Sheet Location	December 31, 2017	Balance Sheet Location	December 31, 2017	December 31, 2017
	(in millions)				
Derivatives designated as cash flow hedges:					
Commodity derivatives	Other current assets	\$ 27	Accrued liabilities	\$ —	
Foreign currency derivatives*	Other current assets	3	Other current assets	—	\$ 3
Foreign currency derivatives*	Accrued liabilities	7	Accrued liabilities	17	(10)
Commodity derivatives	Other long-term assets	8	Other long-term liabilities	—	
Foreign currency derivatives*	Other long-term liabilities	—	Other long-term liabilities	11	(11)
Derivatives designated as net investment hedges:					
Foreign currency derivatives	Other current assets	—	Accrued liabilities	5	
Total derivatives designated as hedges		\$ 45			\$ 33

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 Aptiv's derivative financial instruments was in a net asset position as of September 30, 2018 and December 31, 2017.

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

The pre-tax effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the three months ended September 30, 2018 is as follows:

Three Months Ended September 30, 2018	(Loss) Gain Recognized in OCI (Effective Portion)	Gain (Loss) Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
	(in millions)		
Derivatives designated as cash flow hedges:			
Commodity derivatives	\$ (14)	\$ 1	\$ —
Foreign currency derivatives	33	(2)	—
Derivatives designated as net investment hedges:			
Foreign currency derivatives	3	—	—
Total	\$ 22	\$ (1)	\$ —

Gain
Recognized in
Income

(in millions)

Derivatives not designated:

Foreign currency derivatives	\$	—
Total	\$	—

28

Table of Contents

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

Three Months Ended September 30, 2017	Gain (Loss) Recognized in OCI (Effective Portion)	Gain Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
	(in millions)		
Derivatives designated as cash flow hedges:			
Commodity derivatives	\$ 15	\$ 5	\$ —
Foreign currency derivatives	(13)	1	—
Derivatives designated as net investment hedges:			
Foreign currency derivatives	(10)	—	—
Total	\$ (8)	\$ 6	\$ —
	Gain Recognized in Income		

(in millions)	
Derivatives not designated:	
Foreign currency derivatives \$	—
Total \$	—

The pre-tax effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the nine months ended September 30, 2018 is as follows:

Nine Months Ended September 30, 2018	(Loss) Gain Recognized in OCI (Effective Portion)	Gain (Loss) Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
	(in millions)		
Derivatives designated as cash flow hedges:			
Commodity derivatives	\$(33)	\$ 16	\$ —
Foreign currency derivatives	30	(11)	—
Derivatives designated as net investment hedges:			
Foreign currency derivatives	(1)	—	—
Total	\$(4)	\$ 5	\$ —
	Gain Recognized in Income		

(in millions)	
Derivatives not designated:	

Foreign currency derivatives	\$	2
Total	\$	2

29

Table of Contents

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

Nine Months Ended September 30, 2017	Gain (Loss) Recognized in OCI (Effective Portion)	Gain (Loss) Reclassified from OCI into Income (Effective Portion)	Gain Recognized in Income (Ineffective Portion Excluded from Effectiveness Testing)
	(in millions)		
Derivatives designated as cash flow hedges:			
Commodity derivatives	\$ 26	\$ 8	\$ —
Foreign currency derivatives	41	(26)	—
Derivatives designated as net investment hedges:			
Foreign currency derivatives	(26)	—	—
Total	\$ 41	\$ (18)	\$ —

Loss
Recognized in
Income

(in millions)

Derivatives not designated:

Foreign currency derivatives	\$ (5)
Total	\$ (5)

The gain or loss reclassified from OCI into income for the effective portion of designated derivative instruments was recorded to cost of sales in the consolidated statements of operations for the three and nine months ended September 30, 2018 and 2017. The gain or loss recognized in income for non-designated derivative instruments was recorded to other income (expense), net and cost of sales in the consolidated statements of operations for the nine months ended September 30, 2018 and 2017, respectively.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements on a Recurring Basis

Derivative instruments—All derivative instruments are required to be reported on the balance sheet at fair value unless the transactions qualify and are designated as normal purchases or sales. Changes in fair value are reported currently through earnings unless they meet hedge accounting criteria. Aptiv's derivative exposures are with counterparties with long-term investment grade credit ratings. Aptiv 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. Aptiv 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 Aptiv is in a net derivative asset position, the counterparty CDS rates are applied to the net derivative asset position. When Aptiv 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, Aptiv 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, Aptiv generally surveys investment

banks and/or brokers and utilizes the surveyed prices and rates in estimating fair value.

As of September 30, 2018 and December 31, 2017, Aptiv was in a net derivative asset position of \$9 million and \$12 million, respectively, and no significant adjustments were recorded for nonperformance risk based on the application of peer companies' CDS rates, evaluation of our own nonperformance risk and because Aptiv's exposures were to counterparties with investment grade credit ratings. Refer to Note 14. Derivatives and Hedging Activities for further information regarding derivatives.

Contingent consideration—As described in Note 17. Acquisitions and Divestitures, as of September 30, 2018, additional contingent consideration may be earned as a result of Aptiv's acquisition agreements for nuTonomy, Inc. ("nuTonomy"), Movimento Group ("Movimento") and Control-Tec LLC ("Control-Tec"). The liability for contingent consideration is

Table of Contents

estimated as of the date of the acquisition and is recorded as part of the purchase price, and is subsequently re-measured to fair value at each reporting date, based on a probability-weighted discounted cash flow analysis using a rate that reflects the uncertainty surrounding the expected outcomes, which the Company believes is appropriate and representative of market participant assumptions. The measurement of the liability for contingent consideration is based on significant inputs that are not observable in the market, and is therefore classified as a Level 3 measurement in accordance with ASU Topic 820-10-35. Examples of utilized unobservable inputs are estimated future earnings of the acquired businesses and applicable discount rates. The estimate of the liability may fluctuate if there are changes in the forecast of the acquired businesses' future earnings, as a result of actual earnings levels achieved or in the discount rates used to determine the present value of contingent future cash flows. As of September 30, 2018, the range of periods in which the earn-out provisions may be achieved is from 2018 to 2020. The Company regularly reviews these assumptions and makes adjustments to the fair value measurements as required by facts and circumstances.

As of September 30, 2018 and December 31, 2017, the liability for contingent consideration was \$26 million (of which \$7 million was classified within other current liabilities and \$19 million was classified within other long-term liabilities) and \$33 million (of which \$7 million was classified within other current liabilities and \$26 million was classified within other long-term liabilities), respectively. Adjustments to this liability for interest accretion are recognized in interest expense, and any other changes in the fair value of this liability are recognized within other income (expense), net in the consolidated statement of operations.

The changes in the contingent consideration liability classified as a Level 3 measurement for the nine months ended September 30, 2018 were as follows:

	Contingent Consideration Liability
	(in millions)
Fair value at beginning of period	\$ 33
Additions	—
Payments	(7)
Interest accretion	—
Fair value at end of period	\$ 26

During the nine months ended September 30, 2018 and 2017, the Company paid \$7 million and \$22 million, respectively, of contingent consideration based on the actual level of earnings of the acquired businesses during the contractual earn-out period.

As of September 30, 2018 and December 31, 2017, Aptiv had the following assets measured at fair value on a recurring basis:

	Quoted Prices in TotalActive Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	(in millions)		
As of September 30, 2018:			
Commodity derivatives	\$1 \$	— \$ 1	\$ —
Foreign currency derivatives	23 —	23	—
Total	\$24 \$	— \$ 24	\$ —
As of December 31, 2017:			
Commodity derivatives	\$35 \$	— \$ 35	\$ —
Foreign currency derivatives	3 —	3	—

Edgar Filing: Aptiv PLC - Form 10-Q

Total \$38 \$ — \$ 38 \$ —

31

Table of Contents

As of September 30, 2018 and December 31, 2017, Aptiv had the following liabilities measured at fair value on a recurring basis:

	Quoted Prices in Total Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
(in millions)			
As of September 30, 2018:			
Commodity derivatives	\$ 13	\$ 13	\$ —
Foreign currency derivatives	2	2	—
Contingent consideration	26	—	26
Total	\$ 41	\$ 15	\$ 26
As of December 31, 2017:			
Foreign currency derivatives	\$ 26	\$ 26	\$ —
Contingent consideration	33	—	33
Total	\$ 59	\$ 26	\$ 33

Non-derivative financial instruments—Aptiv’s non-derivative financial instruments include cash and cash equivalents, accounts and notes receivable, accounts payable, as well as debt, which consists of its accounts receivable factoring arrangement, capital leases and other debt issued by Aptiv’s non-U.S. subsidiaries, the Revolving Credit Facility, the Tranche A Term Loan and all series of outstanding senior notes. The fair value of debt is based on quoted market prices for instruments with public market data or significant other observable inputs for instruments without a quoted public market price (Level 2). As of September 30, 2018 and December 31, 2017, total debt was recorded at \$4,108 million and \$4,149 million, respectively, and had estimated fair values of \$4,042 million and \$4,289 million, respectively. For all other financial instruments recorded at September 30, 2018 and December 31, 2017, 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, Aptiv also has items in its balance sheet that are measured at fair value on a nonrecurring basis. As these items are not measured at fair value on a recurring basis, they are not included in the tables above. Nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis include certain long-lived assets, equity investments, intangible assets, asset retirement obligations, share-based compensation and liabilities for exit or disposal activities measured at fair value upon initial recognition. During the three and nine months ended September 30, 2018, Aptiv recorded non-cash asset impairment charges totaling \$1 million and \$2 million, respectively, within cost of sales related to declines in the fair values of certain fixed assets. During the three and nine months ended September 30, 2017, Aptiv recorded non-cash asset impairment charges totaling \$1 million and \$2 million, respectively, within cost of sales related to declines in the fair values of certain fixed assets. 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, Aptiv has determined that the fair value measurements of long-lived assets fall in Level 3 of the fair value hierarchy.

16. OTHER INCOME, NET

Other income (expense), net included:

Three	Nine
Months	Months
Ended	Ended
September	September
30,	30,
2018	2017

	(in millions)			
Interest income	\$5	\$2	\$17	\$4
Components of net periodic benefit cost other than service cost (Note 9)	(5)	(7)	(15)	(16)
Reserve for Unsecured Creditors litigation	—	—	—	(10)
Costs associated with acquisitions	—	—	(5)	—
Other, net	4	(2)	30	—
Other income (expense), net	\$4	\$(7)	\$27	\$(22)

32

Table of Contents

During the nine months ended September 30, 2018, Aptiv incurred approximately \$9 million in transaction costs related to the acquisition of KUM and, as further discussed in Note 14. Derivatives and Hedging Activities, recorded a gain of \$4 million on forward contracts entered into in order to hedge portions of the currency risk associated with the cash payment for the acquisition of KUM, which are reflected within costs associated with acquisitions in the above table. Also, as further discussed in Note 21. Discontinued Operations, during the three and nine months ended September 30, 2018, Aptiv recorded \$2 million and \$8 million, respectively, for certain fees earned pursuant to the transition services agreement in connection with the Separation of the Company's former Powertrain Systems segment. As further discussed in Note 10. Commitments and Contingencies, during the second quarter of 2017, Aptiv and the plaintiffs reached an agreement to settle the Unsecured Creditors litigation for \$310 million, which was subsequently approved by the Bankruptcy Court. In July 2017, the Company paid the \$310 million settlement pursuant to the terms of the settlement agreement. In accordance with the terms of the settlement agreement, the Company recorded a net incremental charge of \$10 million to its previously recorded reserve of \$300 million to other expense during the nine months ended September 30, 2017.

17. ACQUISITIONS AND DIVESTITURES**Acquisition of KUM**

On June 14, 2018, Aptiv acquired 100% of the equity interests of KUM, a specialized manufacturer of connectors for the automotive industry, for total consideration of \$523 million. The results of operations of KUM are reported within the Signal and Power Solutions segment from the date of acquisition. The Company acquired KUM utilizing cash on hand.

The acquisition was accounted for as a business combination, with the total purchase price allocated on a preliminary basis using information available, in the second quarter of 2018. Minor adjustments were recorded in the third quarter of 2018 to goodwill and other assets purchased and liabilities assumed, from the amounts disclosed as of June 30, 2018. These adjustments were not significant for any period presented after the acquisition date. The preliminary purchase price and related allocation to the acquired net assets of KUM based on their estimated fair values is shown below (in millions):

Assets acquired and liabilities assumed

Purchase price, cash consideration, net of cash acquired	\$512
Debt and pension liabilities assumed	11
Total consideration, net of cash acquired	\$523

Property, plant and equipment	\$123
Intangible assets	110
Other assets, net	36
Identifiable net assets acquired	269
Goodwill resulting from purchase	254
Total purchase price allocation	\$523

Intangible assets primarily include amounts recognized for the fair value of customer-based assets, which will be amortized over their estimated useful lives of approximately 9 years. The estimated fair value of these assets was based on third-party valuations and management's estimates, generally utilizing income and market approaches. Goodwill recognized in this transaction is primarily attributable to synergies expected to arise after the acquisition and the assembled workforce of KUM.

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

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

Table of Contents

Acquisition of nuTonomy, Inc.

On November 21, 2017, Aptiv acquired 100% of the equity interests of nuTonomy, Inc. (“nuTonomy”), a leading provider of autonomous driving software and technology, for total consideration of up to \$454 million. Of the total consideration, \$284 million of the purchase price was paid at closing, subject to certain post-closing adjustments. An additional \$109 million of the purchase price will vest to certain selling shareholders in annual installments over a three-year period from the acquisition date, subject to such shareholders’ compliance with certain employment conditions. Of the \$109 million, approximately \$7 million is payable after one year and approximately \$51 million is payable after each of the second and third years following the acquisition date. These remaining installments will be recorded as a component of cost of sales ratably over the respective installment period.

Additionally, the total consideration includes a cash payment of up to \$54 million contingent upon the achievement of certain performance metrics over a future three-year period. The range of the undiscounted amounts the Company could be required to pay under this arrangement is between \$0 and \$54 million. As of the closing date of the acquisition, the contingent consideration was assigned a fair value of approximately \$24 million. Refer to Note 15.

Fair Value of Financial Instruments for additional information regarding the measurement of the contingent consideration liability. The results of operations of nuTonomy are reported within the Advanced Safety and User Experience segment from the date of acquisition. The Company acquired nuTonomy utilizing cash on hand.

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

Assets acquired and liabilities assumed

Purchase price, cash consideration, net of cash acquired	\$284
Purchase price, fair value of contingent consideration	24
Total purchase price, net of cash acquired	\$308

Intangible assets	\$102
Other liabilities, net	(40)
Identifiable net assets acquired	62
Goodwill resulting from purchase	246
Total purchase price allocation	\$308

Intangible assets include \$102 million of in-process research and development, which will not be amortized, but tested for impairment until the completion or abandonment of the associated research and development efforts. The estimated fair value of these assets was based on third-party valuations and management’s estimates, generally utilizing income and market approaches. Goodwill recognized in this transaction is primarily attributable to synergies expected to arise after the acquisition from future growth and potential commercialization opportunities.

