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Aptiv PLC

Form 10-Q

May 02, 2019

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 iso4217:KRW

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

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**FORM 10-Q**

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

**For the quarterly period ended March 31, 2019**

**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**

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**APTIV PLC**

**(Exact name of registrant as specified in its charter)**

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

**5 Hanover Quay**

**Grand Canal Dock**

**Dublin, D02 VY79, 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)

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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, a 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 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 ☒

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                         | Trading symbol(s) | Name of each exchange on which registered |
|---------------------------------------------|-------------------|-------------------------------------------|
| Ordinary Shares. \$0.01 par value per share | APTIV             | New York Stock Exchange                   |

The number of the registrant's ordinary shares outstanding, \$0.01 par value per share as of April 26, 2019, was 257,835,355.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****APTIV PLC****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

**Three Months  
Ended March 31,  
2019      2018**

**(in millions, except  
per share amounts)**

|                                                       |         |         |
|-------------------------------------------------------|---------|---------|
| Net sales                                             | \$3,575 | \$3,630 |
| Operating expenses:                                   |         |         |
| Cost of sales                                         | 2,962   | 2,947   |
| Selling, general and administrative                   | 256     | 259     |
| Amortization                                          | 34      | 30      |
| Restructuring (Note 7)                                | 26      | 20      |
| Total operating expenses                              | 3,278   | 3,256   |
| Operating income                                      | 297     | 374     |
| Interest expense                                      | (38)    | (34)    |
| Other income, net (Note 16)                           | 16      | 30      |
| Income before income taxes and equity income          | 275     | 370     |
| Income tax expense                                    | (33)    | (59)    |
| Income before equity income                           | 242     | 311     |
| Equity income, net of tax                             | 3       | 5       |
| Net income                                            | 245     | 316     |
| Net income attributable to noncontrolling interest    | 5       | 9       |
| Net income attributable to Aptiv                      | \$240   | \$307   |
| Basic net income per share:                           |         |         |
| Basic net income per share attributable to Aptiv      | \$0.93  | \$1.16  |
| Weighted average number of basic shares outstanding   | 259.08  | 265.69  |
| Diluted net income per share:                         |         |         |
| Diluted net income per share attributable to Aptiv    | \$0.92  | \$1.15  |
| Weighted average number of diluted shares outstanding | 259.55  | 266.44  |
| See notes to consolidated financial statements.       |         |         |

Table of Contents**APTIV PLC****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

|                                                                                        | Three Months Ended March 31,<br>2019 | 2018   |
|----------------------------------------------------------------------------------------|--------------------------------------|--------|
|                                                                                        | (in millions)                        |        |
| Net income                                                                             | \$ 245                               | \$ 316 |
| Other comprehensive income:                                                            |                                      |        |
| Currency translation adjustments                                                       | 1                                    | 61     |
| Net change in unrecognized gain (loss) on derivative instruments, net of tax (Note 14) | 19                                   | (23 )  |
| Employee benefit plans adjustment, net of tax                                          | 2                                    | 1      |
| Other comprehensive income                                                             | 22                                   | 39     |
| Comprehensive income                                                                   | 267                                  | 355    |
| Comprehensive income attributable to noncontrolling interests                          | 6                                    | 13     |
| Comprehensive income attributable to Aptiv                                             | \$ 261                               | \$ 342 |
| See notes to consolidated financial statements.                                        |                                      |        |

Table of Contents**APTIV PLC  
CONSOLIDATED BALANCE SHEETS**

|                                                                                                                                                                                           | March 31,<br>2019<br>(Unaudited) | December 31,<br>2018 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------|
|                                                                                                                                                                                           | (in millions)                    |                      |
| <b>ASSETS</b>                                                                                                                                                                             |                                  |                      |
| Current assets:                                                                                                                                                                           |                                  |                      |
| Cash and cash equivalents                                                                                                                                                                 | \$ 321                           | \$ 567               |
| Restricted cash                                                                                                                                                                           | 1                                | 1                    |
| Accounts receivable, net                                                                                                                                                                  | 2,736                            | 2,487                |
| Inventories (Note 3)                                                                                                                                                                      | 1,326                            | 1,277                |
| Other current assets (Note 4)                                                                                                                                                             | 435                              | 445                  |
| Total current assets                                                                                                                                                                      | 4,819                            | 4,777                |
| Long-term assets:                                                                                                                                                                         |                                  |                      |
| Property, net                                                                                                                                                                             | 3,218                            | 3,179                |
| Operating lease right-of-use assets (Note 22)                                                                                                                                             | 434                              | —                    |
| Investments in affiliates                                                                                                                                                                 | 102                              | 99                   |
| Intangible assets, net (Note 2)                                                                                                                                                           | 1,334                            | 1,380                |
| Goodwill (Note 2)                                                                                                                                                                         | 2,503                            | 2,524                |
| Other long-term assets (Note 4)                                                                                                                                                           | 609                              | 521                  |
| Total long-term assets                                                                                                                                                                    | 8,200                            | 7,703                |
| Total assets                                                                                                                                                                              | \$ 13,019                        | \$ 12,480            |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                                                                                               |                                  |                      |
| Current liabilities:                                                                                                                                                                      |                                  |                      |
| Short-term debt (Note 8)                                                                                                                                                                  | \$ 542                           | \$ 306               |
| Accounts payable                                                                                                                                                                          | 2,340                            | 2,334                |
| Accrued liabilities (Note 5)                                                                                                                                                              | 1,132                            | 1,054                |
| Total current liabilities                                                                                                                                                                 | 4,014                            | 3,694                |
| Long-term liabilities:                                                                                                                                                                    |                                  |                      |
| Long-term debt (Note 8)                                                                                                                                                                   | 3,995                            | 4,038                |
| Pension benefit obligations                                                                                                                                                               | 440                              | 445                  |
| Long-term operating lease liabilities (Note 22)                                                                                                                                           | 350                              | —                    |
| Other long-term liabilities (Note 5)                                                                                                                                                      | 585                              | 633                  |
| Total long-term liabilities                                                                                                                                                               | 5,370                            | 5,116                |
| Total liabilities                                                                                                                                                                         | 9,384                            | 8,810                |
| 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, 257,840,184 and 259,991,022 issued and outstanding as of March 31, 2019 and December 31, 2018, respectively | 3                                | 3                    |
| Additional paid-in-capital                                                                                                                                                                | 1,606                            | 1,639                |
| Retained earnings                                                                                                                                                                         | 2,491                            | 2,511                |
| Accumulated other comprehensive loss (Note 13)                                                                                                                                            | (682)                            | (694)                |
| Total Aptiv shareholders' equity                                                                                                                                                          | 3,418                            | 3,459                |
| Noncontrolling interest                                                                                                                                                                   | 217                              | 211                  |
| Total shareholders' equity                                                                                                                                                                | 3,635                            | 3,670                |

Total liabilities and shareholders' equity

\$13,019 \$ 12,480

See notes to consolidated financial statements.



Table of Contents**APTIV PLC****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

|                                                                                    | <b>Three Months<br/>Ended March<br/>31,<br/>2019 2018</b> |        |
|------------------------------------------------------------------------------------|-----------------------------------------------------------|--------|
|                                                                                    | <b>(in millions)</b>                                      |        |
| Cash flows from operating activities:                                              |                                                           |        |
| Net income                                                                         | \$245                                                     | \$316  |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                                                           |        |
| Depreciation                                                                       | 139                                                       | 125    |
| Amortization                                                                       | 34                                                        | 30     |
| Amortization of deferred debt issuance costs                                       | 2                                                         | 2      |
| Restructuring expense, net of cash paid                                            | (5 )                                                      | (16 )  |
| Deferred income taxes                                                              | 4                                                         | (7 )   |
| Pension and other postretirement benefit expenses                                  | 10                                                        | 11     |
| Income from equity method investments, net of dividends received                   | (3 )                                                      | (5 )   |
| Loss on extinguishment of debt                                                     | 6                                                         | —      |
| Share-based compensation                                                           | 15                                                        | 13     |
| Changes in operating assets and liabilities:                                       |                                                           |        |
| Accounts receivable, net                                                           | (249 )                                                    | (206 ) |
| Inventories                                                                        | (49 )                                                     | (119 ) |
| Other assets                                                                       | (45 )                                                     | (49 )  |
| Accounts payable                                                                   | 53                                                        | 140    |
| Accrued and other long-term liabilities                                            | (35 )                                                     | 2      |
| Other, net                                                                         | (30 )                                                     | (40 )  |
| Pension contributions                                                              | (8 )                                                      | (11 )  |
| Net cash provided by operating activities from continuing operations               | 84                                                        | 186    |
| Net cash used in operating activities from discontinued operations                 | —                                                         | (31 )  |
| Net cash provided by operating activities                                          | 84                                                        | 155    |
| Cash flows from investing activities:                                              |                                                           |        |
| Capital expenditures                                                               | (235 )                                                    | (243 ) |
| Proceeds from sale of property / investments                                       | 3                                                         | 3      |
| Cost of business acquisitions, net of cash acquired                                | 2                                                         | —      |
| Deposit for acquisition of KUM                                                     | —                                                         | (5 )   |
| Cost of technology investments                                                     | (3 )                                                      | —      |
| Settlement of derivatives                                                          | (2 )                                                      | —      |
| Net cash used in investing activities                                              | (235 )                                                    | (245 ) |
| Cash flows from financing activities:                                              |                                                           |        |
| Net proceeds under other short-term debt agreements                                | 229                                                       | 35     |
| Repayment of senior notes                                                          | (654 )                                                    | —      |
| Proceeds from issuance of senior notes, net of issuance costs                      | 643                                                       | —      |
| Repurchase of ordinary shares                                                      | (226 )                                                    | (149 ) |
| Distribution of cash dividends                                                     | (57 )                                                     | (59 )  |
| Taxes withheld and paid on employees' restricted share awards                      | (34 )                                                     | (32 )  |
| Net cash used in financing activities                                              | (99 )                                                     | (205 ) |
| Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash | 4                                                         | 44     |