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

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

Acquisition of Movimento Group

On January 3, 2017, Aptiv acquired 100% of the equity interests of Movimento Group (“Movimento”), a leading provider of Over-the-Air software and data management for the automotive sector, for a purchase price of \$40 million at closing and an additional cash payment of up to \$10 million contingent upon the achievement of certain performance metrics over a future 2-year period. The range of the undiscounted amounts the Company could be required to pay under this arrangement is between \$0 and \$10 million. As of the closing date of the acquisition, the contingent consideration was assigned a fair value of approximately \$8 million. Refer to Note 15. Fair Value of

Financial Instruments for additional information regarding the measurement of the contingent consideration liability. The results of operations of Movimento are reported within the Advanced Safety and User Experience segment from the date of acquisition. The Company acquired Movimento utilizing cash on hand.

Table of Contents

The acquisition was accounted for as a business combination, with the total purchase price allocated on a preliminary basis using information available, in the first quarter of 2017. The purchase price and related allocation were finalized in the first quarter of 2018, and resulted in no adjustments from the amounts previously disclosed. The purchase price and related allocation to the acquired net assets of Movimento based on their estimated fair values is shown below (in millions):

Assets acquired and liabilities assumed	
Purchase price, cash consideration, net of cash acquired	\$40
Purchase price, fair value of contingent consideration	8
Total purchase price, net of cash acquired	\$48

Intangible assets	\$22
Other liabilities, net	(2)
Identifiable net assets acquired	20
Goodwill resulting from purchase	28
Total purchase price allocation	\$48

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

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

Acquisition of Winchester Interconnect

On October 24, 2018, Aptiv acquired 100% of the equity interests of Winchester Interconnect ("Winchester"), a leading provider of custom engineered interconnect solutions for harsh environment applications, for approximately \$685 million, net of cash acquired, subject to certain post-closing adjustments. The acquisition will be accounted for as a business combination, and a preliminary valuation of the acquired assets resulted in approximately \$75 million of the purchase price allocated to tangible net assets, \$385 million allocated to goodwill and \$225 million allocated to other intangible assets, which will be included within the Company's Signal and Power Solutions segment. The purchase price allocations were based on estimated fair values as of the acquisition date as determined by third party valuation specialists, and may be subsequently adjusted to reflect final valuation studies. The Company acquired Winchester utilizing cash on hand and short-term borrowings.

Technology Investments

The Company has made technology investments in certain non-consolidated affiliates for ownership interests of less than 20%, which are accounted for in accordance with ASU 2016-01, as described in Note 2. Significant Accounting Policies. These investments do not have readily determinable fair values and are measured at cost, less impairments, adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer. During the third quarter of 2017, the Company's Advanced Safety and User Experience segment made investments in two leading developers of Light Detection and Ranging ("LIDAR") technology, a \$15 million investment in Innoviz Technologies and a \$10 million investment in LeddarTech, Inc.

During the second quarter of 2017, the Company's Signal and Power Solutions segment made a \$10 million investment in Valens Semiconductor Ltd., a leading provider of signal processing technology for high frequency data transmission of connected car content. During the first quarter of 2017, the Company's Advanced Safety and User Experience segment made a \$15 million investment in Otonomo Technologies Ltd., the developer of a connected car data marketplace.

Table of Contents

As of September 30, 2018, the Company had the following technology investments, which are classified within other long-term assets in the consolidated balance sheet:

Investment Name	Segment	Investment Date	Investment (in millions)
Innoviz Technologies	Advanced Safety and User Experience	Q3 2017	\$ 15
LeddarTech, Inc.	Advanced Safety and User Experience	Q3 2017	10
Valens Semiconductor Ltd.	Signal and Power Solutions	Q2 2017	10
Otonomo Technologies Ltd.	Advanced Safety and User Experience	Q1 2017	15
Quanergy Systems, Inc	Advanced Safety and User Experience	Q2 2015; Q1 2016	6
			\$ 56

During the three and nine months ended September 30, 2018 there were no material transactions, events or changes in circumstances requiring an impairment or an observable price change adjustment to any of these investments. The Company continues to monitor these investments to identify potential transactions which may indicate an impairment or an observable price change requiring an adjustment to its carrying value.

18. SHARE-BASED COMPENSATION

Long-Term Incentive Plan

The Aptiv PLC Long-Term Incentive Plan, as amended and restated effective April 23, 2015 (the “PLC LTIP”), allows for the grant of awards of up to 25,665,448 ordinary shares for long-term compensation. The PLC LTIP is designed to align the interests of management and shareholders. The awards can be in the form of shares, options, stock appreciation rights, restricted stock, restricted stock units (“RSUs”), performance awards, and other share-based awards to the employees, directors, consultants and advisors of the Company. The Company has awarded annual long-term grants of RSUs under the PLC LTIP in each year from 2012 to 2018 in order to align management compensation with Aptiv’s overall business strategy. The Company has competitive and market-appropriate ownership requirements. All of the RSUs granted under the PLC LTIP are eligible to receive dividend equivalents for any dividend paid from the grant date through the vesting date. Dividend equivalents are generally paid out in ordinary shares upon vesting of the underlying RSUs. Historical amounts disclosed within this note include amounts attributable to the Company’s discontinued operations, unless otherwise noted, and for activity prior to December 4, 2017 represent awards based on shares of Delphi Automotive PLC.

In connection with the Separation, in 2017 the Company made adjustments to the number of unvested RSUs with the intention of preserving the intrinsic value of the recipient’s awards prior to the Separation. Accordingly, the number of RSUs underlying each unvested award outstanding as of the date of the Separation was multiplied by a factor of 1.17, and the related grant date fair value was divided by a factor of 1.17, which resulted in no increase in the intrinsic value of awards outstanding. The RSUs continue to vest in accordance with their original vesting period. These adjustments to the Company’s share-based compensation awards did not result in additional compensation expense.

RSUs that were held by employees who transferred to Delphi Technologies in connection with the Separation were canceled and replaced by awards issued by Delphi Technologies. Employees remaining with the Company did not receive share-based compensation awards of Delphi Technologies as a result of the spin-off. Except for the conversion of awards, the material terms of the awards remained unchanged.

Board of Director Awards

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

On April 27, 2017, Aptiv granted 26,782 RSUs to the Board of Directors at a grant date fair value of approximately \$2 million. The grant date fair value was determined based on the closing price of the Company's ordinary shares on April 27, 2017. The RSUs vested on April 25, 2018, and 24,642 ordinary shares, which included shares issued in connection with dividend equivalents, were issued to members of the Board of Directors at a fair value of approximately \$2 million. 2,649 ordinary shares were withheld to cover the minimum withholding taxes.

Table of Contents

On April 26, 2018, Aptiv granted 22,676 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 26, 2018. The RSUs will vest on April 24, 2019, the day before the 2019 annual meeting of shareholders.

Executive Awards

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

Metric	2016 - 2018 Grants	2014 - 2015 Grants
Average return on net assets (1)	50%	50%
Cumulative net income	25%	N/A
Cumulative earnings per share (2)	N/A	30%
Relative total shareholder return (3)	25%	20%

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

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

Relative total shareholder return is measured by comparing the average closing price per share of the Company's ordinary shares for the specified trading days in the fourth quarter of the end of the performance period to the

(3) average closing price per share of the Company's ordinary shares for the specified trading days in the fourth quarter of the year preceding the grant, including dividends, and assessed against a comparable measure of competitor and peer group companies.

The details of the executive grants were as follows:

Grant Date	Grant Value	Grant Date	Time-Based Award Vesting Dates	Performance-Based Award Vesting Date
	(in millions)			
February 2014	0.78 \$ 53		Annually on anniversary of grant date, 2015 - 2017	December 31, 2016
February 2015	0.90 76		Annually on anniversary of grant date, 2016 - 2018	December 31, 2017
February 2016	0.71 48		Annually on anniversary of grant date, 2017 - 2019	December 31, 2018
February 2017	0.80 63		Annually on anniversary of grant date, 2018 - 2020	December 31, 2019
February 2018	0.63 61		Annually on anniversary of grant date, 2019 - 2021	December 31, 2020

Any new executives hired after the annual executive RSU grant date may be eligible to participate in the PLC LTIP.

Any off cycle grants made for new hires are valued at their grant date fair value based on the closing price of the Company's ordinary shares on the date of such grant.

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

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

In February 2018, under the time-based vesting terms of the 2015, 2016 and 2017 grants, 285,344 ordinary shares were issued to Aptiv executives at a fair value of approximately \$26 million, of which 102,045 ordinary shares were withheld to cover minimum withholding taxes. The performance-based RSUs associated with the 2015 grant vested at the completion of a three-year performance period on December 31, 2017, and in the first quarter of 2018, 640,239 ordinary shares were issued to

Table of Contents

executives at a fair value of approximately \$59 million, of which 240,483 ordinary shares were withheld to cover minimum withholding taxes.

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

	RSUs	Weighted Average Grant Date Fair Value
	(in thousands)	
Nonvested, January 1, 2018	1,807	\$ 68.66
Granted	750	96.46
Vested	(416)	66.37
Forfeited	(131)	73.26
Nonvested, September 30, 2018	2,010	79.13

Aptiv recognized compensation expense from continuing operations of \$6 million (\$6 million, net of tax) and \$15 million (\$13 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, 2018 and 2017, respectively. Aptiv recognized compensation expense from continuing operations of \$33 million (\$30 million, net of tax) and \$43 million (\$37 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, 2018 and 2017, respectively. Aptiv 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, 2018, unrecognized compensation expense on a pre-tax basis of approximately \$63 million is anticipated to be recognized over a weighted average period of approximately 2 years. For the nine months ended September 30, 2018 and 2017, respectively, approximately \$35 million and \$33 million of cash was paid and reflected as a financing activity in the statements of cash flows related to the minimum statutory tax withholding for vested RSUs.

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

Basis of Presentation

Notes Issued by the Subsidiary Issuer

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

Notes Issued by the Parent

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

In lieu of providing separate audited financial statements for the Guarantors, the Company has included the accompanying condensed consolidating financial statements. These condensed consolidating financial statements are presented using the equity method. Under this method, the investments in subsidiaries are recorded at cost and

adjusted for the Parent's share of the subsidiary's cumulative results of operations, capital contributions and distributions and other equity changes. The Non-Guarantor Subsidiaries are combined in the condensed consolidating financial statements. The principal elimination entries are to eliminate the investments in subsidiaries and intercompany balances and transactions.

The historical presentation of the supplemental guarantor and non-guarantor condensed consolidating financial statements have been revised to be consistent with the presentation of the entities that comprise the structure of the Subsidiary Guarantors as of September 30, 2018.

Table of Contents

Statement of Operations Three Months Ended September 30, 2018

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	\$—	\$ —	\$ —	\$ 3,485	\$ —	\$ 3,485
Operating expenses:						
Cost of sales	—	—	—	2,834	—	2,834
Selling, general and administrative	38	—	—	194	—	232
Amortization	—	—	—	31	—	31
Restructuring	—	—	—	65	—	65
Total operating expenses	38	—	—	3,124	—	3,162
Operating (loss) income	(38)	—	—	361	—	323
Interest (expense) income	(22)	(30)	(52)	(6)	76	(34)
Other income (expense), net	—	—	5	75	(76)	4
(Loss) income from continuing operations before income taxes and equity income	(60)	(30)	(47)	430	—	293
Income tax benefit (expense)	—	—	11	(77)	—	(66)
(Loss) income from continuing operations before equity income	(60)	(30)	(36)	353	—	227
Equity in net income of affiliates	—	—	—	4	—	4
Equity in net income (loss) of subsidiaries	282	282	78	—	(642)	—
Income (loss) from continuing operations	222	252	42	357	(642)	231
Income from discontinued operations, net of tax	—	—	—	—	—	—
Net income (loss)	222	252	42	357	(642)	231
Net income attributable to noncontrolling interest	—	—	—	9	—	9
Net income (loss) attributable to Aptiv	\$222	\$ 252	\$ 42	\$ 348	\$ (642)	\$ 222

Statement of Operations Nine Months Ended September 30, 2018

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	\$—	\$ —	\$ —	\$ 10,799	\$ —	\$ 10,799
Operating expenses:						
Cost of sales	—	—	—	8,739	—	8,739
Selling, general and administrative	53	—	—	698	—	751
Amortization	—	—	—	91	—	91
Restructuring	—	—	—	100	—	100
Total operating expenses	53	—	—	9,628	—	9,681
Operating (loss) income	(53)	—	—	1,171	—	1,118
Interest (expense) income	(116)	(61)	(142)	(9)	224	(104)
Other income (expense), net	—	1	6	244	(224)	27
(Loss) income from continuing operations before income taxes and equity income	(169)	(60)	(136)	1,406	—	1,041
Income tax benefit (expense)	—	—	31	(239)	—	(208)
(Loss) income from continuing operations before equity income	(169)	(60)	(105)	1,167	—	833
Equity in net income of affiliates	—	—	—	17	—	17

Edgar Filing: Aptiv PLC - Form 10-Q

Equity in net income (loss) of subsidiaries	989	906	(10	)	—	(1,885)	—
Income (loss) from continuing operations	820	846	(115	)	1,184	(1,885	)	850
Income from discontinued operations, net of tax	—	—	—		—	—		—
Net income (loss)	820	846	(115	)	1,184	(1,885	)	850
Net income attributable to noncontrolling interest	—	—	—		30	—		30
Net income (loss) attributable to Aptiv	\$820	\$ 846	\$ (115	)	\$ 1,154	\$ (1,885	)	\$ 820

39

Table of Contents

Statement of Operations Three Months Ended September 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	\$—	\$ —	\$ —	\$ 3,148	\$ —	\$ 3,148
Operating expenses:						
Cost of sales	—	—	—	2,498	—	2,498
Selling, general and administrative	37	—	—	193	—	230
Amortization	—	—	—	29	—	29
Restructuring	—	—	—	18	—	18
Total operating expenses	37	—	—	2,738	—	2,775
Operating (loss) income	(37)	—	—	410	—	373
Interest (expense) income	(66)	(10)	(44)	(2)	87	(35)
Other income (expense), net	—	39	1	40	(87)	(7)
(Loss) income from continuing operations before income taxes and equity income	(103)	29	(43)	448	—	331
Income tax (expense) benefit	(1)	—	16	(46)	—	(31)
(Loss) income from continuing operations before equity income	(104)	29	(27)	402	—	300
Equity in net income of affiliates	—	—	—	6	—	6
Equity in net income (loss) of subsidiaries	499	470	40	—	(1,009)	—
Income (loss) from continuing operations	395	499	13	408	(1,009)	306
Income from discontinued operations, net of tax	—	—	—	107	—	107
Net income (loss)	395	499	13	515	(1,009)	413
Net income attributable to noncontrolling interest	—	—	—	18	—	18
Net income (loss) attributable to Aptiv	\$395	\$ 499	\$ 13	\$ 497	\$(1,009)	\$ 395

Statement of Operations Nine Months Ended September 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	\$—	\$ —	\$ —	\$ 9,444	\$ —	\$ 9,444
Operating expenses:						
Cost of sales	—	—	—	7,540	—	7,540
Selling, general and administrative	72	—	—	614	—	686
Amortization	—	—	—	87	—	87
Restructuring	—	—	—	101	—	101
Total operating expenses	72	—	—	8,342	—	8,414
Operating (loss) income	(72)	—	—	1,102	—	1,030
Interest (expense) income	(188)	(14)	(130)	(7)	236	(103)
Other income (expense), net	—	105	2	107	(236)	(22)
(Loss) income from continuing operations before income taxes and equity income	(260)	91	(128)	1,202	—	905
Income tax benefit (expense)	—	—	47	(135)	—	(88)
(Loss) income from continuing operations before equity income	(260)	91	(81)	1,067	—	817
Equity in net income of affiliates	—	—	—	24	—	24

Edgar Filing: Aptiv PLC - Form 10-Q

Equity in net income (loss) of subsidiaries	1,359	1,268	59	—	(2,686) —
Income (loss) from continuing operations	1,099	1,359	(22	) 1,091	(2,686	) 841
Income from discontinued operations, net of tax	—	—	—	310	—	310
Net income (loss)	1,099	1,359	(22	) 1,401	(2,686	) 1,151
Net income attributable to noncontrolling interest	—	—	—	52	—	52
Net income (loss) attributable to Aptiv	\$ 1,099	\$ 1,359	\$ (22	) \$ 1,349	\$ (2,686	) \$ 1,099

40

Table of Contents

Statement of Comprehensive Income Three Months Ended September 30, 2018

	Parent	Subsidiary Guarantor	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	\$222	\$ 252	\$ 42	\$ 357	\$ (642)	\$ 231
Other comprehensive (loss) income:						
Currency translation adjustments	(22)	—	—	(14)	—	(36)
Net change in unrecognized gain on derivative instruments, net of tax	—	—	—	14	—	14
Employee benefit plans adjustment, net of tax	—	—	—	2	—	2
Other comprehensive (loss) income	(22)	—	—	2	—	(20)
Equity in other comprehensive income (loss) of subsidiaries	6	110	32	—	(148)	—
Comprehensive income (loss)	206	362	74	359	(790)	211
Comprehensive income attributable to noncontrolling interests	—	—	—	5	—	5
Comprehensive income (loss) attributable to Aptiv	\$206	\$ 362	\$ 74	\$ 354	\$ (790)	\$ 206

Statement of Comprehensive Income Nine Months Ended September 30, 2018

	Parent	Subsidiary Guarantor	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	\$820	\$ 846	\$ (115)	\$ 1,184	\$ (1,885)	\$ 850
Other comprehensive income (loss):						
Currency translation adjustments	31	—	—	(199)	—	(168)
Net change in unrecognized loss on derivative instruments, net of tax	—	—	—	(19)	—	(19)
Employee benefit plans adjustment, net of tax	—	—	—	12	—	12
Other comprehensive income (loss)	31	—	—	(206)	—	(175)
Equity in other comprehensive (loss) income of subsidiaries	(198)	(37)	33	—	202	—
Comprehensive income (loss)	653	809	(82)	978	(1,683)	675
Comprehensive income attributable to noncontrolling interests	—	—	—	22	—	22
Comprehensive income (loss) attributable to Aptiv	\$653	\$ 809	\$ (82)	\$ 956	\$ (1,683)	\$ 653

Table of Contents

Statement of Comprehensive Income Three Months Ended September 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	\$395	\$ 499	\$ 13	\$ 515	\$(1,009)	\$ 413
Other comprehensive (loss) income:						
Currency translation adjustments	(44)	—	—	131	—	87
Net change in unrecognized loss on derivative instruments, net of tax	—	—	—	(9)	—	(9)
Employee benefit plans adjustment, net of tax	—	—	—	(6)	—	(6)
Other comprehensive (loss) income	(44)	—	—	116	—	72
Equity in other comprehensive income (loss) of subsidiaries	113	(35)	(7)	—	(71)	—
Comprehensive income (loss)	464	464	6	631	(1,080)	485
Comprehensive income attributable to noncontrolling interests	—	—	—	21	—	21
Comprehensive income (loss) attributable to Aptiv	\$464	\$ 464	\$ 6	\$ 610	\$(1,080)	\$ 464

Statement of Comprehensive Income Nine Months Ended September 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net income (loss)	\$1,099	\$ 1,359	\$ (22)	\$ 1,401	\$(2,686)	\$ 1,151
Other comprehensive (loss) income:						
Currency translation adjustments	(147)	—	—	423	—	276
Net change in unrecognized gain on derivative instruments, net of tax	—	—	—	34	—	34
Employee benefit plans adjustment, net of tax	—	—	—	(1)	—	(1)
Other comprehensive (loss) income	(147)	—	—	456	—	309
Equity in other comprehensive income (loss) of subsidiaries	449	42	54	—	(545)	—
Comprehensive income (loss)	1,401	1,401	32	1,857	(3,231)	1,460
Comprehensive income attributable to noncontrolling interests	—	—	—	59	—	59
Comprehensive income (loss) attributable to Aptiv	\$1,401	\$ 1,401	\$ 32	\$ 1,798	\$(3,231)	\$ 1,401

Table of Contents

Balance Sheet as of September 30, 2018

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
(in millions)						
ASSETS						
Current assets:						
Cash and cash equivalents	\$1	\$ —	\$ —	\$ 770	\$ —	\$ 771
Restricted cash	—	—	—	1	—	1
Accounts receivable, net	—	—	—	2,635	—	2,635
Intercompany receivables, current	1	16	2,038	4,758	(6,813)	—
Inventories	—	—	—	1,358	—	1,358
Other current assets	—	—	—	439	—	439
Total current assets	2	16	2,038	9,961	(6,813)	5,204
Long-term assets:						
Intercompany receivables, long-term	—	—	768	1,465	(2,233)	—
Property, net	—	—	—	3,056	—	3,056
Investments in affiliates	—	—	—	101	—	101
Investments in subsidiaries	6,957	10,994	2,191	—	(20,142)	—
Intangible assets, net	—	—	—	3,378	—	3,378
Other long-term assets	—	—	6	582	—	588
Total long-term assets	6,957	10,994	2,965	8,582	(22,375)	7,123
Total assets	\$6,959	\$ 11,010	\$ 5,003	\$ 18,543	\$ (29,188)	\$ 12,327
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Short-term debt	\$ —	\$ —	\$ 20	\$ 4	\$ —	\$ 24
Accounts payable	—	—	—	2,254	—	2,254
Intercompany payables, current	327	4,392	1,673	421	(6,813)	—
Accrued liabilities	35	—	3	1,071	—	1,109
Total current liabilities	362	4,392	1,696	3,750	(6,813)	3,387
Long-term liabilities:						
Long-term debt	2,989	—	1,064	31	—	4,084
Intercompany payables, long-term	—	—	1,352	881	(2,233)	—
Pension benefit obligations	—	—	—	439	—	439
Other long-term liabilities	—	—	—	608	—	608
Total long-term liabilities	2,989	—	2,416	1,959	(2,233)	5,131
Total liabilities	3,351	4,392	4,112	5,709	(9,046)	8,518
Total Aptiv shareholders' equity	3,608	6,618	891	12,633	(20,142)	3,608
Noncontrolling interest	—	—	—	201	—	201
Total shareholders' equity	3,608	6,618	891	12,834	(20,142)	3,809
Total liabilities and shareholders' equity	\$6,959	\$ 11,010	\$ 5,003	\$ 18,543	\$ (29,188)	\$ 12,327

Table of Contents

Balance Sheet as of December 31, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
(in millions)						
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1	\$ —	\$ —	\$ 1,595	\$ —	\$ 1,596
Restricted cash	—	—	—	1	—	1
Accounts receivable, net	—	—	—	2,440	—	2,440
Intercompany receivables, current	50	16	82	9,867	(10,015)	—
Inventories	—	—	—	1,083	—	1,083
Other current assets	—	—	—	521	—	521
Total current assets	51	16	82	15,507	(10,015)	5,641
Long-term assets:						
Intercompany receivables, long-term	—	—	768	1,366	(2,134)	—
Property, net	—	—	—	2,804	—	2,804
Investments in affiliates	—	—	—	91	—	91
Investments in subsidiaries	11,987	13,707	3,416	—	(29,110)	—
Intangible assets, net	—	—	—	3,163	—	3,163
Other long-term assets	60	—	8	402	—	470
Total long-term assets	12,047	13,707	4,192	7,826	(31,244)	6,528
Total assets	\$ 12,098	\$ 13,723	\$ 4,274	\$ 23,333	\$ (41,259)	\$ 12,169
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Short-term debt	\$ —	\$ —	\$ 13	\$ 4	\$ —	\$ 17
Accounts payable	2	—	—	2,225	—	2,227
Intercompany payables, current	5,689	1,736	1,032	1,558	(10,015)	—
Accrued liabilities	91	—	10	1,195	—	1,296
Total current liabilities	5,782	1,736	1,055	4,982	(10,015)	3,540
Long-term liabilities:						
Long-term debt	3,017	—	1,078	37	—	4,132
Intercompany payables, long-term	—	—	1,297	837	(2,134)	—
Pension benefit obligations	—	—	—	454	—	454
Other long-term liabilities	—	—	—	526	—	526
Total long-term liabilities	3,017	—	2,375	1,854	(2,134)	5,112
Total liabilities	8,799	1,736	3,430	6,836	(12,149)	8,652
Total Aptiv shareholders' equity	3,299	11,987	844	16,279	(29,110)	3,299
Noncontrolling interest	—	—	—	218	—	218
Total shareholders' equity	3,299	11,987	844	16,497	(29,110)	3,517
Total liabilities and shareholders' equity	\$ 12,098	\$ 13,723	\$ 4,274	\$ 23,333	\$ (41,259)	\$ 12,169

Table of Contents

Statement of Cash Flows for the Nine Months Ended September 30, 2018

	Parent	Subsidiary Guarantor	Subsidiary Issuer/Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net cash (used in) provided by operating activities from continuing operations	\$ (111)	\$ —	\$ —	\$ 1,001	\$ —	\$ 890
Net cash used in operating activities from discontinued operations	—	—	—	(19)	—	(19)
Net cash (used in) provided by operating activities	(111)	—	—	982	—	871
Cash flows from investing activities:						
Capital expenditures	—	—	—	(661)	—	(661)
Proceeds from sale of property / investments	—	—	—	10	—	10
Cost of business acquisitions, net of cash acquired	—	—	—	(512)	—	(512)
Return of investment from subsidiaries	5,879	4,971	—	—	(10,850)	—
Settlement of derivatives	—	—	—	(6)	—	(6)
Loans to affiliates	—	—	—	(3,127)	3,127	—
Repayments of loans from affiliates	—	—	—	7,598	(7,598)	—
Net cash provided by (used in) investing activities from continuing operations	5,879	4,971	—	3,302	(15,321)	(1,169)
Net cash provided by investing activities from discontinued operations	—	—	—	—	—	—
Net cash provided by (used in) investing activities	5,879	4,971	—	3,302	(15,321)	(1,169)
Cash flows from financing activities:						
Net repayments under other short-term debt agreements	—	—	—	(19)	—	(19)
Contingent consideration and deferred acquisition purchase price payments	—	—	—	(13)	—	(13)
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	(26)	—	(26)
Proceeds from borrowings from affiliates	500	2,627	—	—	(3,127)	—
Payments on borrowings from affiliates	(5,879)	(1,719)	—	—	7,598	—
Dividends paid to affiliates	—	(5,879)	—	(4,971)	10,850	—
Repurchase of ordinary shares	(214)	—	—	—	—	(214)
Distribution of cash dividends	(175)	—	—	—	—	(175)
Taxes withheld and paid on employees' restricted share awards	—	—	—	(35)	—	(35)
Net cash (used in) provided by financing activities	(5,768)	(4,971)	—	(5,064)	15,321	(482)
Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash	—	—	—	(45)	—	(45)
Decrease in cash, cash equivalents and restricted cash	—	—	—	(825)	—	(825)
Cash, cash equivalents and restricted cash at beginning of period	1	—	—	1,596	—	1,597
Cash, cash equivalents and restricted cash at end of period	\$ 1	\$ —	\$ —	\$ 771	\$ —	\$ 772
Cash, cash equivalents and restricted cash of discontinued operations	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	\$ 1	\$ —	\$ —	\$ 771	\$ —	\$ 772

Cash, cash equivalents and restricted cash of
continuing operations

45

Table of Contents

Statement of Cash Flows for the Nine Months Ended September 30, 2017

	Parent	Subsidiary Guarantors	Subsidiary Issuer/Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net cash (used in) provided by operating activities from continuing operations	\$(73)	\$ (255)	\$ —	—\$ 1,013	\$ —	\$ 685
Net cash provided by operating activities from discontinued operations	—	—	—	355	—	355
Net cash (used in) provided by operating activities	(73)	(255)	—	1,368	—	1,040
Cash flows from investing activities:						
Capital expenditures	—	—	—	(480)	—	(480)
Proceeds from sale of property / investments	—	—	—	6	—	6
Cost of business acquisitions, net of cash acquired	—	—	—	(40)	—	(40)
Cost of technology investments	—	—	—	(50)	—	(50)
Settlement of derivatives	—	—	—	(12)	—	(12)
Loans to affiliates	—	(55)	—	(960)	1,015	—
Repayments of loans from affiliates	—	—	—	17	(17)	—
Net cash (used in) provided by investing activities from continuing operations	—	(55)	—	(1,519)	998	(576)
Net cash used in investing activities from discontinued operations	—	—	—	(106)	—	(106)
Net cash (used in) provided by investing activities	—	(55)	—	(1,625)	998	(682)
Cash flows from financing activities:						
Net repayments under other short-term debt agreements	—	—	—	(8)	—	(8)
Proceeds from issuance of senior notes, net of issuance costs	—	—	—	796	—	796
Contingent consideration and deferred acquisition purchase price payments	—	—	—	(24)	—	(24)
Dividend payments of consolidated affiliates to minority shareholders	—	—	—	(10)	—	(10)
Proceeds from borrowings from affiliates	705	310	—	—	(1,015)	—
Payments on borrowings from affiliates	(17)	—	—	—	17	—
Repurchase of ordinary shares	(383)	—	—	—	—	(383)
Distribution of cash dividends	(233)	—	—	—	—	(233)
Taxes withheld and paid on employees' restricted share awards	—	—	—	(33)	—	(33)
Net cash provided by (used in) financing activities	72	310	—	721	(998)	105
Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash	—	—	—	52	—	52
(Decrease) increase in cash, cash equivalents and restricted cash	(1)	—	—	516	—	515
Cash, cash equivalents and restricted cash at beginning of period	2	—	—	837	—	839
Cash, cash equivalents and restricted cash at end of period	\$1	\$ —	\$ —	—\$ 1,353	\$ —	\$ 1,354
	\$—	\$ —	\$ —	—\$ 891	\$ —	\$ 891

Cash, cash equivalents and restricted cash of discontinued operations

Cash, cash equivalents and restricted cash of continuing operations	\$1	\$ —	\$	—\$ 462	\$	—	\$ 463
---	-----	------	----	---------	----	---	--------

46

Table of Contents

20. SEGMENT REPORTING

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

• Signal and Power Solutions, which includes complete electrical architecture and component products.

• Advanced Safety and User Experience, which includes component and systems integration expertise in infotainment and connectivity, body controls and security systems, displays and active and passive safety electronics, autonomous driving software and technologies, as well as advanced development of software.

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

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

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

As described in Note 21. Discontinued Operations, the Company's previously reported Powertrain Systems segment has been classified as discontinued operations for all periods presented. Certain original equipment service businesses that were previously included within the Powertrain Systems segment but which were not included in the spin-off, are reported in continuing operations and have been reclassified within the Advanced Safety and User Experience and Signal and Power Solutions segments for all periods presented. No amounts for shared general and administrative operating expense or interest expense were allocated to discontinued operations.

Included below are sales and operating data for Aptiv's segments for the three and nine months ended September 30, 2018 and 2017.