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|                                                                       |        |          |
|-----------------------------------------------------------------------|--------|----------|
| Decrease in cash, cash equivalents and restricted cash                | (246 ) | (251 )   |
| Cash, cash equivalents and restricted cash at beginning of the period | 568    | 1,597    |
| Cash, cash equivalents and restricted cash at end of the period       | \$ 322 | \$ 1,346 |
| See notes to consolidated financial statements.                       |        |          |

Table of Contents**APTIV PLC****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)**

|                                                                    | Ordinary<br>Shares     |        | Additional<br>Paid in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total Aptiv<br>Shareholders'<br>Equity | Noncontrolling<br>Interest | Total<br>Shareholders'<br>Equity |
|--------------------------------------------------------------------|------------------------|--------|----------------------------------|----------------------|-----------------------------------------------|----------------------------------------|----------------------------|----------------------------------|
|                                                                    | Number<br>of<br>Shares | Amount |                                  |                      |                                               |                                        |                            |                                  |
|                                                                    | (in millions)          |        |                                  |                      |                                               |                                        |                            |                                  |
| Balance at January 1, 2019                                         | 260                    | \$ 3   | \$ 1,639                         | \$ 2,511             | \$ (694 )                                     | \$ 3,459                               | \$ 211                     | \$ 3,670                         |
| Net income                                                         | —                      | —      | —                                | 240                  | —                                             | 240                                    | 5                          | 245                              |
| Other comprehensive income                                         | —                      | —      | —                                | —                    | 21                                            | 21                                     | 1                          | 22                               |
| Dividends on ordinary shares                                       | —                      | —      | 1                                | (58 )                | —                                             | (57 )                                  | —                          | (57 )                            |
| Taxes withheld on employees' restricted share award vestings       | —                      | —      | (34 )                            | —                    | —                                             | (34 )                                  | —                          | (34 )                            |
| Repurchase of ordinary shares                                      | (3 )                   | —      | (15 )                            | (211 )               | —                                             | (226 )                                 | —                          | (226 )                           |
| Share-based compensation                                           | 1                      | —      | 15                               | —                    | —                                             | 15                                     | —                          | 15                               |
| Adjustment for recently adopted accounting pronouncements (Note 2) | —                      | —      | —                                | 9                    | (9 )                                          | —                                      | —                          | —                                |
| Balance at March 31, 2019                                          | 258                    | \$ 3   | \$ 1,606                         | \$ 2,491             | \$ (682 )                                     | \$ 3,418                               | \$ 217                     | \$ 3,635                         |
|                                                                    | Ordinary<br>Shares     |        | Additional<br>Paid in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total Aptiv<br>Shareholders'<br>Equity | Noncontrolling<br>Interest | Total<br>Shareholders'<br>Equity |
|                                                                    | Number<br>of<br>Shares | Amount |                                  |                      |                                               |                                        |                            |                                  |
|                                                                    | (in millions)          |        |                                  |                      |                                               |                                        |                            |                                  |
| Balance at January 1, 2018                                         | 266                    | \$ 3   | \$ 1,649                         | \$ 2,118             | \$ (471 )                                     | \$ 3,299                               | \$ 218                     | \$ 3,517                         |
| Net income                                                         | —                      | —      | —                                | 307                  | —                                             | 307                                    | 9                          | 316                              |
| Other comprehensive income                                         | —                      | —      | —                                | —                    | 35                                            | 35                                     | 4                          | 39                               |
| Taxes withheld on employees' restricted share award vestings       | —                      | —      | (32 )                            | —                    | —                                             | (32 )                                  | —                          | (32 )                            |
| Repurchase of ordinary shares                                      | (2 )                   | —      | (8 )                             | (141 )               | —                                             | (149 )                                 | —                          | (149 )                           |
| Share-based compensation                                           | 1                      | —      | 13                               | —                    | —                                             | 13                                     | —                          | 13                               |
| Distribution of Delphi Technologies                                | —                      | —      | —                                | 3                    | —                                             | 3                                      | —                          | 3                                |
| Adjustment for recently adopted accounting pronouncements          | —                      | —      | —                                | (9 )                 | —                                             | (9 )                                   | —                          | (9 )                             |
| Balance at March 31, 2018                                          | 265                    | \$ 3   | \$ 1,622                         | \$ 2,278             | \$ (436 )                                     | \$ 3,467                               | \$ 231                     | \$ 3,698                         |

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 formed under the laws of Jersey on May 19, 2011 as Delphi Automotive PLC, which, through 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, 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 PLC 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.”

In April 2018, primarily as a result of the impact of the Separation on the Company’s United Kingdom (“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 continues to be subject to United States (“U.S.”) Securities and Exchange Commission reporting requirements and prepare its consolidated 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 2018 Annual Report on Form 10-K.

**Nature of operations**—Aptiv is a leading global technology and mobility company primarily serving the automotive sector. We design and manufacture vehicle components and provide electrical, electronic and active safety technology solutions to the global automotive and commercial vehicle markets. 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.

Investments in non-consolidated affiliates totaled \$94 million and \$72 million as of March 31, 2019 and December 31, 2018, respectively, and are classified within other long-term assets in the consolidated balance sheet.

**Use of estimates**—Preparation of consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect amounts reported therein. Generally, matters subject to estimation and judgment include amounts related to accounts receivable realization, inventory obsolescence, asset impairments, useful lives of intangible and fixed assets, deferred tax asset valuation allowances, income taxes, pension benefit plan assumptions, accruals related to litigation, warranty costs, environmental remediation costs, contingent consideration arrangements, worker's compensation

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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**—Aptiv recognizes revenue in accordance with ASU 2014-09, *Revenue from Contracts with Customers*. Refer to Note 21. 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 \$1,334 million and \$1,380 million as of March 31, 2019 and December 31, 2018, 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 \$34 million and \$30 million and for the three months ended March 31, 2019 and 2018, respectively.

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

The impairment test involves first qualitatively assessing goodwill for impairment. If the qualitative assessment is not met the Company then performs a quantitative assessment by first comparing the estimated fair value of each reporting unit to its carrying value, including goodwill. Fair value reflects the price a market participant would be willing to pay in a potential sale of the reporting unit. If the estimated fair value exceeds carrying value, then we

conclude that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its estimated fair value, a second step is required to measure possible goodwill impairment loss. The second step includes hypothetically valuing the tangible and intangible assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying value of that goodwill. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, the Company recognizes an impairment loss in an amount equal to the excess, not to exceed the carrying value. There were no indicators of potential goodwill impairment during the three months ended March 31, 2019. Goodwill was \$2,503 million and \$2,524 million as of March 31, 2019 and December 31, 2018, 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

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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 PLC. As a result of the spin-off, Aptiv recorded certain short-term assets and liabilities within the consolidated balance sheets as of March 31, 2018 and December 31, 2017 related to various agreements entered into in connection with the spin-off. The changes in these short-term assets and liabilities are reflected within operating activities from discontinued operations in the consolidated statement of cash flows for the three months ended March 31, 2018.

**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, net sales to General Motors Company ("GM") and Volkswagen Group ("VW"), Aptiv's two largest customers, totaled approximately 18% and 19% of our total net sales for the three months ended March 31, 2019 and 2018, respectively.

| Percentage of<br>Total Net<br>Sales<br>Three<br>Months<br>Ended March<br>31,<br>2019 2018 | Accounts and Other<br>Receivables |                      |
|-------------------------------------------------------------------------------------------|-----------------------------------|----------------------|
|                                                                                           | March 31,<br>2019                 | December 31,<br>2018 |



(in millions)

GM 10% 11% \$252 \$ 169

VW 8 % 8 % 134 149

**Recently adopted accounting pronouncements**—Aptiv adopted ASU 2016-02, *Leases*, in the first quarter of 2019 using the optional transition method. This guidance requires lessees to recognize a lease liability and a right-of-use asset for all leases, with the exception of short-term leases with terms of twelve months or less. The lease liability represents the lessee’s obligation to make lease payments arising from a lease, and is 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 is measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee’s initial direct costs. Under the optional transition method, the Company’s reporting for the comparative periods in the consolidated financial statements will continue to be in accordance with ASC Topic 840, *Leases* (“ASC 840”). The adoption of this guidance resulted in the recording of operating lease right-of-use assets and operating lease liabilities to the consolidated balance sheet as of March 31, 2019 and did not have a significant impact on the Company’s results of operations or cash flows.

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As permitted by ASU 2016-02, Aptiv elected to apply the package of practical expedients allowing the Company to not reassess whether any expired or existing contracts are, or contain, leases, the lease classification for any expired or existing leases or initial direct costs for any expired or existing leases. Aptiv did not elect to apply the hindsight practical expedient allowing the Company to use hindsight when determining the lease term (i.e., evaluating the Company's option to renew or terminate the lease or to purchase the underlying asset) and assessing impairment of expired or existing leases. Aptiv elected to apply the land easements practical expedient allowing the Company to not assess whether any expired or existing land easements are, or contain, leases if they were not previously accounted for as leases under ASC 840. Instead, Aptiv will continue to apply its existing accounting policies to historical land easements. Aptiv also elected to apply the short-term lease exception, therefore Aptiv will not record a right-of-use asset or corresponding lease liability for leases with a term of twelve months or less and instead will recognize a single lease cost allocated over the lease term, generally on a straight-line basis. Additionally, Aptiv elected the practical expedient to not separate lease components from non-lease components and instead accounts for both as a single lease component for all asset classes. Refer to Note 22. Leases for additional information.

Aptiv adopted ASU 2017-12, *Derivatives and Hedging—Targeted Improvements to Accounting for Hedging Activities*, in the first quarter of 2019. This guidance 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 adoption of this guidance did not have a significant impact on Aptiv's financial statements. Refer to Note 14. Derivatives and Hedging Activities for further information regarding derivatives.