	Signal and Power Solution	Advanced Safety and User Experience	Eliminations and Other (1)	Total
	(in millions)			
For the Three Months Ended September 30, 2018:				
Net sales	\$2,535	\$ 956	\$ (6)	\$3,485
Depreciation & amortization	\$124	\$ 39	\$ —	\$163
Adjusted operating income	\$346	\$ 74	\$ —	\$420
Operating income	\$277	\$ 46	\$ —	\$323

Edgar Filing: Aptiv PLC - Form 10-Q

Equity income, net of tax	\$4	\$ —	\$ —	\$4
Net income attributable to noncontrolling interest	\$9	\$ —	\$ —	\$9

47

Table of Contents

	Signal Power Solution	Advanced Safety and User Experience	Eliminations and Other (1)	Total
(in millions)				
For the Three Months Ended September 30, 2017:				
Net sales	\$2,318	\$ 846	\$ (16)	\$3,148
Depreciation & amortization	\$109	\$ 27	\$ —	\$136
Adjusted operating income	\$319	\$ 75	\$ —	\$394
Operating income	\$300	\$ 73	\$ —	\$373
Equity income, net of tax	\$6	\$ —	\$ —	\$6
Net income attributable to noncontrolling interest	\$9	\$ —	\$ —	\$9

	Signal Power Solution	Advanced Safety and User Experience	Eliminations and Other (1)	Total
(in millions)				
For the Nine Months Ended September 30, 2018:				
Net sales	\$7,802	\$ 3,032	\$ (35)	\$10,799
Depreciation & amortization	\$361	\$ 113	\$ —	\$474
Adjusted operating income	\$1,083	\$ 238	\$ —	\$1,321
Operating income	\$956	\$ 162	\$ —	\$1,118
Equity income, net of tax	\$17	\$ —	\$ —	\$17
Net income attributable to noncontrolling interest	\$30	\$ —	\$ —	\$30

	Signal Power Solution	Advanced Safety and User Experience	Eliminations and Other (1)	Total
(in millions)				
For the Nine Months Ended September 30, 2017:				
Net sales	\$7,006	\$ 2,490	\$ (52)	\$9,444
Depreciation & amortization	\$316	\$ 76	\$ —	\$392
Adjusted operating income	\$940	\$ 204	\$ —	\$1,144
Operating income	\$887	\$ 143	\$ —	\$1,030
Equity income, net of tax	\$24	\$ —	\$ —	\$24
Net income attributable to noncontrolling interest	\$27	\$ —	\$ —	\$27

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

Table of Contents

The reconciliation of Adjusted Operating Income to operating income includes, as applicable, restructuring, other acquisition and portfolio project costs (which includes costs incurred to integrate acquired businesses and to plan and execute product portfolio transformation actions, including business and product acquisitions and divestitures), asset impairments, gains (losses) on business divestitures and deferred compensation related to acquisitions. The reconciliations of Adjusted Operating Income to net income attributable to Aptiv for the three and nine months ended September 30, 2018 and 2017 are as follows:

	Signal and Power Solutions	Advanced Safety and User Experience	Eliminations and Other	Total
	(in millions)			
For the Three Months Ended September 30, 2018:				
Adjusted operating income	\$346	\$ 74	\$	—\$420
Restructuring	(58)	(7)	—	(65)
Other acquisition and portfolio project costs	(11)	(5)	—	(16)
Asset impairments	—	(1)	—	(1)
Deferred compensation related to nuTonomy acquisition	—	(15)	—	(15)
Operating income	\$277	\$ 46	\$	—323
Interest expense				(34)
Other income, net				4
Income from continuing operations before income taxes and equity income				293
Income tax expense				(66)
Equity income, net of tax				4
Income from continuing operations				231
Income from discontinued operations, net of tax				—
Net income				231
Net income attributable to noncontrolling interest				9
Net income attributable to Aptiv				\$222
	(in millions)			
For the Three Months Ended September 30, 2017:				
Adjusted operating income	\$319	\$ 75	\$	—\$394
Restructuring	(17)	(1)	—	(18)
Other acquisition and portfolio project costs	(1)	(1)	—	(2)
Asset impairments	(1)	—	—	(1)
Operating income	\$300	\$ 73	\$	—373
Interest expense				(35)
Other expense, net				(7)
Income from continuing operations before income taxes and equity income				331
Income tax expense				(31)
Equity income, net of tax				6
Income from continuing operations				306
Income from discontinued operations, net of tax				107

Net income	413
Net income attributable to noncontrolling interest	18
Net income attributable to Aptiv	\$395

49

Table of Contents

	Signal and Power Solutions	Advanced Safety and User Experience	Eliminations and Other	Total
(in millions)				
For the Nine Months Ended September 30, 2018:				
Adjusted operating income	\$1,083	\$ 238	\$	—\$1,321
Restructuring	(87)	(13)	—	(100)
Other acquisition and portfolio project costs	(39)	(18)	—	(57)
Asset impairments	(1)	(1)	—	(2)
Deferred compensation related to nuTonomy acquisition	—	(44)	—	(44)
Operating income	\$956	\$ 162	\$	—1,118
Interest expense				(104)
Other income, net				27
Income from continuing operations before income taxes and equity income				1,041
Income tax expense				(208)
Equity income, net of tax				17
Income from continuing operations				850
Income from discontinued operations, net of tax				—
Net income				850
Net income attributable to noncontrolling interest				30
Net income attributable to Aptiv				\$820
(in millions)				
For the Nine Months Ended September 30, 2017:				
Adjusted operating income	\$940	\$ 204	\$	—\$1,144
Restructuring	(44)	(57)	—	(101)
Other acquisition and portfolio project costs	(8)	(3)	—	(11)
Asset impairments	(1)	(1)	—	(2)
Operating income	\$887	\$ 143	\$	—1,030
Interest expense				(103)
Other expense, net				(22)
Income from continuing operations before income taxes and equity income				905
Income tax expense				(88)
Equity income, net of tax				24
Income from continuing operations				841
Income from discontinued operations, net of tax				310
Net income				1,151
Net income attributable to noncontrolling interest				52
Net income attributable to Aptiv				\$1,099

Table of Contents

21. DISCONTINUED OPERATIONS

Spin-Off of Delphi Technologies

On December 4, 2017, the Company completed the Separation of its former Powertrain Systems segment by distributing to Aptiv shareholders on a pro rata basis all of the issued and outstanding ordinary shares of Delphi Technologies PLC (“Delphi Technologies”), a public limited company formed to hold the spun-off business. To effect the Separation, the Company distributed to its shareholders one ordinary share of Delphi Technologies for every three Aptiv ordinary shares outstanding as of November 22, 2017, the record date for the distribution. Shareholders received cash in lieu of any fractional ordinary shares of Delphi Technologies. Following the Separation, Delphi Technologies is now an independent public company. Aptiv did not retain any equity or other interests in Delphi Technologies. On December 4, 2017, pursuant to the Separation and Distribution Agreement, the Company transferred to Delphi Technologies the assets and liabilities that comprised Delphi Technologies’ business. The Company received a dividend of approximately \$1,148 million from Delphi Technologies in connection with the Separation. Delphi Technologies financed this dividend through the issuance of approximately \$1.55 billion of debt, consisting of a senior secured five-year \$750 million term loan facility that was issued upon the spin-off and \$800 million aggregate principal amount of 5.00% senior unsecured notes due 2025 that were issued in September 2017 (collectively, the “Delphi Technologies Debt”). In connection with the Separation, the Delphi Technologies Debt was transferred to Delphi Technologies and is no longer reflected in the Company’s continuing operations in the consolidated financial statements. Also in connection with the Separation, the Company received \$180 million in cash from Delphi Technologies pursuant to the Tax Matters Agreement.

The requirements for the presentation of Delphi Technologies as a discontinued operation were met when the Separation was completed. Accordingly, the accompanying consolidated financial statements reflect this business as a discontinued operation for all periods presented through the Distribution Date. Operations related to certain original equipment service businesses previously included within the Company’s Powertrain Systems segment, but which were not included in the spin-off, are reported in continuing operations and have been reclassified within the Advanced Safety and User Experience and Signal and Power Solutions segments for all periods presented. No amounts for shared general and administrative expense or interest expense were allocated to discontinued operations. Aptiv has not had significant continuing involvement with the spun-off Powertrain Systems business following the closing of the transaction.

In connection with the Separation, Aptiv and Delphi Technologies entered into various agreements to effect the Separation and to provide a framework for their relationship following the Separation, which included a Separation and Distribution Agreement, a Transition Services Agreement, a Tax Matters Agreement, an Employee Matters Agreement and Contract Manufacturing Services Arrangements. The transition services primarily involve Aptiv providing certain services to Delphi Technologies related to information technology and human resource infrastructure for terms of up to 24 months following the Separation. Aptiv recorded \$2 million and \$8 million, respectively, to other income during the three and nine months ended September 30, 2018 for certain fees earned pursuant to the Transition Services Agreement. As part of the near-term transition related to these agreements, Aptiv has recorded certain short-term assets and liabilities within the consolidated balance sheets as of September 30, 2018 and December 31, 2017. The Company has recorded \$23 million and \$123 million, respectively, in other current assets related to accounts receivable from customers that it will collect on behalf of Delphi Technologies, which will be remitted to Delphi Technologies, and \$13 million and \$132 million, respectively, in accrued liabilities related to accounts payable to outside suppliers that it will remit on behalf of Delphi Technologies, which will be reimbursed by Delphi Technologies. The changes in these short-term assets and liabilities are reflected within operating activities from discontinued operations in the consolidated statement of cash flows.

As a result of the Separation, the Company separated its defined benefit pension and other post-employment benefit plans, and adjusted its employee share-based compensation awards. See Note 9. Pension Benefits and Note 18. Share-Based Compensation, respectively, for additional information.

As a result of the completion of the Separation on December 4, 2017, there were no assets or liabilities of the discontinued operation as of September 30, 2018 or December 31, 2017.

Table of Contents

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

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
	(in millions)	
Net sales	\$1,185	\$ 3,499
Cost of sales	952	2,774
Selling, general and administrative	87	220
Amortization	5	13
Restructuring	3	79
Other expense items that are not major, net	3	9
Income from discontinued operations before income taxes and equity income	135	404
Income tax expense on discontinued operations	(29)	(95)
Equity income from discontinued operations, net of tax	1	1
Income from discontinued operations, net of tax	107	310
Income from discontinued operations attributable to noncontrolling interests	9	25
Net income from discontinued operations attributable to Aptiv	\$98	\$ 285

Income from discontinued operations before income taxes attributable to Aptiv was \$125 million and \$375 million for the three and nine months ended September 30, 2017, respectively, which includes \$2 million and \$5 million, respectively, of income tax expense attributable to noncontrolling interests.

22. REVENUE

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Aptiv adopted this guidance in the first quarter of 2018 using the modified retrospective method. In accordance with the standard, revenue is measured based on consideration specified in a contract with a customer. Customer contracts generally are represented by a combination of a current purchase order and a current production schedule issued by the customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. From time to time, Aptiv enters into pricing agreements with its customers that provide for price reductions, some of which are conditional upon achieving certain joint cost savings targets. In these instances, revenue is recognized based on the agreed-upon price at the time of shipment.

Sales incentives and allowances are recognized as a reduction to revenue at the time of the related sale. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction that are collected by Aptiv from a customer are excluded from revenue. Shipping and handling fees billed to customers are included in net sales, while costs of shipping and handling are included in cost of sales.

Nature of Goods and Services

The principal activity from which the Company generates its revenue is the manufacturing of production parts for OEM customers. Aptiv recognizes revenue at a point in time, rather than over time, as the performance obligation is satisfied when customers obtain control of the product upon title transfer and not as the product is manufactured or developed.

Aptiv recognizes revenue for production parts at a point in time as title transfers to the customer. Although production parts are highly customized with no alternative use, Aptiv does not have an enforceable right to payment as customers have the right to cancel a product program without a notification period. The amount of revenue recognized is based on the purchase order price and adjusted for revenue allocated to variable consideration (i.e. estimated rebates and price discounts), as applicable. Customers typically pay for production parts based on customary business practices with payment terms averaging 60 days.

Table of Contents

Disaggregation of Revenue

Revenue generated from Aptiv's operating segments is disaggregated by primary geographic market in the following tables for the three and nine months ended September 30, 2018 and 2017. Information concerning geographic market reflects the manufacturing location.

For the Three Months Ended September 30, 2018:	Signal and Power Solution	Advanced Safety and User Experience	Eliminations and Other	Total
(in millions)				
Geographic Market				
North America	\$ 1,070	\$ 326	\$ —	\$ 1,396
Europe, Middle East & Africa	681	377	(1)	1,057
Asia Pacific	720	252	(4)	968
South America	64	1	(1)	64
Total net sales	\$ 2,535	\$ 956	\$ (6)	\$ 3,485

For the Three Months Ended September 30, 2017:	Signal and Power Solution	Advanced Safety and User Experience	Eliminations and Other	Total
(in millions)				
Geographic Market				
North America	\$ 881	\$ 276	\$ (2)	\$ 1,155
Europe, Middle East & Africa	694	336	(4)	1,026
Asia Pacific	664	232	(9)	887
South America	79	2	(1)	80
Total net sales	\$ 2,318	\$ 846	\$ (16)	\$ 3,148

For the Nine Months Ended September 30, 2018:	Signal and Power Solution	Advanced Safety and User Experience	Eliminations and Other	Total
(in millions)				
Geographic Market				
North America	\$ 3,162	\$ 1,005	\$ (4)	\$ 4,163
Europe, Middle East & Africa	2,322	1,247	(10)	3,559
Asia Pacific	2,114	777	(20)	2,871
South America	204	3	(1)	206
Total net sales	\$ 7,802	\$ 3,032	\$ (35)	\$ 10,799

For the Nine Months Ended September 30, 2017:	Signal and Power Solution	Advanced Safety and User Experience	Eliminations and Other	Total
(in millions)				
Geographic Market				
North America	\$ 2,775	\$ 869	\$ (8)	\$ 3,636

Edgar Filing: Aptiv PLC - Form 10-Q

Europe, Middle East & Africa	2,140	991	(16	)	3,115
Asia Pacific	1,884	626	(27	)	2,483
South America	207	4	(1	)	210
Total net sales	\$7,006	\$ 2,490	\$ (52	)	\$9,444

53

Table of Contents

Contract Balances

Consistent with the recognition of production parts revenue at a point in time as title transfers to the customer, Aptiv has no contract assets or contract liabilities balances as of September 30, 2018 or December 31, 2017.

Outstanding Performance Obligations

As customer contracts generally are represented by a combination of a current purchase order and a current production schedule issued by the customer for a production part, there are no contracts outstanding beyond one year. Aptiv does not enter into fixed long-term supply agreements.

As permitted, Aptiv does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Costs to Obtain a Contract

From time to time, Aptiv makes payments to customers in conjunction with ongoing and future business. These payments to customers are generally recognized as a reduction to revenue at the time of the commitment to make these payments.

Certain of these payments or upfront fees meet the criteria to be considered a cost to obtain a contract as they are directly attributable to a contract, are incremental and management expects the fees to be recoverable. As of September 30, 2018 and December 31, 2017, Aptiv has recorded \$66 million (of which \$8 million was classified within other current assets and \$58 million was classified within other long-term assets) and \$36 million (of which \$5 million was classified within other current assets and \$31 million was classified within other long-term assets), respectively, related to these capitalized upfront fees.