Aptiv adopted ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, in the first quarter of 2019. This guidance allows for the elimination of the stranded income tax effects resulting from the enactment of the Tax Cuts and Jobs Act (the "Tax Legislation") through a reclassification from accumulated other comprehensive income ("OCI") to retained earnings. Upon adoption, Aptiv recorded an increase to retained earnings of \$9 million and a corresponding decrease to accumulated OCI during the three months ended March 31, 2019.

**Recently issued accounting pronouncements not yet adopted**—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 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 estimated 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.

### 3. INVENTORIES

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

March 31, December 31,  
2019 2018

(in millions)

|                     |         |          |
|---------------------|---------|----------|
| Productive material | \$761   | \$ 724   |
| Work-in-process     | 107     | 101      |
| Finished goods      | 458     | 452      |
| Total               | \$1,326 | \$ 1,277 |

Table of Contents**4. ASSETS**

Other current assets consisted of the following:

|                                            | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--------------------------------------------|---------------------------|------------------------------|
| <b>(in millions)</b>                       |                           |                              |
| Value added tax receivable                 | \$ 195                    | \$ 185                       |
| Prepaid insurance and other expenses       | 86                        | 72                           |
| Reimbursable engineering costs             | 44                        | 47                           |
| Notes receivable                           | 35                        | 43                           |
| Income and other taxes receivable          | 42                        | 73                           |
| Deposits to vendors                        | 7                         | 4                            |
| Derivative financial instruments (Note 14) | 5                         | 6                            |
| Capitalized upfront fees (Note 21)         | 15                        | 8                            |
| Other                                      | 6                         | 7                            |
| <b>Total</b>                               | <b>\$ 435</b>             | <b>\$ 445</b>                |

Other long-term assets consisted of the following:

|                                                                    | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--------------------------------------------------------------------|---------------------------|------------------------------|
| <b>(in millions)</b>                                               |                           |                              |
| Deferred income taxes, net                                         | \$ 152                    | \$ 143                       |
| Unamortized Revolving Credit Facility debt issuance costs (Note 8) | 5                         | 6                            |
| Income and other taxes receivable                                  | 27                        | 6                            |
| Reimbursable engineering costs                                     | 166                       | 137                          |
| Value added tax receivable                                         | 39                        | 38                           |
| Equity investments (Note 17)                                       | 94                        | 72                           |
| Derivative financial instruments (Note 14)                         | 4                         | 2                            |
| Capitalized upfront fees (Note 21)                                 | 67                        | 64                           |
| Other                                                              | 55                        | 53                           |
| <b>Total</b>                                                       | <b>\$ 609</b>             | <b>\$ 521</b>                |



Table of Contents**5. LIABILITIES**

Accrued liabilities consisted of the following:

|                                                          | <b>March 31, December 31,</b> |             |
|----------------------------------------------------------|-------------------------------|-------------|
|                                                          | <b>2019</b>                   | <b>2018</b> |
|                                                          | <b>(in millions)</b>          |             |
| Payroll-related obligations                              | \$241                         | \$ 235      |
| Employee benefits, including current pension obligations | 55                            | 96          |
| Income and other taxes payable                           | 189                           | 187         |
| Warranty obligations (Note 6)                            | 30                            | 33          |
| Restructuring (Note 7)                                   | 59                            | 55          |
| Customer deposits                                        | 61                            | 36          |
| Derivative financial instruments (Note 14)               | 8                             | 19          |
| Accrued interest                                         | 24                            | 42          |
| Deferred compensation related to nuTonomy acquisition    | 38                            | 31          |
| Operating lease liabilities (Note 22)                    | 93                            | —           |
| Other                                                    | 334                           | 320         |
| Total                                                    | \$1,132                       | \$ 1,054    |

Other long-term liabilities consisted of the following:

|                                                       | <b>March 31, December 31,</b> |             |
|-------------------------------------------------------|-------------------------------|-------------|
|                                                       | <b>2019</b>                   | <b>2018</b> |
|                                                       | <b>(in millions)</b>          |             |
| Environmental (Note 10)                               | \$4                           | \$ 3        |
| Extended disability benefits                          | 5                             | 5           |
| Warranty obligations (Note 6)                         | 17                            | 17          |
| Restructuring (Note 7)                                | 39                            | 49          |
| Payroll-related obligations                           | 10                            | 10          |
| Accrued income taxes                                  | 170                           | 201         |
| Deferred income taxes, net                            | 242                           | 233         |
| Derivative financial instruments (Note 14)            | 3                             | 9           |
| Deferred compensation related to nuTonomy acquisition | 22                            | 18          |
| Other                                                 | 73                            | 88          |
| Total                                                 | \$585                         | \$ 633      |

**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 March 31, 2019. The Company estimates the reasonably possible amount to ultimately resolve all matters in excess of the recorded reserves as of March 31, 2019 to be zero to \$15 million.



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The table below summarizes the activity in the product warranty liability for the three months ended March 31, 2019:

|                                                               | Warranty<br>Obligations |
|---------------------------------------------------------------|-------------------------|
|                                                               | (in millions)           |
| Accrual balance at beginning of period                        | \$ 50                   |
| Provision for estimated warranties incurred during the period | 8                       |
| Changes in estimate for pre-existing warranties               | —                       |
| Settlements made during the period (in cash or in kind)       | (11 )                   |
| Foreign currency translation and other                        | —                       |
| Accrual balance at end of period                              | \$ 47                   |

## 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. The Company recorded employee-related and other restructuring charges related to these programs totaling approximately \$26 million during the three months ended March 31, 2019, of which \$7 million was 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.

During the three months ended March 31, 2018, Aptiv recorded employee-related and other restructuring charges totaling approximately \$20 million, of which \$12 million was 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 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 \$31 million and \$36 million in the three months ended March 31, 2019 and 2018, respectively.

The following table summarizes the restructuring charges recorded for the three months ended March 31, 2019 and 2018 by operating segment:

|                                     | Three<br>Months<br>Ended<br>March 31,<br>2019 | 2018 |
|-------------------------------------|-----------------------------------------------|------|
|                                     | (in<br>millions)                              |      |
| Signal and Power Solutions          | \$19                                          | \$18 |
| Advanced Safety and User Experience | 7                                             | 2    |
| Total                               | \$26                                          | \$20 |

The table below summarizes the activity in the restructuring liability for the three months ended March 31, 2019:

| Employee<br>Termination<br>Costs | Other Exit<br>Costs | Total<br>Liability |
|----------------------------------|---------------------|--------------------|
|----------------------------------|---------------------|--------------------|



**Benefits  
Liability**

(in millions)

|                                                             |       |    |        |
|-------------------------------------------------------------|-------|----|--------|
| Accrual balance at January 1, 2019                          | \$104 | \$ | —\$104 |
| Provision for estimated expenses incurred during the period | 26    | —  | 26     |
| Payments made during the period                             | (31 ) | —  | (31 )  |
| Foreign currency and other                                  | (1 )  | —  | (1 )   |
| Accrual balance at March 31, 2019                           | \$98  | \$ | —\$98  |

Table of Contents**8. DEBT**

The following is a summary of debt outstanding, net of unamortized issuance costs and discounts, as of March 31, 2019 and December 31, 2018, respectively:

|                                                                                                                                       | March 31,<br>2019 | December 31,<br>2018 |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
|                                                                                                                                       | (in millions)     |                      |
| Accounts receivable factoring                                                                                                         | \$ 335            | \$ 279               |
| Revolving Credit Facility                                                                                                             | 175               | —                    |
| 3.15%, senior notes, due 2020 (net of \$0 and \$1 unamortized issuance costs and \$0 and \$1 discount, respectively)                  | —                 | 648                  |
| 4.15%, senior notes, due 2024 (net of \$3 and \$3 unamortized issuance costs and \$1 and \$1 discount, respectively)                  | 696               | 696                  |
| 1.50%, Euro-denominated senior notes, due 2025 (net of \$3 and \$3 unamortized issuance costs and \$2 and \$3 discount, respectively) | 782               | 795                  |
| 4.25%, senior notes, due 2026 (net of \$3 and \$3 unamortized issuance costs, respectively)                                           | 647               | 647                  |
| 1.60%, Euro-denominated senior notes, due 2028 (net of \$3 and \$3 unamortized issuance costs and \$1 and \$1 discount, respectively) | 558               | 568                  |
| 4.35%, senior notes, due 2029 (net of \$2 and \$0 unamortized issuance costs, respectively)                                           | 298               | —                    |
| 4.40%, senior notes, due 2046 (net of \$3 and \$3 unamortized issuance costs and \$2 and \$2 discount, respectively)                  | 295               | 295                  |
| 5.40%, senior notes, due 2049 (net of \$3 and \$0 unamortized issuance costs and \$2 and \$0 discount, respectively)                  | 345               | —                    |
| Tranche A Term Loan, due 2021 (net of \$1 and \$1 unamortized issuance costs, respectively)                                           | 379               | 384                  |
| Finance leases and other                                                                                                              | 27                | 32                   |
| Total debt                                                                                                                            | 4,537             | 4,344                |
| Less: current portion                                                                                                                 | (542 )            | (306 )               |
| Long-term debt                                                                                                                        | \$ 3,995          | \$ 4,038             |

**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 unsecured 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 March 31, 2019, \$175 million was outstanding under the Revolving Credit Facility and less than \$1 million in letters of credit were 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:

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|                           | March 31, 2019 |          | December 31, 2018 |          |
|---------------------------|----------------|----------|-------------------|----------|
|                           | 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 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 March 31, 2019, Aptiv selected the one-month LIBOR interest rate option on the Tranche A Term Loan, and the rate effective as of March 31, 2019, as detailed in the table below, was based on the Company's current credit rating and the Applicable Rate for the Credit Agreement:

|                           |                  | Borrowings<br>as of<br>March 31,<br>2019<br>(in<br>millions) |      | Rates effective<br>as of<br>March 31,<br>2019 |  |
|---------------------------|------------------|--------------------------------------------------------------|------|-----------------------------------------------|--|
| Applicable Rate           |                  |                                                              |      |                                               |  |
| Revolving Credit Facility | ABR plus 0.10%   | \$ 25                                                        | 5.60 | %                                             |  |
| Revolving Credit Facility | LIBOR plus 1.10% | \$ 150                                                       | 3.60 | %                                             |  |
| Tranche A Term Loan       | LIBOR plus 1.25% | \$ 380                                                       | 3.75 | %                                             |  |

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 March 31, 2019.