Capitalized upfront fees are amortized to revenue based on the transfer of goods and services to the customer for which the upfront fees relate, which typically range from three to five years. There have been no impairment losses in relation to the costs capitalized. The amount of amortization to net sales was \$1 million for the three months ended September 30, 2018 and \$3 million and \$2 million for the nine months ended September 30, 2018 and 2017, respectively.

Table of Contents

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 Aptiv PLC (“Aptiv,” 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 “continue,” and other comparative terminology. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following: global and regional economic conditions, including conditions affecting the credit market and resulting from the United Kingdom referendum held on June 23, 2016 in which voters approved an exit from the European Union, commonly referred to as “Brexit”; fluctuations in interest rates and foreign currency exchange rates; the cyclical nature of automotive sales and production; the potential disruptions in the supply of and changes in the competitive environment for raw material integral to the Company’s products; the Company’s ability to maintain contracts that are critical to its operations; potential changes to beneficial free trade laws and regulations such as the North American Free Trade Agreement; the ability of the Company to integrate and realize the benefits of recent acquisitions; the ability of the Company to achieve the intended benefits from the separation of its Powertrain Systems segment; the ability of the Company to attract, motivate and/or retain key executives; the ability of the Company to avoid or continue to operate during a strike, or partial work stoppage or slow down by any of its unionized employees or those of its principal customers; and the ability of the Company to attract and retain customers. Additional factors are discussed under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s filings with the Securities and Exchange Commission, including those set forth in the Company’s Annual Report on Form 10-K for fiscal year ended December 31, 2017 and within this Form 10-Q filing. 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. Aptiv 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.

Table of Contents

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, 2018. 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, “Aptiv,” the “Company,” “we,” “us” and “our” refer to Aptiv PLC, a public limited company which was formed under the laws of Jersey on May 19, 2011 as Delphi Automotive PLC, which together with its subsidiaries acquired certain assets of the former Delphi Corporation and completed an initial public offering on November 22, 2011. On December 4, 2017 (the “Distribution Date”), the Company completed the separation (the “Separation”) of its former Powertrain Systems segment by distributing to Aptiv shareholders on a pro rata basis all of the issued and outstanding ordinary shares of Delphi Technologies PLC (“Delphi Technologies”), a public limited company formed to hold the spun-off business. To effect the Separation, the Company distributed to its shareholders one ordinary share of Delphi Technologies for every three Aptiv ordinary shares outstanding as of November 22, 2017, the record date for the distribution. Following the Separation, the remaining company changed its name to Aptiv PLC and New York Stock Exchange (“NYSE”) symbol to “APTIV.” The completion of the Separation positioned Aptiv as a new mobility provider focused on solving the complex challenges associated with safer, greener and more connected transportation. At the core of our capabilities is the software and vehicle architecture expertise that enables the advanced safety, automated driving, user experience and connected services that are enabling the future of mobility.

In April 2018, primarily as a result of the impact of the Separation on the Company’s U.K. presence and the centralization of the Company’s non-manufacturing European footprint, along with the long-term stability of the financial and regulatory environment in Ireland and continued uncertainties with regards to the impending exit of the U.K. from the European Union, Aptiv PLC changed its tax residence from the U.K. to Ireland. Aptiv PLC remains a public limited company incorporated under the laws of Jersey, and will continue to be subject to United States Securities and Exchange Commission reporting requirements and prepare financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Executive Overview

Our Business

We are a leading global technology and mobility company serving the automotive sector. We design and manufacture vehicle components and provide electrical, electronic and active safety technology solutions to the global automotive market, creating the software and hardware foundation for vehicle features and functionality. We enable and deliver end-to-end smart mobility solutions, active safety and autonomous driving technologies and provide enhanced user experience and connected services. Our Advanced Safety and User Experience segment is focused on providing the necessary software and advanced computing platforms, and our Signal and Power Solutions segment is focused on providing the requisite networking architecture required to support the integrated systems in today’s complex vehicles. Together, our businesses develop the ‘brain’ and the ‘nervous system’ of increasingly complex vehicles, providing integration of the vehicle into its operating environment.

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.

As described in Note 21. Discontinued Operations to the consolidated financial statements contained herein, on December 4, 2017, the Company completed the Separation of its former Powertrain Systems segment by distributing to Aptiv shareholders on a pro rata basis all of the issued and outstanding ordinary shares of Delphi Technologies, a public limited company formed to hold the spun-off business. To effect the Separation, the Company distributed to its shareholders one ordinary share of Delphi Technologies for every three Aptiv ordinary shares outstanding as of November 22, 2017, the record

Table of Contents

date for the distribution. Following the Separation, the remaining company changed its name to Aptiv PLC and NYSE symbol to “APTV.” Also, as a result of the Separation, Delphi Technologies became an independent public company trading on the NYSE under the symbol “DLPH” as of the Distribution Date. Aptiv did not retain any equity interest in Delphi Technologies.

As the disposal of the Powertrain Systems business represented a strategic shift that had a major effect on the Company’s operations and financial results, the assets and liabilities, operating results, and operating and investing cash flows for the previously reported Powertrain Systems segment through the Distribution Date are presented as discontinued operations separate from the Company’s continuing operations for all periods presented. This Management’s Discussion and Analysis reflects the results of continuing operations, unless otherwise noted. Our total net sales during the three and nine months ended September 30, 2018 were \$3.5 billion and \$10.8 billion, an increase of 11% and 14% compared to the same periods of 2017, respectively. The increase in our total net sales is primarily attributable to continued volume increases in all regions except South America, our smallest region. Our overall lean cost structure, along with above-market sales growth, has enabled us to attain gross margins of approximately 19% in the three and nine months ended September 30, 2018, despite regional market uncertainties and increased investment in advanced technologies and engineering.

We are focused on maintaining a low fixed cost structure that provides us flexibility to remain profitable at all points of the traditional vehicle industry production cycle, including during periods of reduced industry volumes. Accordingly, we will continue to adjust our cost structure and optimize our manufacturing footprint in response to changes in the global and regional automotive markets and in order to increase investment in advanced technologies and engineering. As we operate in a cyclical industry that is impacted by movements in the global and regional economies, we continually evaluate opportunities to further adjust our cost structure, as evidenced by the restructuring programs we have implemented in order to continue the rotation of our manufacturing footprint to best cost locations and to reduce global overhead costs, as described in Note 7. Restructuring to the consolidated financial statements contained herein. We believe our strong balance sheet coupled with our flexible cost structure will position us to capitalize on improvements in OEM production volumes.

Trends, Uncertainties and Opportunities

Economic conditions. Our business is directly related to automotive sales and automotive vehicle production by our customers. Automotive sales depend on a number of factors, including global and regional economic conditions. Although global automotive vehicle production increased 3% from 2016 to 2017, the levels of automotive vehicle production were uneven from a regional perspective. Compared to 2016, vehicle production in 2017 increased by 4% in Europe, 3% in China and 21% in South America. However, after several years of increases, consumer demand for vehicles in North America receded, resulting in a 4% decrease in North American production in 2017 as compared to the increased volumes experienced in 2016.

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

There have also been periods of increased market volatility and currency exchange rate fluctuations, both globally and most specifically within the United Kingdom (“U.K.”) and Europe, as a result of the U.K. referendum held on June 23,

2016 in which voters approved an exit from the European Union (“E.U.”), commonly referred to as “Brexit.” As a result of the referendum, the British government formally initiated the process for withdrawal in March 2017. The terms of any withdrawal are subject to a negotiation period that could last at least two years from the initiation date. Nevertheless, the proposed withdrawal has created significant uncertainty about the future relationship between the U.K. and the E.U. These developments, or the perception that any of them could occur, may adversely affect European and worldwide economic and market conditions, significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets and could contribute to instability in global financial and foreign exchange markets, including increased volatility in interest rates and foreign exchange rates. Although we are actively monitoring the ongoing potential impacts of Brexit and will seek to minimize its impact on our business, any of these effects of Brexit, among others, could adversely affect our business,

Table of Contents

business opportunities, results of operations, financial condition and cash flows. Approximately 1% of our annual net sales are generated in the U.K., and less than 1% are denominated in British pounds.

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

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

Market driven products. Our product offerings satisfy the OEMs' needs to meet increasingly stringent government regulations and meet consumer preferences for products that address the mega-trends of Safe, Green and Connected, leading to increased content per vehicle, greater profitability and higher margins. With these offerings, we believe we are well-positioned to benefit from the growing demand for vehicle content and technology related to safety, electrification, high speed data, connectivity to the global information network and automated driving technologies. We are benefiting from the substantial increase in vehicle content, software and electrification that requires a complex and reliable electrical architecture and systems to operate, such as automated advanced driver assistance technologies, electrical vehicle monitoring, active safety systems, lane departure warning systems, integrated vehicle cockpit displays, navigation systems and technologies that enable connected infotainment in vehicles. Our ability to design a reliable electrical architecture that optimizes power distribution and/or consumption is key to satisfying the OEMs' needs to reduce emissions while continuing to meet consumer demand for increased vehicle content and technology. We have developed a 48-volt mild hybrid vehicle electrical architecture solution, which maximizes the use of 48-volt electrification to minimize the demand on the engine, improving performance while lowering CO₂ emissions by more than 10%.

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

Our global operations are subject to certain risks inherent in doing business abroad, including unexpected changes in laws, regulations, trade or monetary or tax fiscal policy, including tariffs, quotas, customs and other import or export restrictions and other trade barriers. Existing free trade laws and regulations, such as the North American Free Trade Agreement, provide certain beneficial duties and tariffs for qualifying imports and exports, subject to compliance with the applicable classification and other requirements. Changes in laws or policies governing the terms of foreign trade,

and in particular increased trade restrictions, tariffs or taxes on imports from countries where we manufacture products, such as China and Mexico, could have a material adverse affect on our business and financial results. Product development. The automotive component supply industry is highly competitive, both domestically and internationally, and is characterized by rapidly changing technology, evolving industry standards and changes in customer needs. Our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely and cost competitive basis will be a significant factor in our ability to remain competitive. To compete effectively in the automotive supply industry, we must be able to develop and launch new products to meet our customers' demands in a timely manner. Our innovative technologies and robust global engineering and development capabilities have well positioned us to meet the increasingly stringent vehicle manufacturer demands and consumer preferences for high-technology content in automobiles.

Table of Contents

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

Engineering, design & development. Our history and culture of innovation have enabled us to develop significant intellectual property and design and development expertise to provide advanced technology solutions that meet the demands of our customers. We have a team of approximately 16,000 scientists, engineers and technicians focused on developing leading product solutions for our key markets, located at 14 major technical centers in China, Germany, India, Mexico, Poland, Singapore and the United States. We invest approximately \$1.1 billion (which includes approximately \$200 million co-investment by customers and government agencies) annually in research and development, including engineering, to maintain our portfolio of innovative products, and owned/held approximately 6,300 patents and protective rights as of December 31, 2017. We also encourage “open innovation” and collaborate extensively with peers in the industry, government agencies and academic institutions. For example, we have entered into a collaborative arrangement with Mobileye N.V. to jointly develop a complete turn-key fully autonomous driving platform for our OEM customers, with the goal of being production ready for 2019. Our technology competencies are recognized by both customers and government agencies, who have co-invested approximately \$200 million annually in new product development, accelerating the pace of innovation and reducing the risk associated with successful commercialization of technological breakthroughs.

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

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

We are focused on maintaining a low fixed cost structure that provides us flexibility to remain profitable at all points of the traditional vehicle industry production cycle. As a result, approximately 96% of our hourly workforce is located in best cost countries. Furthermore, we have substantial operational flexibility by leveraging a large workforce of temporary workers, which represented approximately 11% of the hourly workforce as of September 30, 2018.

However, we will continue to adjust our cost structure and optimize our manufacturing footprint in response to changes in the global and regional automotive markets and in order to increase investment in advanced technologies and engineering, as evidenced by our ongoing restructuring programs focused on the continued rotation of our manufacturing footprint to best cost locations in Europe and on reducing our global overhead costs. As we continue to operate in a cyclical industry that is impacted by movements in the global and regional economies, we continually evaluate opportunities to further refine our cost structure.

We have a strong balance sheet with gross debt of approximately \$4.1 billion and substantial available liquidity of approximately \$3.1 billion of cash and cash equivalents and available financing under our Revolving Credit Facility as of September 30, 2018, and no significant U.S. defined benefit or workforce postretirement health care benefits and employer-paid postretirement basic life insurance benefits (“OPEB”) liabilities. We intend to maintain strong financial discipline targeting industry-leading earnings growth, cash flow generation and return on invested capital and to maintain sufficient liquidity to sustain our financial flexibility throughout the industry cycle.

OEM product recalls. The number of vehicles recalled globally by OEMs has increased above historical levels. These recalls can either be initiated by the OEMs or influenced by regulatory agencies. Although there are differing rules and regulations across countries governing recalls for safety issues, the overall transition towards global vehicle platforms may also contribute to increased recalls outside of the U.S., as automotive components are increasingly

standardized across regions. Given the sensitivity to safety issues in the automotive industry, including increased focus from regulators and consumers, we anticipate the number of automotive recalls may remain above historical levels in the near future. Although we engage in extensive product quality programs and processes, it is possible that we may be adversely affected in the future if the pace of these recalls continues.

For example, in September 2016, one of our OEM customers initiated a recall of approximately 3.64 million vehicles in the United States to enhance the airbag deployment system. The Company supplied sensors and related control modules for the airbags in the affected vehicles. Although Aptiv believes it supplied these components in compliance with the customer's product specifications and validation criteria, we assisted with our customer's efforts surrounding its recall, and during the first quarter of 2017, reached an agreement with our customer to share costs associated with the recall. Accordingly, during the nine

Table of Contents

months ended September 30, 2017 we recognized an incremental \$43 million charge in addition to our previously recorded reserve estimate related to this matter.

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

Industry consolidation. Consolidation among worldwide suppliers is expected to continue as suppliers seek to achieve operating synergies and value stream efficiencies, acquire complementary technologies and build stronger customer relationships as OEMs continue to expand globally. Additionally, new entrants from outside the traditional automotive industry may seek to gain access to certain vehicle component markets, as evidenced by the acquisition of Harman International Industries, Incorporated by Samsung Electronics Co., Ltd. and the acquisition of Mobileye N.V. by Intel Corporation. We believe companies with strong balance sheets and financial discipline are in the best position to take advantage of the industry consolidation trend.

Commercializing the high-tech evolution of the automotive industry. The automotive industry is increasingly evolving towards the implementation of software-dependent components and solutions. In particular, the industry is focused on the development of advanced driver assistance technologies, with the goal of developing and introducing a commercially-viable, fully automated driving experience. We expect automated driving technologies will provide strong societal benefit as well as the opportunity for long-term growth for our product offerings in this space. We are continuing to invest in the automated driving space, and have continued to develop market-leading automated driving platform solutions such as automated driving software, key active safety sensing technologies and our Multi-Domain Controller, which fuses information from sensing systems as well as mapping and navigation data to make driving decisions.

We believe we are well-aligned with industry technology trends that will result in sustainable future growth in this space, and have partnered with leaders in their respective fields to advance the pace of development and commercialization of these emerging technologies. We have entered into a collaborative arrangement with Mobileye N.V. to jointly develop the Centralized Sensing Localization and Planning ("CSLP") system, a complete turn-key fully autonomous driving platform for our OEM customers and mobility partners, with the goal of being production ready in 2019. We also entered into a collaborative arrangement with Intel Corporation and the BMW Group to develop and deploy automated driving technology. Additionally, in 2017 we acquired nuTonomy, Inc. in order to further accelerate the commercialization of automated driving solutions. The acquisition of nuTonomy is the latest in a series of investments we have made to expand our position in the new mobility space, including the prior period acquisitions of automated driving software developer Ottomatika and data service companies Control-Tec and Movimento.