As of March 31, 2019, 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 of 1933, as amended (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,

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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 was 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. In March 2019, Aptiv redeemed for cash the entire \$650 million aggregate principal amount outstanding of the 3.15% Senior Notes, financed by the proceeds received from the issuance of the 2019 Senior Notes, as defined below. As a result of the redemption of the 3.15% Senior Notes, Aptiv recognized a loss on debt extinguishment of approximately \$6 million during the three months ended March 31, 2019 within other expense, net in the consolidated statement of operations.

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.

On March 14, 2019, Aptiv PLC issued \$650 million in aggregate principal amount of senior unsecured notes in a transaction registered under the Securities Act, comprised of \$300 million of 4.35% senior unsecured notes due 2029 (the “4.35% Senior Notes”) and \$350 million of 5.40% senior unsecured notes due 2049 (the “5.40% Senior Notes”) (collectively, the “2019 Senior Notes”). The 4.35% Senior Notes were priced at 99.879% of par, resulting in a yield to maturity of 4.365%, and the 5.40% Senior Notes were priced at 99.558% of par, resulting in a yield to maturity of 5.430%. The proceeds were utilized to redeem the 3.15% Senior Notes. Aptiv incurred approximately \$5 million of issuance costs in connection with the 2019 Senior Notes. Interest on the 2019 Senior Notes is payable semi-annually on March 15 and September 15 of each year to holders of record at the close of business on March 1 or September 1 immediately preceding the interest payment date.

Although the specific terms of each indenture governing each series of senior notes vary, the indentures contain certain restrictive covenants, including with respect to 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 March 31, 2019, the Company was in compliance with the provisions of all series of the outstanding senior notes.

The 2014 Senior Notes issued by Aptiv Corporation 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, 4.25% Senior Notes, 2016 Euro-denominated Senior Notes, 2016 Senior Notes and

2019 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. The rate effective on amounts outstanding as of March 31,

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2019 was 0.42%. As of March 31, 2019 and December 31, 2018, Aptiv had \$335 million and \$279 million, respectively, outstanding on the European accounts receivable factoring facility.

*Finance leases and other*—As of March 31, 2019 and December 31, 2018, approximately \$27 million and \$32 million, respectively, of other debt primarily issued by certain non-U.S. subsidiaries and finance lease obligations were outstanding.

*Interest*—Cash paid for interest related to debt outstanding totaled \$55 million and \$45 million for the three months ended March 31, 2019 and 2018, respectively.

*Letter of credit facilities*—In addition to the letters of credit issued under the Credit Agreement, Aptiv had approximately \$2 million and \$2 million outstanding through other letter of credit facilities as of March 31, 2019 and December 31, 2018, respectively, primarily to support arrangements and other obligations at certain of its subsidiaries.

## 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 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.

The amounts shown below reflect the defined benefit pension expense for the three months ended March 31, 2019 and 2018:

|                                  | Non-U.S. Plans                  |      | U.S. Plans |      |
|----------------------------------|---------------------------------|------|------------|------|
|                                  | Three Months Ended<br>March 31, |      |            |      |
|                                  | 2019                            | 2018 | 2019       | 2018 |
|                                  | (in millions)                   |      |            |      |
| Service cost                     | \$5                             | \$5  | \$—        | —    |
| Interest cost                    | 7                               | 7    | —          | —    |
| Expected return on plan assets   | (5)                             | (6)  | —          | —    |
| Curtailment loss                 | —                               | 1    | —          | —    |
| Amortization of actuarial losses | 3                               | 4    | —          | —    |
| Net periodic benefit cost        | \$10                            | \$11 | \$—        | —    |

Other postretirement benefit obligations were approximately \$3 million and \$3 million at March 31, 2019 and December 31, 2018, 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.

**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

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regarding the application of these laws to particular circumstances. As of March 31, 2019, 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 March 31, 2019, claims totaling approximately \$145 million (using March 31, 2019 foreign currency rates) have been asserted against Aptiv in Brazil. As of March 31, 2019, the Company maintains accruals for these asserted claims of \$30 million (using March 31, 2019 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 \$115 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 March 31, 2019 and December 31, 2018, the undiscounted reserve for environmental investigation and remediation was approximately \$5 million (of which \$1 million was recorded in accrued liabilities and \$4 million was recorded in other long-term liabilities) and \$4 million (of which \$1 million was recorded in accrued liabilities and \$3 million 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 March 31, 2019, the difference between the recorded liabilities and the reasonably possible range of potential loss was not material.

**11. INCOME TAXES**

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

The Company's income tax expense and effective tax rate for the three months ended March 31, 2019 and 2018 were as follows:

| Three Months<br>Ended March 31, |      |
|---------------------------------|------|
| 2019                            | 2018 |

|                    |                          |      |
|--------------------|--------------------------|------|
|                    | (dollars in<br>millions) |      |
| Income tax expense | \$33                     | \$59 |
| Effective tax rate | 12 %                     | 16 % |

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 favorable changes in geographic income mix in 2019 as compared to 2018, primarily due to changes in the underlying business operations and the receipt of certain tax incentives and holidays that reduced the effective tax rate for certain subsidiaries below the statutory rate during the three months ended March 31, 2019.

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The Company's effective tax rate for the three months ended March 31, 2019 also includes net discrete tax benefits of \$10 million, primarily related to changes in reserves and provision to return adjustments. The effective tax rate for the three months ended March 31, 2018 includes net discrete tax benefits of \$1 million, primarily related to changes in reserves, offset by provision to return adjustments.

The Tax Legislation was enacted in the U.S. 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* ("ASU 2018-05"), 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 identified within a subsequent measurement period of up to one year from the enactment date were included as an adjustment to tax expense from continuing operations in the period the amounts were determined. During the year ended December 31, 2018, the Company recorded approximately \$30 million to income tax expense as an adjustment to the provisional amounts, primarily related to a reduction of our foreign tax credit as a result of subsequently issued regulatory guidance. Also as a result of the enactment of the Tax Legislation, the Company reclassified \$9 million from accumulated OCI to retained earnings, in accordance with ASU 2018-02, which the Company adopted in the first quarter of 2019, as further described in Note 2. Significant Accounting Policies. The accounting for the Tax Legislation was finalized in the fourth quarter of 2018.

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 \$36 million and \$52 million for the three months ended March 31, 2019 and 2018, respectively.

### **Intellectual Property Transfer**

During the year ended December 31, 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. The transfer of assets occurred between wholly-owned legal entities in different U.S. and non-U.S. 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, *Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory*, the income tax expense recorded as a result of the intra-entity transfer of the intellectual property was approximately \$30 million, net during the year ended December 31, 2018.

## **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 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.



Table of Contents*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:

|                                                                         | <b>Three Months<br/>Ended March 31,<br/>2019    2018</b> |        |
|-------------------------------------------------------------------------|----------------------------------------------------------|--------|
|                                                                         | <b>(in millions,<br/>except per share<br/>data)</b>      |        |
| Numerator:                                                              |                                                          |        |
| Net income attributable to Aptiv                                        | \$240                                                    | \$307  |
| Denominator:                                                            |                                                          |        |
| Weighted average ordinary shares outstanding, basic                     | 259.08                                                   | 265.69 |
| Dilutive shares related to restricted stock units ("RSUs")              | 0.47                                                     | 0.75   |
| Weighted average ordinary shares outstanding, including dilutive shares | 259.55                                                   | 266.44 |
| Net income per share attributable to Aptiv:                             |                                                          |        |
| Basic                                                                   | \$0.93                                                   | \$1.16 |
| Diluted                                                                 | \$0.92                                                   | \$1.15 |
| Anti-dilutive securities share impact                                   | —                                                        | —      |

**Share Repurchase Programs**

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. This share repurchase program provides for share purchases in the open market or in privately negotiated transactions, depending on share price, market conditions and other factors, as determined by the Company.

A summary of the ordinary shares repurchased during the three months ended March 31, 2019 and 2018 is as follows:

|                                    | <b>Three Months Ended<br/>March 31,<br/>2019    2018</b> |           |
|------------------------------------|----------------------------------------------------------|-----------|
| Total number of shares repurchased | 2,840,079                                                | 2,676,144 |
| Average price paid per share       | \$79.57                                                  | \$89.17   |
| Total (in millions)                | \$226                                                    | \$149     |

As of March 31, 2019, approximately \$264 million of share repurchases remained available under the April 2016 share repurchase program. All repurchased shares were retired, and are reflected as a reduction of ordinary share capital for the par value of the shares, with the excess applied as reductions to additional paid-in-capital and retained earnings.

*New Share Repurchase Program*

In January 2019, the Board of Directors authorized a new share repurchase program of up to \$2.0 billion of ordinary shares. This share repurchase program provides for share purchases in the open market or in privately negotiated transactions, depending on share price, market conditions and other factors, as determined by the Company. This program will commence following the completion of the Company's April 2016 share repurchase program described above.

Table of Contents**Dividends**

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

|                | <b>Dividend<br/>Per<br/>Share</b> | <b>Amount<br/>(in<br/>millions)</b> |
|----------------|-----------------------------------|-------------------------------------|
| <b>2019:</b>   |                                   |                                     |
| First quarter  | \$ 0.22                           | \$ 57                               |
| Total          | \$ 0.22                           | \$ 57                               |
| <b>2018:</b>   |                                   |                                     |
| Fourth quarter | \$ 0.22                           | \$ 58                               |
| Third quarter  | 0.22                              | 58                                  |
| Second quarter | 0.22                              | 58                                  |
| First quarter  | 0.22                              | 59                                  |
| Total          | \$ 0.88                           | \$ 233                              |

In addition, in April 2019, the Board of Directors declared a regular quarterly cash dividend of \$0.22 per ordinary share, payable May 22, 2019 to shareholders of record at the close of business on May 8, 2019.

**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 months ended March 31, 2019 and 2018 are shown below.

|                                                                                            | <b>Three Months<br/>Ended March 31,<br/>2019      2018</b> |                 |
|--------------------------------------------------------------------------------------------|------------------------------------------------------------|-----------------|
|                                                                                            | <b>(in millions)</b>                                       |                 |
| <b>Foreign currency translation adjustments:</b>                                           |                                                            |                 |
| Balance at beginning of period                                                             | \$(555 )                                                   | \$(369 )        |
| Aggregate adjustment for the period (1)                                                    | —                                                          | 57              |
| Balance at end of period                                                                   | (555 )                                                     | (312 )          |
| <b>Gains (losses) on derivatives:</b>                                                      |                                                            |                 |
| Balance at beginning of period                                                             | (35 )                                                      | 4               |
| Other comprehensive income (loss) before reclassifications (net tax effect of \$0 and \$4) | 16                                                         | (18 )           |
| Reclassification to income (net tax effect of \$0 and \$1)                                 | 3                                                          | (5 )            |
| Adoption of ASU 2018-02 (Note 2)                                                           | (8 )                                                       | —               |
| Balance at end of period                                                                   | (24 )                                                      | (19 )           |
| <b>Pension and postretirement plans:</b>                                                   |                                                            |                 |
| Balance at beginning of period                                                             | (104 )                                                     | (106 )          |
| Other comprehensive income (loss) before reclassifications (net tax effect of \$0 and \$1) | —                                                          | (3 )            |
| Reclassification to income (net tax effect of \$1 and \$0)                                 | 2                                                          | 4               |
| Adoption of ASU 2018-02 (Note 2)                                                           | (1 )                                                       | —               |
| Balance at end of period                                                                   | (103 )                                                     | (105 )          |
| <b>Accumulated other comprehensive loss, end of period</b>                                 | <b>\$(682 )</b>                                            | <b>\$(436 )</b> |

(1) Includes gains of \$23 million and losses of \$37 million for the three months ended March 31, 2019 and 2018, respectively, related to non-derivative net investment hedges. Refer to Note 14. Derivatives and Hedging Activities for further description of these hedges.





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Reclassifications from accumulated other comprehensive income (loss) to income for the three months ended March 31, 2019 and 2018 were as follows:

**Reclassification Out of Accumulated Other Comprehensive Income (Loss)**

| Details About Accumulated Other Comprehensive Income Components | Three Months Ended March 31, |      | Affected Line Item in the Statement of Operations  |
|-----------------------------------------------------------------|------------------------------|------|----------------------------------------------------|
|                                                                 | 2019                         | 2018 |                                                    |
|                                                                 | (in millions)                |      |                                                    |
| <b>Gains (losses) on derivatives:</b>                           |                              |      |                                                    |
| Commodity derivatives                                           | \$(2)                        | \$9  | Cost of sales                                      |
| Foreign currency derivatives                                    | (1 )                         | (5 ) | Cost of sales                                      |
|                                                                 | (3 )                         | 4    | Income before income taxes                         |
|                                                                 | —                            | 1    | Income tax expense                                 |
|                                                                 | (3 )                         | 5    | Net income                                         |
|                                                                 | —                            | —    | Net income attributable to noncontrolling interest |
|                                                                 | \$(3)                        | \$5  | Net income attributable to Aptiv                   |

**Pension and postretirement plans:**

|                  |       |       |                                                    |
|------------------|-------|-------|----------------------------------------------------|
| Actuarial losses | \$(3) | \$(4) | Other income (expense), net (1)                    |
|                  | (3)   | (4)   | Income before income taxes                         |
|                  | 1     | —     | Income tax expense                                 |
|                  | (2)   | (4)   | Net income                                         |
|                  | —     | —     | Net income attributable to noncontrolling interest |
|                  | \$(2) | \$(4) | Net income attributable to Aptiv                   |

**Total reclassifications for the period**

\$(5) \$1

(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.

As of March 31, 2019, 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 | 76,959 pounds  | \$ 225        |

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| Foreign Currency      | Quantity Hedged | Unit of Measure | Notional Amount (Approximate USD Equivalent) |
|-----------------------|-----------------|-----------------|----------------------------------------------|
|                       | (in millions)   |                 |                                              |
| Mexican Peso          | 14,183          | MXN             | \$ 730                                       |
| Chinese Yuan Renminbi | 3,284           | RMB             | 490                                          |
| Polish Zloty          | 505             | PLN             | 130                                          |
| Euro                  | 62              | EUR             | 70                                           |
| New Turkish Lira      | 50              | TRY             | 10                                           |

As of March 31, 2019, Aptiv has entered into derivative instruments to hedge cash flows extending out to March 2021.

Gains and losses on derivatives qualifying as cash flow hedges are recorded in accumulated 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 March 31, 2019 were approximately \$2 million (approximately \$2 million, net of tax). Of this total, approximately \$3 million of losses are expected to be included in cost of sales within the next 12 months and approximately \$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. 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 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. Gains and losses reported in accumulated OCI 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 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 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 matured in December 2018 and the Company received \$4 million at settlement. In December 2018, the Company entered into a forward contract with a notional amount of 570 million RMB (approximately \$85 million, using December 31, 2018 foreign currency rates), which matured in March 2019 and the Company paid \$2 million at settlement. In March 2019, the Company entered into a forward contract with a notional amount of 334 million RMB (approximately \$50 million, using March 31, 2019 foreign currency rates), which matures in June 2019. Refer to the tables below for details of the fair value recorded in the consolidated balance sheet and the effects recorded in the consolidated statement of operations and consolidated statement of comprehensive income related to

these derivative instruments.

The Company has designated the €700 million 2015 Euro-denominated Senior Notes and the €500 million 2016 Euro-denominated Senior Notes, as more fully described in Note 8. Debt, as net investment hedges of the foreign currency exposure of its investments in certain Euro-denominated subsidiaries. Due to changes in the value of the Euro-denominated debt instruments designated as net investment hedges, during the three months ended March 31, 2019 and 2018, \$23 million of gains and \$37 million of losses, respectively, were recognized within the cumulative translation adjustment component of OCI. Cumulative losses included in accumulated OCI on these net investment hedges were \$27 million as of March 31, 2019 and \$50 million as of December 31, 2018.

**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.

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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. During the three months ended March 31, 2018, the change in fair value resulted in a pre-tax gain of \$11 million included within other income, net in the consolidated statement of operations. In conjunction with the closing of the acquisition, Aptiv settled the forward contracts in the second quarter of 2018.

**Fair Value of Derivative Instruments in the Balance Sheet**

The fair value of derivative financial instruments recorded in the consolidated balance sheets as of March 31, 2019 and December 31, 2018 are as follows:

| Asset Derivatives                                         |                      | Liability Derivatives       |                      | Net<br>Amounts of<br>Assets and<br>(Liabilities)<br>Presented in<br>the Balance<br>Sheet |
|-----------------------------------------------------------|----------------------|-----------------------------|----------------------|------------------------------------------------------------------------------------------|
| Balance Sheet Location                                    | March 31,<br>2019    | Balance Sheet Location      | March 31,<br>2019    | March 31,<br>2019                                                                        |
| (in millions)                                             |                      |                             |                      |                                                                                          |
| <b>Derivatives designated as cash flow hedges:</b>        |                      |                             |                      |                                                                                          |
| Commodity derivatives                                     | \$ —                 | Accrued liabilities         | \$ 2                 |                                                                                          |
| Foreign currency derivatives* Other current assets        | 9                    | Other current assets        | 4                    | \$ 5                                                                                     |
| Foreign currency derivatives* Accrued liabilities         | 2                    | Accrued liabilities         | 8                    | (6 )                                                                                     |
| Commodity derivatives                                     | 2                    | Other long-term liabilities | —                    |                                                                                          |
| Foreign currency derivatives* Other long-term assets      | 3                    | Other long-term assets      | 1                    | 2                                                                                        |
| Foreign currency derivatives* Other long-term liabilities | 1                    | Other long-term liabilities | 4                    | (3 )                                                                                     |
| Total derivatives designated as hedges                    | \$ 17                |                             | \$ 19                |                                                                                          |
| Asset Derivatives                                         |                      | Liability Derivatives       |                      | Net Amounts<br>of Assets and<br>(Liabilities)<br>Presented in<br>the Balance<br>Sheet    |
| Balance Sheet Location                                    | December 31,<br>2018 | Balance Sheet Location      | December 31,<br>2018 | December 31,<br>2018                                                                     |
| (in millions)                                             |                      |                             |                      |                                                                                          |
| <b>Derivatives designated as cash flow hedges:</b>        |                      |                             |                      |                                                                                          |
| Commodity derivatives                                     | \$ —                 | Accrued liabilities         | \$ 15                |                                                                                          |
| Foreign currency derivatives* Other current assets        | 9                    | Other current assets        | 3                    | \$ 6                                                                                     |
| Foreign currency derivatives* Accrued liabilities         | —                    | Accrued liabilities         | 4                    | (4 )                                                                                     |
| Commodity derivatives                                     | —                    | Other long-term liabilities | 7                    |                                                                                          |
| Foreign currency derivatives* Other long-term assets      | 2                    | Other long-term assets      | —                    | 2                                                                                        |
| Foreign currency derivatives* Other long-term liabilities | —                    | Other long-term liabilities | 2                    | (2 )                                                                                     |
| Total derivatives designated as hedges                    | \$ 11                |                             | \$ 31                |                                                                                          |

\* 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 liability position as of March 31, 2019 and December 31, 2018.