There has also been increasing societal demand for mobility on demand ("MoD") services, such as car- and ride-sharing, and an increasing number of traditional automotive companies have made investments in the MoD space. We believe the increasing societal demand for MoD services will accelerate the development of autonomous driving technologies, strongly benefiting the MoD space. In 2018, we announced a partnership with Lyft, Inc. ("Lyft") by launching a fleet of autonomous vehicles in Las Vegas which will operate on Aptiv's fully-integrated autonomous driving platform and be made available to the public on the Lyft network. This partnership leverages our connected services capabilities and Lyft's ride-hailing experience to provide valuable insights on self-driving fleet operations and management. In addition, we have entered into agreements with the Singapore Land Transport Authority and with the city of Boston to develop fully-autonomous vehicles and associated infrastructure as part of automated MoD pilots. As a result of our substantial investments and strategic partnerships, we believe we are well-aligned with industry technology trends that will result in sustainable future growth in these evolving areas.

We are focused on enabling and delivering end-to-end smart mobility solutions, accelerating the commercialization of active safety and autonomous driving technologies and providing enhanced user experience and connected services. Our Advanced Safety and User Experience segment is focused on providing the necessary software and advanced

computing platforms, and our Signal and Power Solutions segment is focused on providing the requisite networking architecture required to support the integrated systems in today's complex vehicles. Together, our businesses develop the 'brain' and the 'nervous system' of increasingly complex vehicles, providing integration of the vehicle into its operating environment.

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

Table of Contents

Consolidated Results of Operations

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

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

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

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

Three and Nine Months Ended September 30, 2018 versus Three and Nine Months Ended September 30, 2017

The results of operations for the three and nine months ended September 30, 2018 and 2017 were as follows:

	Three Months Ended September 30,		Favorable/(unfavorable)		Nine Months Ended September 30,		Favorable/(unfavorable)	
	2018	2017		2018	2017		2017	
	(dollars in millions)							
Net sales	\$3,485	\$3,148	\$ 337	\$10,799	\$9,444	\$ 1,355		
Cost of sales	2,834	2,498	(336)	8,739	7,540	(1,199)		
Gross margin	651	650	1	2,060	1,904	156	18.7%	20.2%
Selling, general and administrative	232	230	(2)	751	686	(65)		
Amortization	31	29	(2)	91	87	(4)		
Restructuring	65	18	(47)	100	101	1		
Operating income	323	373	(50)	1,118	1,030	88		
Interest expense	(34)	(35)	1	(104)	(103)	(1)		
Other income (expense), net	4	(7)	11	27	(22)	49		
Income from continuing operations before income taxes and equity income	293	331	(38)	1,041	905	136		
Income tax expense	(66)	(31)	(35)	(208)	(88)	(120)		

Edgar Filing: Aptiv PLC - Form 10-Q

Income from continuing operations before equity income	227	300	(73	)	833	817	16	
Equity income, net of tax	4	6	(2	)	17	24	(7)
Income from continuing operations	231	306	(75	)	850	841	9	
Income from discontinued operations, net of tax	—	107	(107	)	—	310	(310)
Net income	231	413	(182	)	850	1,151	(301)
Net income attributable to noncontrolling interest	9	18	(9	)	30	52	(22)
Net income attributable to Aptiv	\$222	\$395	\$ (173	)	\$820	\$1,099	\$ (279)

61

Table of Contents

Total Net Sales

Below is a summary of our total net sales for the three months ended September 30, 2018 versus September 30, 2017.

Three Months Ended September 30,			Variance Due To:				
2018	2017	Favorable/(unfavorable)	contractual price reductions	FX	Commodity pass-through	Other Total	
(in millions)			(in millions)				
Total net sales	\$3,485	\$3,148	\$ 337	\$353	\$(44)	\$ 28	\$ -\$337

Total net sales for the three months ended September 30, 2018 increased 11% compared to the three months ended September 30, 2017. We experienced volume growth of 12% for the period, primarily as a result of increased sales in all regions except South America, our smallest region, including net sales of \$56 million as a result of the acquisition of KUM in June 2018. Volume growth was partially offset by unfavorable foreign currency impacts, primarily related to the Euro and Chinese Yuan Renminbi, and decreases due to contractual price reductions. Refer to Note 17.

Acquisitions and Divestitures to the consolidated financial statements contained herein for additional information regarding acquisitions and divestitures.

Below is a summary of our total net sales for the nine months ended September 30, 2018 versus September 30, 2017.

Nine Months Ended September 30,			Variance Due To:				
2018	2017	Favorable/(unfavorable)	contractual price reductions	FX	Commodity pass-through	Other Total	
(in millions)			(in millions)				
Total net sales	\$10,799	\$9,444	\$ 1,355	\$976	\$255	\$ 124	\$ -\$1,355

Total net sales for the nine months ended September 30, 2018 increased 14% compared to the nine months ended September 30, 2017. We experienced volume growth of 12% for the period, primarily as a result of increased sales in all regions except South America, our smallest region, including net sales of \$67 million as a result of the acquisition of KUM in June 2018, and favorable foreign currency impacts, primarily related to the Euro and Chinese Yuan Renminbi. Partially offsetting these increases were decreases due to contractual price reductions. Refer to Note 17.

Acquisitions and Divestitures to the consolidated financial statements contained herein for additional information regarding acquisitions and divestitures.

Cost of Sales

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

Cost of sales increased \$336 million for the three months ended September 30, 2018 compared to the three months ended September 30, 2017, as summarized below. The Company's material cost of sales was approximately 50% of net sales in both the three months ended September 30, 2018 and 2017.

Three Months Ended September 30,			Variance Due To:				
2018	2017	Favorable/(unfavorable)	Volume	FX	Operational performance	Other Total	
(dollars in millions)			(in millions)				
Cost of sales	\$2,834	\$2,498	\$ (336)	\$(305)	\$18	\$ 2	\$(51) \$(336)

Edgar Filing: Aptiv PLC - Form 10-Q

Gross margin	\$651	\$650	\$	1	\$48	\$(26)	\$	2	\$(23)	\$1
Percentage of net sales	18.7	%	20.6	%						

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

62

Table of Contents

The increase in cost of sales reflects increased volumes and incremental investment in advanced technologies and engineering, partially offset by the impacts from currency exchange for the three month period. Cost of sales was also impacted by the following items in Other above:

\$28 million of increased commodity costs;

\$27 million of increased depreciation and amortization, primarily as a result of a higher fixed asset base; and

\$8 million of increased warranty costs.

Cost of sales increased \$1,199 million for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, as summarized below. The Company's material cost of sales was approximately 50% of net sales in both the nine months ended September 30, 2018 and 2017.

	Nine Months Ended September 30,		Favorable/(unfavorable)	Variance Due To:				Total
	2018	2017		Volume	FX	Operational performance	Other	
	(dollars in millions)			(in millions)				
Cost of sales	\$8,739	\$7,540	\$ (1,199)	\$(863)	\$(183)	\$ (2)	\$(151)	\$(1,199)
Gross margin	\$2,060	\$1,904	\$ 156	\$113	\$72	\$ (2)	\$(27)	\$156
Percentage of net sales	19.1 %	20.2 %						

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

The increase in cost of sales reflects increased volumes and the impacts from currency exchange, as well as incremental investment in advanced technologies and engineering for the nine month period. Cost of sales was also impacted by the following items in Other above:

\$124 million of increased commodity costs; and

\$82 million of increased depreciation and amortization, primarily as a result of a higher fixed asset base; partially offset by

\$44 million of decreased warranty costs, primarily due to the accrual of \$43 million during the nine months ended September 30, 2017 as a result of an agreement reached with one of our customers for a specific warranty matter, as further described in Note 6. Warranty Obligations to the consolidated financial statements contained herein.

Selling, General and Administrative Expense

	Three Months Ended September 30,		Favorable/ (unfavorable)
	2018	2017	
	(dollars in millions)		
Selling, general and administrative expense	\$232	\$230	\$ (2)
Percentage of net sales	6.7 %	7.3 %	

	Nine Months Ended September 30,		Favorable/ (unfavorable)
	2018	2017	
	(dollars in millions)		
Selling, general and administrative expense	\$751	\$686	\$ (65)
Percentage of net sales	7.0 %	7.3 %	

Selling, general and administrative expense ("SG&A") includes administrative expenses, information technology costs and incentive compensation related costs. SG&A decreased as a percentage of net sales for the three and nine months

ended September 30, 2018 as compared to 2017, primarily due to the impact of cost reduction initiatives, including our continuing rotation to best cost manufacturing locations in Europe and initiatives focused on reducing global overhead costs.

Table of Contents

Amortization

Three Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(in millions)

Amortization \$31 \$29 \$ (2)

Nine Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(in millions)

Amortization \$91 \$87 \$ (4)

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, 2018 compared to 2017 reflects the continued amortization of our definite-lived intangible assets, which resulted primarily from our acquisitions, over their estimated useful lives. Refer to Note 17. Acquisitions and Divestitures to the consolidated financial statements contained herein for further detail of our business acquisitions, including details of the intangible assets recorded in each transaction.

Restructuring

Three Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(dollars in millions)

Restructuring \$65 \$18 \$ (47)

Percentage of net sales 1.9 % 0.6 %

Nine Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(dollars in millions)

Restructuring \$100 \$101 \$ 1

Percentage of net sales 0.9 % 1.1 %

The increase in restructuring expense recorded during the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 is primarily attributable to an increase in costs recognized for global overhead reductions as compared to the prior period. Restructuring expense was consistent for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017.

The Company recorded employee-related and other restructuring charges totaling approximately \$65 million and \$100 million during the three and nine months ended September 30, 2018, which is primarily comprised of \$37 million and \$59 million recognized for programs focused on the continued rotation of our manufacturing footprint to best cost

locations in Europe and reducing overhead costs in the region.

Restructuring costs of approximately \$18 million and \$101 million were recorded during the three and nine months ended September 30, 2017, which included the recognition of approximately \$36 million during the nine months ended September 30, 2017 of employee-related and other costs related to the closure of an Advanced Safety and User Experience Western European manufacturing site, pursuant to the Company's ongoing European footprint rotation strategy.

We expect to continue to incur additional restructuring expense in 2018, primarily related to programs focused on the continued rotation of our manufacturing footprint to best cost locations in Europe and to reduce global overhead costs, including realignment of the Company's organizational structure due to changes in roles and workforce resulting from the spin-off of the Powertrain Systems segment. Additionally, as we continue to operate in a cyclical industry that is impacted by movements in the global and regional economies, we continually evaluate opportunities to further adjust our cost structure and

Table of Contents

optimize our manufacturing footprint. The Company plans to implement additional restructuring activities in the future, if necessary, in order to align manufacturing capacity and other costs with prevailing regional automotive production levels and locations, to improve the efficiency and utilization of other locations and in order to increase investment in advanced technologies and engineering. Such future restructuring actions are dependent on market conditions, customer actions and other factors.

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

Interest Expense

Three Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(in millions)

Interest expense \$34 \$35 \$ 1

Nine Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(in millions)

Interest expense \$104 \$103 \$ (1)

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

Other Income, Net

Three Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(in millions)

Other income (expense), net \$4 \$(7) \$ 11

Nine Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(in millions)

Other income (expense), net \$27 \$(22) \$ 49

During the nine months ended September 30, 2018, Aptiv incurred approximately \$9 million in transaction costs related to the acquisition of KUM and, as further discussed in Note 14. Derivatives and Hedging Activities to the consolidated financial statements contained herein, recorded a gain of \$4 million on forward contracts entered into in order to hedge portions of the currency risk associated with the cash payment for the acquisition of KUM. Aptiv also recorded \$5 million and \$17 million of interest income during the three and nine months ended September 30, 2018, respectively. Additionally, as further discussed in Note 21. Discontinued Operations to the consolidated financial statements contained herein, during the three and nine months ended September 30, 2018, Aptiv recorded \$2 million

and \$8 million, respectively, for certain fees earned pursuant to the Transition Services Agreement in connection with the Separation of the Company's former Powertrain Systems business.

As further discussed in Note 10. Commitments and Contingencies to the consolidated financial statements contained herein, during the nine months ended September 30, 2017, the Company recorded a net charge of \$10 million to other expense due to the settlement of the Unsecured Creditors litigation.

Table of Contents

Income Taxes

Three Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(in millions)

Income tax expense \$66 \$ 31 \$ (35)

Nine Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(in millions)

Income tax expense \$208 \$ 88 \$ (120)

The Company's effective tax rate was impacted by unfavorable changes in geographic income mix in 2018 as compared to 2017, primarily due to changes in the underlying business operations.

The Company's effective tax rate for the three and nine months ended September 30, 2018 also includes net discrete tax expense of \$28 million and \$48 million, respectively, primarily related to the Company's intellectual property transfer and a change in the provisional amounts recorded due to the enactment of the Tax Cuts and Jobs Act in the United States, as further discussed in Note 11. Income Taxes to the consolidated financial statements contained herein. The effective tax rate for the three and nine months ended September 30, 2017 includes net discrete tax benefits of \$11 million and \$23 million, respectively, primarily related to provision to return adjustments and changes in reserves.

Equity Income

Three Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(in millions)

Equity income, net of tax \$4 \$ 6 \$ (2)

Nine Months Ended
September 30,
2018 2017 Favorable/
(unfavorable)

(in millions)

Equity income, net of tax \$17 \$ 24 \$ (7)

Equity income, net of tax reflects the Company's interest in the results of ongoing operations of entities accounted for as equity-method investments. Equity income decreased for the three and nine months ended September 30, 2018 as compared to the three and nine months ended September 30, 2017, primarily attributable to the performance of our joint ventures in North America and Asia Pacific as compared to the prior period.

Table of Contents

Income from Discontinued Operations

Three Months Ended
September 30,
2017 Favorable/
(unfavorable)

(in millions)

Income from discontinued operations, net of tax \$-107 \$ (107)

Nine Months Ended
September 30,
2017 Favorable/
(unfavorable)

(in millions)

Income from discontinued operations, net of tax \$-310 \$ (310)

Income from discontinued operations, net of tax reflects the results of the Company's previously reported Powertrain Systems segment, which has been reclassified to discontinued operations as a result of the spin-off of this business in December 2017. No amounts were recorded to discontinued operations for the three and nine months ended September 30, 2018.

Refer to Note 21. Discontinued Operations to the consolidated financial statements contained herein for additional information.

Results of Operations by Segment

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

- Signal and Power Solutions, which includes complete electrical architecture and component products.

- Advanced Safety and User Experience, which includes component and systems integration expertise in infotainment and connectivity, body controls and security systems, displays, active and passive safety electronics, autonomous driving software and technologies, as well as advanced development of software.

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

As described in Note 21. Discontinued Operations to the consolidated financial statements contained herein, the Company's previously reported Powertrain Systems segment has been classified as discontinued operations for all periods presented. Certain original equipment service businesses that were previously included within the Powertrain Systems segment but which were not included in the spin-off, are reported in continuing operations and have been reclassified within the Advanced Safety and User Experience and Signal and Power Solutions segments for all periods presented. No amounts for shared general and administrative operating expense or interest expense were allocated to discontinued operations.