Table of Contents**Effect of Derivatives on the Statement of Operations and Statement of Comprehensive Income**

The pre-tax effect of derivative financial instruments in the consolidated statement of operations and consolidated statement of comprehensive income for the three months ended March 31, 2019 is as follows:

| <u>Three Months Ended March 31, 2019</u> | Gain<br>(Loss) | Loss<br>Reclassified<br>from OCI<br>into Income |
|------------------------------------------|----------------|-------------------------------------------------|
|------------------------------------------|----------------|-------------------------------------------------|

(in millions)

**Derivatives designated as cash flow hedges:**

|                              |      |         |
|------------------------------|------|---------|
| Commodity derivatives        | \$20 | \$ (2 ) |
| Foreign currency derivatives | (2 ) | (1 )    |

**Derivatives designated as net investment hedges:**

|                              |      |         |
|------------------------------|------|---------|
| Foreign currency derivatives | (2 ) | —       |
| Total                        | \$16 | \$ (3 ) |

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 three months ended March 31, 2018 is as follows:

| <u>Three Months Ended March 31, 2018</u> | (Loss)<br>Gain | Gain (Loss)<br>Reclassified<br>from OCI<br>into Income |
|------------------------------------------|----------------|--------------------------------------------------------|
|------------------------------------------|----------------|--------------------------------------------------------|

(in millions)

**Derivatives designated as cash flow hedges:**

|                              |         |      |
|------------------------------|---------|------|
| Commodity derivatives        | \$(17 ) | \$ 9 |
| Foreign currency derivatives | 16      | (5 ) |

**Derivatives designated as net investment hedges:**

|                              |         |      |
|------------------------------|---------|------|
| Foreign currency derivatives | (13 )   | —    |
| Total                        | \$(14 ) | \$ 4 |

Gain  
Recognized in  
Income

(in millions)

**Derivatives not designated:**

|                              |    |    |
|------------------------------|----|----|
| Foreign currency derivatives | \$ | 10 |
| Total                        | \$ | 10 |

The gain or loss recognized in income for designated and non-designated derivative instruments was recorded to cost of sales and other income (expense), net in the consolidated statements of operations for the three months ended March 31, 2019 and 2018, 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



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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 March 31, 2019 and December 31, 2018, Aptiv was in a net derivative liability position of \$2 million and \$20 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*—The liability for contingent consideration is estimated as of the date of the acquisition and is recorded as part of the purchase price, and is subsequently re-measured to fair value at each reporting date, based on a probability-weighted 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 ASC Topic 820-10-35. Examples of utilized unobservable inputs are estimated future earnings or milestone achievements of the acquired businesses and applicable discount rates. The estimate of the liability may fluctuate if there are changes in the actual or forecasted inputs utilized or in the discount rates used to determine the present value of contingent future cash flows. As of March 31, 2019, the range of periods in which the earn-out provisions may be achieved is from 2019 to 2020. The Company regularly reviews these assumptions and makes adjustments to the fair value measurements as required by facts and circumstances.

As of March 31, 2019 and December 31, 2018, the liability for contingent consideration was \$50 million (of which \$32 million was classified within other current liabilities and \$18 million was classified within other long-term liabilities) and \$49 million (of which \$16 million was classified within other current liabilities and \$33 million was classified within other long-term liabilities), respectively, representing the maximum required amounts to be paid under existing agreements. 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 three months ended March 31, 2019 were as follows:

|                                   | Contingent<br>Consideration<br>Liability |
|-----------------------------------|------------------------------------------|
|                                   | (in millions)                            |
| Fair value at beginning of period | \$ 49                                    |
| Additions                         | —                                        |
| Payments                          | —                                        |
| Interest accretion                | 1                                        |

Fair value at end of period      \$    50

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As of March 31, 2019 and December 31, 2018, Aptiv had the following assets measured at fair value on a recurring basis:

|                                 | Quoted Prices in<br>Total Active Markets<br>Level 1 | Significant Other<br>Observable<br>Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 |
|---------------------------------|-----------------------------------------------------|------------------------------------------------------|--------------------------------------------------|
| (in millions)                   |                                                     |                                                      |                                                  |
| <b>As of March 31, 2019:</b>    |                                                     |                                                      |                                                  |
| Commodity derivatives           | \$2 \$                                              | —\$ 2                                                | \$ —                                             |
| Foreign currency derivatives    | 7 —                                                 | 7                                                    | —                                                |
| Total                           | \$9 \$                                              | —\$ 9                                                | \$ —                                             |
| <b>As of December 31, 2018:</b> |                                                     |                                                      |                                                  |
| Foreign currency derivatives    | \$8 \$                                              | —\$ 8                                                | \$ —                                             |
| Total                           | \$8 \$                                              | —\$ 8                                                | \$ —                                             |

As of March 31, 2019 and December 31, 2018, Aptiv had the following liabilities measured at fair value on a recurring basis:

|                                 | Quoted Prices in<br>Total Active Markets<br>Level 1 | Significant Other<br>Observable<br>Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 |
|---------------------------------|-----------------------------------------------------|------------------------------------------------------|--------------------------------------------------|
| (in millions)                   |                                                     |                                                      |                                                  |
| <b>As of March 31, 2019:</b>    |                                                     |                                                      |                                                  |
| Commodity derivatives           | \$2 \$                                              | —\$ 2                                                | \$ —                                             |
| Foreign currency derivatives    | 9 —                                                 | 9                                                    | —                                                |
| Contingent consideration        | 50 —                                                | —                                                    | 50                                               |
| Total                           | \$61 \$                                             | —\$ 11                                               | \$ 50                                            |
| <b>As of December 31, 2018:</b> |                                                     |                                                      |                                                  |
| Commodity derivatives           | \$22 \$                                             | —\$ 22                                               | \$ —                                             |
| Foreign currency derivatives    | 6 —                                                 | 6                                                    | —                                                |
| Contingent consideration        | 49 —                                                | —                                                    | 49                                               |
| Total                           | \$77 \$                                             | —\$ 28                                               | \$ 49                                            |

*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, finance 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 March 31, 2019 and December 31, 2018, total debt was recorded at \$4,537 million and \$4,344 million, respectively, and had estimated fair values of \$4,591 million and \$4,222 million, respectively. For all other financial instruments recorded at March 31, 2019 and December 31, 2018, 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 months ended March 31, 2019 and 2018, Aptiv recorded no non-cash asset impairment charges. Fair value of long-lived and intangible assets is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved and a review of appraisals or other market indicators and management estimates. As such, Aptiv has determined that the fair value measurements of long-lived and intangible assets fall in Level 3 of the fair value hierarchy.

Table of Contents**16. OTHER INCOME, NET**

Other income (expense), net included:

|                                                                          | <b>Three Months<br/>Ended March<br/>31,</b> |             |
|--------------------------------------------------------------------------|---------------------------------------------|-------------|
|                                                                          | <b>2019</b>                                 | <b>2018</b> |
|                                                                          | <b>(in millions)</b>                        |             |
| Interest income                                                          | \$3                                         | \$5         |
| Loss on extinguishment of debt                                           | (6 )                                        | —           |
| Components of net periodic benefit cost other than service cost (Note 9) | (5 )                                        | (6 )        |
| Benefits associated with acquisitions                                    | —                                           | 11          |
| Change in fair value of equity investments (Note 17)                     | 19                                          | —           |
| Other, net                                                               | 5                                           | 20          |
| Other income, net                                                        | \$16                                        | \$30        |

As further discussed in Note 17. Acquisitions and Divestitures, during the three months ended March 31, 2019, Aptiv recorded a pre-tax unrealized gain of \$19 million related to increases in fair value of its equity investments without readily determinable fair values. Also, as further discussed in Note 8. Debt, during the three months ended March 31, 2019, Aptiv redeemed for cash the entire \$650 million aggregate principal amount outstanding of the 3.15% Senior Notes, resulting in a loss on debt extinguishment of approximately \$6 million.

As further discussed in Note 14. Derivatives and Hedging Activities, during the three months ended March 31, 2018, the Company recorded a gain of \$11 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 is reflected within Benefits associated with acquisitions in the above table. Also, during the three months ended March 31, 2018, Aptiv recorded \$3 million for certain fees earned pursuant to the transition services agreement in connection with the Separation of the Company's former Powertrain Systems segment.

**17. ACQUISITIONS AND DIVESTITURES****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 total consideration of \$680 million. The results of operations of Winchester are reported within the Signal and Power Solutions segment from the date of acquisition. The Company acquired Winchester utilizing cash on hand and short-term borrowings. 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 2018. Minor adjustments were recorded to the purchase price, goodwill and intangible assets, from the amounts disclosed as of December 31, 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 Winchester based on their estimated fair values is shown below (in millions):

*Assets acquired and liabilities assumed*

Purchase price, cash consideration, net of cash acquired \$680

|                                  |       |
|----------------------------------|-------|
| Property, plant and equipment    | \$31  |
| Intangible assets                | 226   |
| Other assets, net                | 25    |
| Identifiable net assets acquired | 282   |
| Goodwill resulting from purchase | 398   |
| Total purchase price allocation  | \$680 |

Intangible assets include \$180 million recognized for the fair value of customer-based assets with estimated useful lives of approximately 9 years, \$9 million of technology-related assets with estimated useful lives of approximately 5 years and \$37 million recognized for the fair value of the acquired trade name, which has an indefinite useful life. The estimated fair value of

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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 Winchester, and is not deductible for tax purposes.

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 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 \$526 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 to the purchase price, 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 | \$515 |
| Debt and pension liabilities assumed                     | 11    |
| Total consideration, net of cash acquired                | \$526 |

|                                  |       |
|----------------------------------|-------|
| Property, plant and equipment    | \$121 |
| Intangible assets                | 110   |
| Other assets, net                | 31    |
| Identifiable net assets acquired | 262   |
| Goodwill resulting from purchase | 264   |
| Total purchase price allocation  | \$526 |

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, and is not deductible for tax purposes.