Our management utilizes segment Adjusted Operating Income as the key performance measure of segment income or loss and for planning and forecasting purposes, as management believes this measure is most reflective of the operational profitability or loss of our operating segments. Segment Adjusted Operating Income should not be considered a substitute for results prepared in accordance with U.S. GAAP and should not be considered an alternative to net income attributable to Aptiv, which is the most directly comparable financial measure to Adjusted Operating Income that is prepared in accordance with U.S. GAAP. Segment Adjusted Operating Income, as determined and measured by Aptiv, should also not be compared to similarly titled measures reported by other companies.

The reconciliation of Adjusted Operating Income to operating income includes, as applicable, restructuring, other acquisition and portfolio project costs (which includes costs incurred to integrate acquired businesses and to plan and

execute product portfolio transformation actions, including business and product acquisitions and divestitures), asset impairments, gains (losses) on business divestitures and deferred compensation related to acquisitions. The reconciliations of Adjusted Operating Income to net income attributable to Aptiv for the three and nine months ended September 30, 2018 and 2017 are as follows:

67

Table of Contents

	Signal Advanced and Power Solutions	Safety and User Experience	Eliminations and Other	Total
(in millions)				
For the Three Months Ended September 30, 2018:				
Adjusted operating income	\$ 346	\$ 74	\$ —	—\$420
Restructuring	(58)	(7)	—	(65)
Other acquisition and portfolio project costs	(11)	(5)	—	(16)
Asset impairments	—	(1)	—	(1)
Deferred compensation related to nuTonomy acquisition	—	(15)	—	(15)
Operating income	\$ 277	\$ 46	\$ —	—323
Interest expense				(34)
Other income, net				4
Income from continuing operations before income taxes and equity income				293
Income tax expense				(66)
Equity income, net of tax				4
Income from continuing operations				231
Income from discontinued operations, net of tax				—
Net income				231
Net income attributable to noncontrolling interest				9
Net income attributable to Aptiv				\$222
(in millions)				
For the Three Months Ended September 30, 2017:				
Adjusted operating income	\$ 319	\$ 75	\$ —	—\$394
Restructuring	(17)	(1)	—	(18)
Other acquisition and portfolio project costs	(1)	(1)	—	(2)
Asset impairments	(1)	—	—	(1)
Operating income	\$ 300	\$ 73	\$ —	—373
Interest expense				(35)
Other expense, net				(7)
Income from continuing operations before income taxes and equity income				331
Income tax expense				(31)
Equity income, net of tax				6
Income from continuing operations				306
Income from discontinued operations, net of tax				107
Net income				413
Net income attributable to noncontrolling interest				18
Net income attributable to Aptiv				\$395

Table of Contents

	Signal and Power Solutions	Advanced Safety and User Experience	Eliminations and Other	Total
(in millions)				
For the Nine Months Ended September 30, 2018:				
Adjusted operating income	\$1,083	\$ 238	\$	—\$1,321
Restructuring	(87)	(13)	—	(100)
Other acquisition and portfolio project costs	(39)	(18)	—	(57)
Asset impairments	(1)	(1)	—	(2)
Deferred compensation related to nuTonomy acquisition	—	(44)	—	(44)
Operating income	\$956	\$ 162	\$	—1,118
Interest expense				(104)
Other income, net				27
Income from continuing operations before income taxes and equity income				1,041
Income tax expense				(208)
Equity income, net of tax				17
Income from continuing operations				850
Income from discontinued operations, net of tax				—
Net income				850
Net income attributable to noncontrolling interest				30
Net income attributable to Aptiv				\$820
(in millions)				
For the Nine Months Ended September 30, 2017:				
Adjusted operating income	\$940	\$ 204	\$	—\$1,144
Restructuring	(44)	(57)	—	(101)
Other acquisition and portfolio project costs	(8)	(3)	—	(11)
Asset impairments	(1)	(1)	—	(2)
Operating income	\$887	\$ 143	\$	—1,030
Interest expense				(103)
Other expense, net				(22)
Income from continuing operations before income taxes and equity income				905
Income tax expense				(88)
Equity income, net of tax				24
Income from continuing operations				841
Income from discontinued operations, net of tax				310
Net income				1,151
Net income attributable to noncontrolling interest				52
Net income attributable to Aptiv				\$1,099

Table of Contents

Net sales, gross margin as a percentage of net sales and Adjusted Operating Income by segment for the three and nine months ended September 30, 2018 and 2017 are as follows:

Net Sales by Segment

	Three Months Ended September 30,			Variance Due To:				Total
	2018	2017	Favorable/ (unfavorable)	Volume, net of contractual price reductions	FX	Commodity pass-through	Other	
	(in millions)			(in millions)				
Signal and Power Solutions	\$2,535	\$2,318	\$ 217	\$226	\$(37)	\$ 28	\$	-\$217
Advanced Safety and User Experience	956	846	110	116	(6)	—	—	110
Eliminations and Other	(6)	(16)	10	11	(1)	—	—	10
Total	\$3,485	\$3,148	\$ 337	\$353	\$(44)	\$ 28	\$	-\$337
	Nine Months Ended September 30,			Variance Due To:				
	2018	2017	Favorable/ (unfavorable)	Volume, net of contractual price reductions	FX	Commodity pass-through	Other	Total
	(in millions)			(in millions)				
Signal and Power Solutions	\$7,802	\$7,006	\$ 796	\$485	\$187	\$ 124	\$	-\$796
Advanced Safety and User Experience	3,032	2,490	542	468	74	—	—	542
Eliminations and Other	(35)	(52)	17	23	(6)	—	—	17
Total	\$10,799	\$9,444	\$ 1,355	\$976	\$255	\$ 124	\$	-\$1,355

Gross Margin Percentage by Segment

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Signal and Power Solutions	21.1%	22.3%	21.6%	22.0%
Advanced Safety and User Experience (1)	12.1%	15.6%	12.4%	14.6%
Eliminations and Other	—%	—%	—%	—%
Total	18.7%	20.6%	19.1%	20.2%

Includes the accrual of \$43 million for a specific warranty matter during the nine months ended September 30, (1)2017, as further described in Note 6. Warranty Obligations to the consolidated financial statements contained herein.

Table of Contents

Adjusted Operating Income by Segment

	Three Months Ended September 30,			Variance Due To:		
	2018	2017	Favorable/ (unfavorable)	Volume, net of contractual price reductions	Operational performance	Other Total
	(in millions)			(in millions)		
Signal and Power Solutions	\$346	\$319	\$ 27	\$37	\$ 18	\$(28) \$27
Advanced Safety and User Experience	74	75	(1)	11	(1)	(11) (1)
Eliminations and Other	—	—	—	—	—	— —
Total	\$420	\$394	\$ 26	\$48	\$ 17	\$(39) \$26

As noted in the table above, Adjusted Operating Income for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 was impacted by volume and contractual price reductions, including product mix, and operational performance improvements which were offset by incremental investment in advanced technologies and engineering, as well as the following items included within Other in the table above:

\$27 million of increased depreciation and amortization, not including the impact of asset impairments, primarily as a result of a higher fixed asset base;

Unfavorable foreign currency impacts of \$22 million, primarily related to the Euro and Chinese Yuan Renminbi; and \$8 million of increased warranty costs; partially offset by

\$9 million of decreased SG&A expenses, not including the impact of other acquisition and portfolio project costs.

	Nine Months Ended September 30,			Variance Due To:		
	2018	2017	Favorable/ (unfavorable)	Volume, net of contractual price reductions	Operational performance	Other Total
	(in millions)			(in millions)		
Signal and Power Solutions	\$1,083	\$940	\$ 143	\$50	\$ 74	\$ 19 \$143
Advanced Safety and User Experience	238	204	34	63	(32)	3 34
Eliminations and Other	—	—	—	—	—	— —
Total	\$1,321	\$1,144	\$ 177	\$113	\$ 42	\$ 22 \$177

As noted in the table above, Adjusted Operating Income for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 was impacted by volume and contractual price reductions, including product mix, and operational performance improvements which were offset by incremental investment in advanced technologies and engineering, as well as the following items included within Other in the table above:

Favorable foreign currency impacts of \$55 million, primarily related to the Euro and Chinese Yuan Renminbi; and \$44 million of decreased warranty costs, primarily due to the accrual of \$43 million during the nine months ended September 30, 2017 within the Advanced Safety and User Experience segment as a result of an agreement reached with one of our customers for a specific warranty matter, as further described in Note 6. Warranty Obligations to the consolidated financial statements contained herein; partially offset by

\$82 million of increased depreciation and amortization, not including the impact of asset impairments, primarily as a result of a higher fixed asset base.

Table of Contents

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 and issuance of long-term debt. To the extent we generate discretionary cash flow we may consider using this additional cash flow for optional prepayments of existing indebtedness, strategic acquisitions or investments, additional share repurchases and/or general corporate purposes. We will also continually explore ways to enhance our capital structure.

As of September 30, 2018, we had cash and cash equivalents of \$0.8 billion and net debt (defined as outstanding debt less cash and cash equivalents) of \$3.3 billion. We also have access to additional liquidity pursuant to the terms of the \$2.0 billion Revolving Credit Facility and the €300 million committed European accounts receivable factoring facility, as described below.

The following table summarizes our available liquidity, which includes cash, cash equivalents and funds available under our significant committed credit facilities, as of September 30, 2018. The amounts disclosed as available under the Company's significant committed credit facilities are available without violating our existing debt covenants, which are described below.

	September 30, 2018
	(in millions)
Cash and cash equivalents	\$ 771
Revolving Credit Facility, unutilized portion (1)	1,993
Committed European accounts receivable factoring facility, unutilized portion (2)	352
Total available liquidity	\$ 3,116

(1) Availability reduced by \$7 million in letters of credit issued under the Credit Agreement as of September 30, 2018.

(2) Based on September 30, 2018 foreign currency rates, subject to the availability of eligible accounts receivable.

We expect existing cash, available liquidity and cash flows from operations to continue to be sufficient to fund our global operating activities, including restructuring payments, any mandatory payments required under the Credit Agreement as described below, dividends on ordinary shares and capital expenditures. In addition, we expect to continue to repurchase outstanding ordinary shares pursuant to our authorized ordinary share repurchase program, as further described below.

We also continue to expect to be able to move funds between different countries to manage our global liquidity needs without material adverse tax implications, subject to current monetary policies and to the terms of the Credit Agreement. While a substantial portion of our operating income is generated by our non-U.S. subsidiaries, and as of September 30, 2018, the Company's cash and cash equivalents held by our non-U.S. subsidiaries totaled \$758 million, we utilize a combination of strategies, including dividends, cash pooling arrangements, intercompany loan repayments and other distributions and advances to provide the funds necessary to meet our global liquidity needs. There are no significant restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Aptiv. If additional non-U.S. cash was needed for our U.S. operations, we may be required to accrue and pay withholding if we were to distribute such funds from non-U.S. subsidiaries to the U.S.; however, based on our current liquidity needs and strategies, we do not anticipate a need to accrue and pay such additional amounts.

Based on these factors, we believe we possess sufficient liquidity to fund our global operations and capital investments in 2018 and beyond.

Spin-Off of Powertrain Systems Segment into Delphi Technologies

On December 4, 2017, the Company completed the Separation of its former Powertrain Systems segment by distributing to Aptiv shareholders on a pro rata basis all of the issued and outstanding ordinary shares of Delphi Technologies, a public limited company formed to hold the spun-off business. To effect the Separation, the Company

distributed to its shareholders one ordinary share of Delphi Technologies for every three Aptiv ordinary shares outstanding as of November 22, 2017, the record date for the distribution.

On December 4, 2017, pursuant to the Separation and Distribution Agreement, the Company transferred to Delphi Technologies the assets and liabilities that comprised Delphi Technologies' business. The Company received a dividend of approximately \$1,148 million from Delphi Technologies in connection with the Separation. Delphi Technologies financed this dividend through the issuance of approximately \$1.55 billion of debt, consisting of a senior secured five-year \$750 million term loan facility that was issued upon the spin-off and \$800 million aggregate principal amount of 5.00% senior unsecured notes

Table of Contents

due 2025 that were issued in September 2017 (the “Spin-Off Senior Notes”) (collectively, the “Delphi Technologies Debt”). In connection with the Separation, the Delphi Technologies Debt was transferred to Delphi Technologies and is no longer reflected in the Company’s continuing operations in the consolidated financial statements. The Company intends to use the proceeds received from the dividend to fund growth initiatives, including increased investment in advanced technologies and engineering, and for general corporate purposes.

In connection with the Separation, Aptiv and Delphi Technologies entered into various agreements to effect the Separation and to provide a framework for their relationship following the Separation, which included a Separation and Distribution Agreement, a Transition Services Agreement, a Tax Matters Agreement, an Employee Matters Agreement and Contract Manufacturing Services Arrangements. The transition services primarily involve Aptiv providing certain services to Delphi Technologies related to information technology and human resource infrastructure for terms of up to 24 months following the Separation. In addition, Aptiv is also party to various commercial agreements with Delphi Technologies entities. In connection with the Separation, the Company received \$180 million in cash from Delphi Technologies pursuant to the Tax Matters Agreement.

Share Repurchases

In April 2016, the Board of Directors authorized a share repurchase program of up to \$1.5 billion of ordinary shares, which commenced in September 2016 following the completion of the Company’s \$1.5 billion January 2015 share repurchase program. This share repurchase program provides for share purchases in the open market or in privately negotiated transactions, depending on share price, market conditions and other factors, as determined by the Company.

A summary of the ordinary shares repurchased during the three and nine months ended September 30, 2018 and 2017 is as follows:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Total number of shares repurchased	793,424	1,018,930	2,513,136	667,193
Average price paid per share	\$86.08	\$ 92.99	\$88.24	\$ 82.00
Total (in millions)	\$69	\$ 95	\$222	\$ 383

As of September 30, 2018, approximately \$767 million of share repurchases remained available under the April 2016 share repurchase program. During the period from October 1, 2018 to October 30, 2018, the Company repurchased an additional \$42 million worth of shares pursuant to a trading plan with set trading instructions established by the Company. As a result, approximately \$725 million of share repurchases remain available under the April 2016 share repurchase program. All repurchased shares were retired, and are reflected as a reduction of ordinary share capital for the par value of the shares, with the excess applied as reductions to additional paid-in-capital and retained earnings.

Dividends to Holders of Ordinary Shares

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

	Dividend Amount Per (in Share millions)	
2018:		
Third quarter	\$ 0.22	\$ 58
Second quarter	0.22	58
First quarter	0.22	59
Total	\$ 0.66	\$ 175
2017:		
Fourth quarter	\$ 0.29	\$ 77
Third quarter	0.29	77
Second quarter	0.29	78

First quarter	0.29	78
Total	\$ 1.16	\$ 310

In addition, in October 2018, the Board of Directors declared a regular quarterly cash dividend of \$0.22 per ordinary share, payable November 21, 2018 to shareholders of record at the close of business on November 7, 2018.

73

Table of Contents

Acquisitions

KUM—On June 14, 2018, Aptiv acquired 100% of the equity interests of KUM, a specialized manufacturer of connectors for the automotive industry, for total consideration of \$523 million. As further described in Note 17.