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.

**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 first quarter of 2019, the Company's Advanced Safety and User Experience segment made an additional \$3 million investment in Otonomo Technologies Ltd. ("Otonomo"), a connected car data marketplace developer. This investment was in addition to the Company's \$15 million investment made in the first quarter of 2017.



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During the fourth quarter of 2018, the Company's Advanced Safety and User Experience segment made a \$15 million investment in Affectiva, Inc., a leader in human perception artificial intelligence technology.

As of March 31, 2019, 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<br>(in<br>millions) |
|---------------------------|-------------------------------------|------------------|--------------------------------|
| Affectiva, Inc.           | Advanced Safety and User Experience | Q4 2018          | \$ 15                          |
| 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; Q1 2019 | 37                             |
| Quanergy Systems, Inc     | Advanced Safety and User Experience | Q2 2015; Q1 2016 | 6                              |
| Other investments         | Advanced Safety and User Experience | Q4 2018          | 1                              |
|                           |                                     |                  | \$ 94                          |

During the three months ended March 31, 2019, the Company's investment in Otonomo was remeasured to a fair value of \$37 million, based on a subsequent round of financing observed to be for identical or similar investments of the same issuer. As a result, the Company recorded a pre-tax unrealized gain of \$19 million to other income, net during the three months ended March 31, 2019.

There were no other material transactions, events or changes in circumstances requiring an impairment or an observable price change adjustment to 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 2019 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.

#### *Board of Director Awards*

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 withholding taxes.

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 vested on April 24, 2019, and 23,999 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. 3,228 ordinary shares were withheld to cover withholding taxes.

On April 25, 2019, Aptiv granted 20,765 RSUs to the Board of Directors at a grant date fair value of approximately \$2 million. The grant date fair value was determined based on the closing price of the Company's ordinary shares on April 25, 2019. The RSUs will vest on April 22, 2020, the day before the 2020 annual meeting of shareholders.

Table of Contents*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:

| <b>Metric</b>                         | <b>2016 - 2019 Grants</b> | <b>2015 Grant</b> |
|---------------------------------------|---------------------------|-------------------|
| 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.

(3) 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 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:

| <b>Grant Date</b>    | <b>RSUs</b> | <b>Grant Date Fair Value</b> | <b>Time-Based Award Vesting Dates</b>              | <b>Performance-Based Award Vesting Date</b> |
|----------------------|-------------|------------------------------|----------------------------------------------------|---------------------------------------------|
| <b>(in millions)</b> |             |                              |                                                    |                                             |
| 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                           |
| February 2019        | 0.71        | 62                           | Annually on anniversary of grant date, 2020 - 2022 | December 31, 2021                           |

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.

Any new executives hired after the annual executive RSU grant date may be eligible to participate in the PLC LTIP. The Company has also granted additional awards to employees in certain periods under the PLC LTIP. Any off cycle grants made for new hires or to other employees 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.

In February 2018, under the time-based vesting terms of the outstanding awards, 285,344 ordinary shares were issued to Aptiv employees at a fair value of approximately \$26 million, of which 102,045 ordinary shares were withheld to cover 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 employees at a fair value of approximately \$59 million, of which 240,483 ordinary shares were withheld to cover withholding taxes.

In February 2019, under the time-based vesting terms of the outstanding awards, 529,812 ordinary shares were issued to Aptiv employees at a fair value of approximately \$44 million, of which 203,839 ordinary shares were withheld to

cover withholding taxes. The performance-based RSUs associated with the 2016 grant, and applicable continuity awards, vested at the completion of a three-year performance period on December 31, 2018, and in the first quarter of 2019, 493,674 ordinary shares were issued to employees at a fair value of approximately \$41 million, of which 199,547 ordinary shares were withheld to cover withholding taxes.

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

|                            | RSUs<br>(in<br>thousands) | Weighted Average Grant<br>Date Fair Value |
|----------------------------|---------------------------|-------------------------------------------|
| Nonvested, January 1, 2019 | 1,879                     | \$ 81.24                                  |
| Granted                    | 855                       | 86.75                                     |
| Vested                     | (530 )                    | 70.05                                     |
| Forfeited                  | (28 )                     | 83.83                                     |
| Nonvested, March 31, 2019  | 2,176                     | 86.10                                     |

Aptiv recognized compensation expense of \$15 million (\$15 million, net of tax) and \$13 million (\$12 million, net of tax) based on the Company's best estimate of ultimate performance against the respective targets during the three months ended March 31, 2019 and 2018, 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 March 31, 2019, unrecognized compensation expense on a pre-tax basis of approximately \$138 million is anticipated to be recognized over a weighted average period of approximately 2 years. For the three months ended March 31, 2019 and 2018, respectively, approximately \$34 million and \$32 million of cash was paid and reflected as a financing activity in the statements of cash flows related to the 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 Euro-denominated Senior Notes, the 4.25% Senior Notes, the 2016 Euro-denominated Senior Notes, the 2016 Senior Notes and the 2019 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 March 31, 2019.

Table of Contents**Statement of Operations Three Months Ended March 31, 2019**

|                                                     | Parent        | Subsidiary<br>Guarantors | Subsidiary<br>Issuer/Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------------------|---------------|--------------------------|--------------------------------|-------------------------------|--------------|--------------|
|                                                     | (in millions) |                          |                                |                               |              |              |
| Net sales                                           | \$ —          | \$ —                     | \$ —                           | \$ 3,575                      | \$ —         | \$ 3,575     |
| Operating expenses:                                 |               |                          |                                |                               |              |              |
| Cost of sales                                       | —             | —                        | —                              | 2,962                         | —            | 2,962        |
| Selling, general and administrative                 | (39 )         | —                        | —                              | 295                           | —            | 256          |
| Amortization                                        | —             | —                        | —                              | 34                            | —            | 34           |
| Restructuring                                       | —             | —                        | —                              | 26                            | —            | 26           |
| Total operating expenses                            | (39 )         | —                        | —                              | 3,317                         | —            | 3,278        |
| Operating income                                    | 39            | —                        | —                              | 258                           | —            | 297          |
| Interest (expense) income                           | (30 )         | (48 )                    | (60 )                          | (17 )                         | 117          | (38 )        |
| Other (expense) income, net                         | (6 )          | —                        | 36                             | 103                           | (117 )       | 16           |
| Income (loss) before income taxes and equity income | 3             | (48 )                    | (24 )                          | 344                           | —            | 275          |
| Income tax benefit (expense)                        | —             | —                        | 5                              | (38 )                         | —            | (33 )        |
| Income (loss) before equity income                  | 3             | (48 )                    | (19 )                          | 306                           | —            | 242          |
| Equity in net income of affiliates                  | —             | —                        | —                              | 3                             | —            | 3            |
| Equity in net income (loss) of subsidiaries         | 237           | 218                      | 25                             | —                             | (480 )       | —            |
| Net income (loss)                                   | 240           | 170                      | 6                              | 309                           | (480 )       | 245          |
| Net income attributable to noncontrolling interest  | —             | —                        | —                              | 5                             | —            | 5            |
| Net income (loss) attributable to Aptiv             | \$ 240        | \$ 170                   | \$ 6                           | \$ 304                        | \$ (480 )    | \$ 240       |

**Statement of Operations Three Months Ended March 31, 2018**

|                                                     | Parent        | Subsidiary<br>Guarantors | Subsidiary<br>Issuer/Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------------------|---------------|--------------------------|--------------------------------|-------------------------------|--------------|--------------|
|                                                     | (in millions) |                          |                                |                               |              |              |
| Net sales                                           | \$ —          | \$ —                     | \$ —                           | \$ 3,630                      | \$ —         | \$ 3,630     |
| Operating expenses:                                 |               |                          |                                |                               |              |              |
| Cost of sales                                       | —             | —                        | —                              | 2,947                         | —            | 2,947        |
| Selling, general and administrative                 | (4 )          | —                        | —                              | 263                           | —            | 259          |
| Amortization                                        | —             | —                        | —                              | 30                            | —            | 30           |
| Restructuring                                       | —             | —                        | —                              | 20                            | —            | 20           |
| Total operating expenses                            | (4 )          | —                        | —                              | 3,260                         | —            | 3,256        |
| Operating income                                    | 4             | —                        | —                              | 370                           | —            | 374          |
| Interest (expense) income                           | (61 )         | (7 )                     | (43 )                          | (1 )                          | 78           | (34 )        |
| Other income (expense), net                         | —             | —                        | —                              | 108                           | (78 )        | 30           |
| (Loss) income before income taxes and equity income | (57 )         | (7 )                     | (43 )                          | 477                           | —            | 370          |
| Income tax benefit (expense)                        | —             | —                        | 10                             | (69 )                         | —            | (59 )        |
| (Loss) income before equity income                  | (57 )         | (7 )                     | (33 )                          | 408                           | —            | 311          |
| Equity in net income of affiliates                  | —             | —                        | —                              | 5                             | —            | 5            |
| Equity in net income (loss) of subsidiaries         | 364           | 263                      | (29 )                          | —                             | (598 )       | —            |
| Net income (loss)                                   | 307           | 256                      | (62 )                          | 413                           | (598 )       | 316          |
| Net income attributable to noncontrolling interest  | —             | —                        | —                              | 9                             | —            | 9            |
| Net income (loss) attributable to Aptiv             | \$ 307        | \$ 256                   | \$ (62 )                       | \$ 404                        | \$ (598 )    | \$ 307       |