Acquisitions and Divestitures to the consolidated financial statements contained herein, the acquisition was accounted for as a business combination, with the operating results of KUM included within the Company’s Signal and Power Solutions segment from the date of acquisition. The Company acquired KUM utilizing cash on hand.

nuTonomy—On November 21, 2017, Aptiv acquired 100% of the equity interests of nuTonomy, Inc. (“nuTonomy”), a leading provider of autonomous driving software and technology, for total consideration of up to \$454 million. Of the total consideration, \$284 million of the purchase price was paid at closing, subject to certain post-closing adjustments, and \$109 million of the purchase price will vest to certain selling shareholders in annual installments over a 3-year period from the acquisition date, subject to such shareholders’ compliance with certain employment conditions. Of the \$109 million, approximately \$7 million is payable after one year and approximately \$51 million is payable after each of the second and third years following the acquisition date. These remaining installments will be recorded as a component of cost of sales ratably over the respective installment period. As further described in Note 17.

Acquisitions and Divestitures to the consolidated financial statements contained herein, the acquisition was accounted for as a business combination, with the operating results of nuTonomy included within the Company’s Advanced Safety and User Experience segment from the date of acquisition. The Company acquired nuTonomy utilizing cash on hand.

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

Winchester—On October 24, 2018, Aptiv acquired 100% of the equity interests of Winchester Interconnect (“Winchester”), a leading provider of custom engineered interconnect solutions for harsh environment applications, for approximately \$685 million, net of cash acquired, subject to certain post-closing adjustments. The acquisition will be accounted for as a business combination and will be included within the Company’s Signal and Power Solutions segment. The Company acquired Winchester utilizing cash on hand and short-term borrowings.

Technology Investments—During the third quarter of 2017, the Company’s Advanced Safety and User Experience segment made investments in two leading developers of Light Detection and Ranging (“LIDAR”) technology, a \$15 million investment in Innviz Technologies and a \$10 million investment in LeddarTech, Inc. During the second quarter of 2017, Aptiv’s Signal and Power Solutions segment made a \$10 million investment in Valens Semiconductor Ltd., a leading provider of signal processing technology for high frequency data transmission of connected car content. During the first quarter of 2017, the Company’s Advanced Safety and User Experience segment made a \$15 million investment in Otonomo Technologies Ltd., the developer of a connected car data marketplace. These investments are accounted for in accordance with ASU 2016-01, as further described in Note 2. Significant Accounting Policies to the consolidated financial statements contained herein.

Divestitures

Powertrain Systems Spin-Off—As described above, on December 4, 2017, the Company completed the spin-off of its former Powertrain Systems segment into a new publicly traded company, Delphi Technologies PLC. In connection with the Separation, the Company received a dividend of approximately \$1,148 million from Delphi Technologies in connection with the Separation. The Company intends to use the proceeds received from the dividend to fund growth initiatives, including increased investment in advanced technologies and engineering. The requirements for presenting Delphi Technologies as a discontinued operation were met when the Separation was completed. Accordingly, the accompanying consolidated financial statements reflect this business as a discontinued operation for all periods presented. Refer to Note 21. Discontinued Operations to the consolidated financial statements contained herein for

further disclosure related to the Company's discontinued operations.

Credit Agreement

Aptiv PLC and its wholly-owned subsidiary Aptiv Corporation entered into a credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent (the "Administrative Agent"), under which it maintains senior secured credit facilities currently consisting of a term loan (the "Tranche A Term Loan") and a revolving credit facility of \$2.0 billion (the "Revolving Credit Facility"). The Credit Agreement was entered into in March 2011 and has been subsequently amended and restated on several occasions, most recently on August 17, 2016. The 2016 amendment extended the maturity of

Table of Contents

the Revolving Credit Facility and the Tranche A Term Loan from 2018 to 2021, increased the capacity of the Revolving Credit Facility from \$1.5 billion to \$2.0 billion and permitted Aptiv PLC to act as a borrower on the Revolving Credit Facility.

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

As of September 30, 2018, there were no amounts drawn on the Revolving Credit Facility and approximately \$7 million in letters of credit issued under the Credit Agreement. Letters of credit issued under the Credit Agreement reduce availability under the Revolving Credit Facility. No amounts were drawn on the Revolving Credit Facility during the nine months ended September 30, 2018.

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

	September 30, 2018		December 31, 2017	
	LIBOR	ABR plus plus	LIBOR	ABR plus plus
Revolving Credit Facility	1.10%	0.10%	1.10%	0.10%
Tranche A Term Loan	1.25%	0.25%	1.25%	0.25%

The Applicable Rate under the Credit Agreement may increase or decrease from time to time based on changes in the Company's credit ratings. Accordingly, the interest rate will fluctuate during the term of the Credit Agreement based on changes in the ABR, LIBOR or future changes in the Company's corporate credit ratings. The Credit Agreement also requires that Aptiv pay certain facility fees on the Revolving Credit Facility and certain letter of credit issuance and fronting fees.

The interest rate period with respect to LIBOR interest rate options can be set at one-, two-, three-, or six-months as selected by Aptiv in accordance with the terms of the Credit Agreement (or other period as may be agreed by the applicable lenders). Aptiv may elect to change the selected interest rate option in accordance with the provisions of the Credit Agreement. As of September 30, 2018, Aptiv selected the one-month LIBOR interest rate option on the Tranche A Term Loan, and the rate effective as of September 30, 2018, as detailed in the table below, was based on the Company's current credit rating and the Applicable Rate for the Credit Agreement:

	Applicable Rate	(in millions)	Borrowings as of September 30, 2018	Rate effective as of September 30, 2018
Tranche A Term Loan	LIBOR plus 1.25%	\$ 390	3.4375	%

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

The Credit Agreement contains certain covenants that limit, among other things, the Company's (and the Company's subsidiaries') ability to incur certain additional indebtedness or liens or to dispose of substantially all of its assets. In addition, the Credit Agreement requires that the Company maintain a consolidated leverage ratio (the ratio of Consolidated Total Indebtedness to Consolidated EBITDA, each as defined in the Credit Agreement) of less than 3.50

to 1.0. The Credit Agreement also contains events of default customary for financings of this type. The Company was in compliance with the Credit Agreement covenants as of September 30, 2018.

As of September 30, 2018, all obligations under the Credit Agreement were borrowed by Aptiv Corporation and jointly and severally guaranteed by its direct and indirect parent companies, subject to certain exceptions set forth in the Credit Agreement. Refer to Note 19. Supplemental Guarantor and Non-Guarantor Condensed Consolidating Financial Statements to the consolidated financial statements contained herein for additional information.

Senior Unsecured Notes

On March 3, 2014, Aptiv Corporation issued \$700 million in aggregate principal amount of 4.15% senior unsecured notes due 2024 (the “2014 Senior Notes”) in a transaction registered under the Securities Act. The 2014 Senior Notes were priced at 99.649% of par, resulting in a yield to maturity of 4.193%. The proceeds were primarily utilized to redeem \$500 million of 5.875% senior unsecured notes due 2019 and to repay a portion of the Tranche A Term Loan. Aptiv paid approximately \$6

Table of Contents

million of issuance costs in connection with the 2014 Senior Notes. Interest is payable semi-annually on March 15 and September 15 of each year to holders of record at the close of business on March 1 or September 1 immediately preceding the interest payment date.

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

Derivatives and Hedging Activities to the consolidated financial statements contained herein for further information.

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

On September 15, 2016, Aptiv PLC issued €500 million in aggregate principal amount of 1.60% Euro-denominated senior unsecured notes due 2028 (the “2016 Euro-denominated Senior Notes”) in a transaction registered under the Securities Act. The 2016 Euro-denominated Senior Notes were priced at 99.881% of par, resulting in a yield to maturity of 1.611%. The proceeds, together with proceeds from the 2016 Senior Notes described below, were utilized to redeem the \$800 million of 5.00% senior unsecured notes due 2023. Aptiv incurred approximately \$4 million of issuance costs in connection with the 2016 Euro-denominated Senior Notes. Interest is payable annually on September 15. The Company has designated the 2016 Euro-denominated Senior Notes as a net investment hedge of the foreign currency exposure of its investments in certain Euro-denominated wholly-owned subsidiaries. Refer to Note 14.

Derivatives and Hedging Activities to the consolidated financial statements contained herein for further information.

On September 20, 2016, Aptiv PLC issued \$300 million in aggregate principal amount of 4.40% senior unsecured notes due 2046 (the “2016 Senior Notes”) in a transaction registered under the Securities Act. The 2016 Senior Notes were priced at 99.454% of par, resulting in a yield to maturity of 4.433%. The proceeds, together with proceeds from the 2016 Euro-denominated Senior Notes, were utilized to redeem the \$800 million of 5.00% senior unsecured notes due 2023. Aptiv incurred approximately \$3 million of issuance costs in connection with the 2016 Senior Notes. Interest is payable semi-annually on April 1 and October 1 of each year to holders of record at the close of business on March 15 or September 15 immediately preceding the interest payment date.

Although the specific terms of each indenture governing each series of senior notes vary, the indentures contain certain restrictive covenants, including with respect to Aptiv’s (and Aptiv’s subsidiaries) ability to incur liens, enter into sale and leaseback transactions and merge with or into other entities. As of September 30, 2018, the Company was in compliance with the provisions of all series of the outstanding senior notes.

The 2014 Senior Notes were issued by Aptiv Corporation. The 2014 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by Aptiv PLC and by certain of Aptiv PLC’s direct and indirect subsidiaries which are directly or indirectly 100% owned by Aptiv PLC, subject to customary release provisions (other than in the case of

Aptiv PLC). The 2015 Euro-denominated Senior Notes, 2015 Senior Notes, 2016 Euro-denominated Senior Notes and 2016 Senior Notes issued by Aptiv PLC are fully and unconditionally guaranteed, jointly and severally, by certain of Aptiv PLC's direct and indirect subsidiaries (including Aptiv Corporation), which are directly or indirectly 100% owned by Aptiv PLC, subject to customary release provisions. Refer to Note 19. Supplemental Guarantor and Non-Guarantor Condensed Consolidating Financial Statements to the consolidated financial statements contained herein for additional information.

Other Financing

Receivable factoring—Aptiv maintains a €300 million European accounts receivable factoring facility that is available on a committed basis. This facility is accounted for as short-term debt and borrowings are subject to the availability of eligible

Table of Contents

accounts receivable. Collateral is not required related to these trade accounts receivable. This program renews on a non-committed, indefinite basis unless terminated by either party. Borrowings bear interest at Euro Interbank Offered Rate (“EURIBOR”) plus 0.42% for borrowings denominated in Euros. No amounts were outstanding on the European accounts receivable factoring facility as of September 30, 2018 or December 31, 2017. The maximum amount drawn under the European facility during the nine months ended September 30, 2018 to manage working capital requirements was less than \$1 million.

Capital leases and other—As of September 30, 2018 and December 31, 2017, approximately \$34 million and \$42 million, respectively, of other debt primarily issued by certain non-U.S. subsidiaries and capital lease obligations were outstanding.

Government programs—Aptiv pursues manufacturing development and financial assistance incentive programs that may be awarded by government entities. Aptiv’s technology development programs are competitively awarded from agencies of the U.S. Federal Government, primarily from the U.S. Department of Energy (“DOE”). We received less than \$1 million from Federal agencies in the nine months ended September 30, 2018 for work performed. These programs supplement our internal research and development funds and directly support our product focus of Safe, Green and Connected. We continue to pursue technology development programs by bidding on competitively procured programs from the DOE, as well as the U.S. Department of Transportation (“DOT”). Some of these programs were bid with us being the lead or “Prime Contractor,” and some were bid with us as a “Subrecipient” to the Prime Contractor.

Cash Flows

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

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

Operating activities—Net cash provided by operating activities from continuing operations totaled \$890 million and \$685 million for the nine months ended September 30, 2018 and 2017, respectively. Cash flow from operating activities from continuing operations for the nine months ended September 30, 2018 consisted primarily of net earnings from continuing operations of \$850 million, increased by \$503 million for non-cash charges for depreciation, amortization and pension costs, partially offset by \$419 million related to changes in operating assets and liabilities, net of restructuring and pension contributions. Cash flow from operating activities from continuing operations for the nine months ended September 30, 2017 consisted primarily of net earnings from continuing operations of \$841 million, increased by \$423 million for non-cash charges for depreciation, amortization and pension costs, partially offset by \$612 million related to changes in operating assets and liabilities, including \$310 million paid to settle the Unsecured Creditors litigation, net of restructuring and pension contributions.

Investing activities—Net cash used in investing activities from continuing operations totaled \$1,169 million for the nine months ended September 30, 2018, as compared to \$576 million for the nine months ended September 30, 2017. The increase in usage is primarily attributable to \$512 million paid for business acquisitions during the nine months ended September 30, 2018, as compared to \$90 million paid for business acquisitions and technology investments during the nine months ended September 30, 2017. Additionally, capital expenditures increased \$181 million during the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017.

Financing activities—Net cash used in financing activities totaled \$482 million for the nine months ended September 30, 2018, as compared to net cash provided by financing activities of \$105 million for the nine months ended September 30, 2017. Cash flows used in financing activities for the nine months ended September 30, 2018 primarily included \$214 million paid to repurchase ordinary shares, \$175 million of dividend payments and \$13 million of contingent consideration and deferred acquisition purchase price payments. Cash flows provided by financing

activities for the nine months ended September 30, 2017 primarily included the proceeds received from the offering of the Spin-Off Senior Notes, partially offset by \$383 million paid to repurchase ordinary shares, \$233 million of dividend payments and \$24 million of contingent consideration and deferred acquisition purchase price payments.

Table of Contents

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 I, 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, 2018.

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, 2017. As described in the Form 10-K, we have currency exposures related to buying, selling and financing in currencies other than the local functional currencies in which we operate ("transactional exposure"). We also have currency exposures related to the translation of the financial statements of our non-U.S. subsidiaries that use the local currency as their functional currency into U.S. dollars, the Company's reporting currency ("translational exposure"). As described in Note 14. Derivatives and Hedging Activities to the unaudited consolidated financial statements included in Part I, Item 1 of this report, to manage this risk the Company designates certain qualifying instruments as net investment hedges of certain non-U.S. subsidiaries. The effective portion of the gains or losses on instruments designated as net investment hedges are recognized within the cumulative translation adjustment component of OCI to offset changes in the value of the net investment in these foreign currency-denominated operations.

ITEM 4. CONTROLS AND PROCEDURES

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

Disclosure Controls and Procedures

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

As of September 30, 2018, the Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated, for disclosure purposes, the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that the desired control objectives were achieved as of September 30, 2018.

Changes in Internal Control over Financial Reporting

There were no material changes in the Company's internal controls over financial reporting during the nine months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time to time subject to various actions, claims, suits, government investigations, and other proceedings incidental to our business, including those arising out of alleged defects, breach of contracts, competition and antitrust matters, product warranties, intellectual property matters, personal injury claims and employment-related matters. For a description of risks related to various legal proceedings and claims, see Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2017. 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, 2017.

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, 2018, is shown below:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (in millions) (3)
July 1, 2018 to July 31, 2018	63,694	\$ 91.25	63,694	\$ 830
August 1, 2018 to August 31, 2018	—	—	—	830
September 1, 2018 to September 30, 2018	729,730	85.63	729,730	767
Total	793,424	86.08	793,424	

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

(2) Excluding commissions.

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

Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	<u>Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer*</u>
31.2	<u>Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer*</u>
32.1	<u>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*</u>
32.2	<u>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*</u>
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.

Table of Contents

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.

APTIV PLC

/s/ Joseph R. Massaro

By: Joseph R. Massaro

Senior Vice President and

Chief Financial Officer

Dated: October 31, 2018

81