Table of Contents**Statement of Comprehensive Income Three Months Ended March 31, 2019**

|                                                                       | Parent        | Subsidiary<br>Guarantors | Subsidiary<br>Issuer/Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------------------------------------|---------------|--------------------------|--------------------------------|-------------------------------|--------------|--------------|
|                                                                       | (in millions) |                          |                                |                               |              |              |
| Net income (loss)                                                     | \$240         | \$ 170                   | \$ 6                           | \$ 309                        | \$ (480 )    | \$ 245       |
| Other comprehensive income (loss):                                    |               |                          |                                |                               |              |              |
| Currency translation adjustments                                      | 23            | —                        | —                              | (22 )                         | —            | 1            |
| Net change in unrecognized gain on derivative instruments, net of tax | —             | —                        | —                              | 19                            | —            | 19           |
| Employee benefit plans adjustment, net of tax                         | —             | —                        | —                              | 2                             | —            | 2            |
| Other comprehensive income (loss)                                     | 23            | —                        | —                              | (1 )                          | —            | 22           |
| Equity in other comprehensive (loss) income of subsidiaries           | (2 )          | 19                       | (10 )                          | —                             | (7 )         | —            |
| Comprehensive income (loss)                                           | 261           | 189                      | (4 )                           | 308                           | (487 )       | 267          |
| Comprehensive income attributable to noncontrolling interests         | —             | —                        | —                              | 6                             | —            | 6            |
| Comprehensive income (loss) attributable to Aptiv                     | \$261         | \$ 189                   | \$ (4 )                        | \$ 302                        | \$ (487 )    | \$ 261       |

**Statement of Comprehensive Income Three Months Ended March 31, 2018**

|                                                                       | Parent        | Subsidiary<br>Guarantors | Subsidiary<br>Issuer/Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------------------------------------|---------------|--------------------------|--------------------------------|-------------------------------|--------------|--------------|
|                                                                       | (in millions) |                          |                                |                               |              |              |
| Net income (loss)                                                     | \$307         | \$ 256                   | \$ (62 )                       | \$ 413                        | \$ (598 )    | \$ 316       |
| Other comprehensive (loss) income:                                    |               |                          |                                |                               |              |              |
| Currency translation adjustments                                      | (37 )         | —                        | —                              | 98                            | —            | 61           |
| Net change in unrecognized loss on derivative instruments, net of tax | —             | —                        | —                              | (23 )                         | —            | (23 )        |
| Employee benefit plans adjustment, net of tax                         | —             | —                        | —                              | 1                             | —            | 1            |
| Other comprehensive (loss) income                                     | (37 )         | —                        | —                              | 76                            | —            | 39           |
| Equity in other comprehensive income (loss) of subsidiaries           | 72            | 17                       | 21                             | —                             | (110 )       | —            |
| Comprehensive income (loss)                                           | 342           | 273                      | (41 )                          | 489                           | (708 )       | 355          |
| Comprehensive income attributable to noncontrolling interests         | —             | —                        | —                              | 13                            | —            | 13           |
| Comprehensive income (loss) attributable to Aptiv                     | \$342         | \$ 273                   | \$ (41 )                       | \$ 476                        | \$ (708 )    | \$ 342       |

Table of Contents**Balance Sheet as of March 31, 2019**

|                                             | Parent   | Subsidiary<br>Guarantors | Subsidiary<br>Issuer/Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---------------------------------------------|----------|--------------------------|--------------------------------|-------------------------------|--------------|--------------|
| (in millions)                               |          |                          |                                |                               |              |              |
| <b>ASSETS</b>                               |          |                          |                                |                               |              |              |
| Current assets:                             |          |                          |                                |                               |              |              |
| Cash and cash equivalents                   | \$ —     | \$ —                     | \$ —                           | \$ 321                        | \$ —         | \$ 321       |
| Restricted cash                             | —        | —                        | —                              | 1                             | —            | 1            |
| Accounts receivable, net                    | —        | —                        | —                              | 2,736                         | —            | 2,736        |
| Intercompany receivables, current           | 51       | 16                       | 3,256                          | 4,820                         | (8,143 )     | —            |
| Inventories                                 | —        | —                        | —                              | 1,326                         | —            | 1,326        |
| Other current assets                        | —        | —                        | —                              | 435                           | —            | 435          |
| Total current assets                        | 51       | 16                       | 3,256                          | 9,639                         | (8,143 )     | 4,819        |
| Long-term assets:                           |          |                          |                                |                               |              |              |
| Intercompany receivables, long-term         | —        | —                        | 768                            | 1,458                         | (2,226 )     | —            |
| Property, net                               | —        | —                        | —                              | 3,218                         | —            | 3,218        |
| Operating lease right-of-use assets         | —        | —                        | —                              | 434                           | —            | 434          |
| Investments in affiliates                   | —        | —                        | —                              | 102                           | —            | 102          |
| Investments in subsidiaries                 | 7,632    | 8,143                    | 1,779                          | —                             | (17,554 )    | —            |
| Intangible assets, net                      | —        | —                        | —                              | 3,837                         | —            | 3,837        |
| Other long-term assets                      | —        | —                        | 5                              | 604                           | —            | 609          |
| Total long-term assets                      | 7,632    | 8,143                    | 2,552                          | 9,653                         | (19,780 )    | 8,200        |
| Total assets                                | \$ 7,683 | \$ 8,159                 | \$ 5,808                       | \$ 19,292                     | \$ (27,923 ) | \$ 13,019    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |          |                          |                                |                               |              |              |
| Current liabilities:                        |          |                          |                                |                               |              |              |
| Short-term debt                             | \$ —     | \$ —                     | \$ 205                         | \$ 337                        | \$ —         | \$ 542       |
| Accounts payable                            | —        | —                        | —                              | 2,340                         | —            | 2,340        |
| Intercompany payables, current              | 1,103    | 4,527                    | 2,513                          | —                             | (8,143 )     | —            |
| Accrued liabilities                         | 20       | —                        | 4                              | 1,108                         | —            | 1,132        |
| Total current liabilities                   | 1,123    | 4,527                    | 2,722                          | 3,785                         | (8,143 )     | 4,014        |
| Long-term liabilities:                      |          |                          |                                |                               |              |              |
| Long-term debt                              | 2,925    | —                        | 1,045                          | 25                            | —            | 3,995        |
| Intercompany payables, long-term            | —        | —                        | 1,315                          | 911                           | (2,226 )     | —            |
| Pension benefit obligations                 | —        | —                        | —                              | 440                           | —            | 440          |
| Long-term operating lease liabilities       | —        | —                        | —                              | 350                           | —            | 350          |
| Other long-term liabilities                 | —        | —                        | —                              | 585                           | —            | 585          |
| Total long-term liabilities                 | 2,925    | —                        | 2,360                          | 2,311                         | (2,226 )     | 5,370        |
| Total liabilities                           | 4,048    | 4,527                    | 5,082                          | 6,096                         | (10,369 )    | 9,384        |
| Total Aptiv shareholders' equity            | 3,635    | 3,632                    | 726                            | 12,979                        | (17,554 )    | 3,418        |
| Noncontrolling interest                     | —        | —                        | —                              | 217                           | —            | 217          |
| Total shareholders' equity                  | 3,635    | 3,632                    | 726                            | 13,196                        | (17,554 )    | 3,635        |
| Total liabilities and shareholders' equity  | \$ 7,683 | \$ 8,159                 | \$ 5,808                       | \$ 19,292                     | \$ (27,923 ) | \$ 13,019    |

Table of Contents**Balance Sheet as of December 31, 2018**

|                                             | Parent   | Subsidiary<br>Guarantors | Subsidiary<br>Issuer/Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---------------------------------------------|----------|--------------------------|--------------------------------|-------------------------------|--------------|--------------|
| (in millions)                               |          |                          |                                |                               |              |              |
| <b>ASSETS</b>                               |          |                          |                                |                               |              |              |
| Current assets:                             |          |                          |                                |                               |              |              |
| Cash and cash equivalents                   | \$ 1     | \$ —                     | \$ —                           | \$ 566                        | \$ —         | \$ 567       |
| Restricted cash                             | —        | —                        | —                              | 1                             | —            | 1            |
| Accounts receivable, net                    | —        | —                        | —                              | 2,487                         | —            | 2,487        |
| Intercompany receivables, current           | 54       | 16                       | 3,114                          | 4,201                         | (7,385 )     | —            |
| Inventories                                 | —        | —                        | —                              | 1,277                         | —            | 1,277        |
| Other current assets                        | —        | —                        | —                              | 445                           | —            | 445          |
| Total current assets                        | 55       | 16                       | 3,114                          | 8,977                         | (7,385 )     | 4,777        |
| Long-term assets:                           |          |                          |                                |                               |              |              |
| Intercompany receivables, long-term         | —        | —                        | 768                            | 1,424                         | (2,192 )     | —            |
| Property, net                               | —        | —                        | —                              | 3,179                         | —            | 3,179        |
| Investments in affiliates                   | —        | —                        | —                              | 99                            | —            | 99           |
| Investments in subsidiaries                 | 7,392    | 7,860                    | 1,568                          | —                             | (16,820 )    | —            |
| Intangible assets, net                      | —        | —                        | —                              | 3,904                         | —            | 3,904        |
| Other long-term assets                      | —        | —                        | 6                              | 515                           | —            | 521          |
| Total long-term assets                      | 7,392    | 7,860                    | 2,342                          | 9,121                         | (19,012 )    | 7,703        |
| Total assets                                | \$ 7,447 | \$ 7,876                 | \$ 5,456                       | \$ 18,098                     | \$ (26,397 ) | \$ 12,480    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |          |                          |                                |                               |              |              |
| Current liabilities:                        |          |                          |                                |                               |              |              |
| Short-term debt                             | \$ —     | \$ —                     | \$ 25                          | \$ 281                        | \$ —         | \$ 306       |
| Accounts payable                            | 2        | —                        | —                              | 2,332                         | —            | 2,334        |
| Intercompany payables, current              | 791      | 4,479                    | 2,115                          | —                             | (7,385 )     | —            |
| Accrued liabilities                         | 31       | —                        | 11                             | 1,012                         | —            | 1,054        |
| Total current liabilities                   | 824      | 4,479                    | 2,151                          | 3,625                         | (7,385 )     | 3,694        |
| Long-term liabilities:                      |          |                          |                                |                               |              |              |
| Long-term debt                              | 2,953    | —                        | 1,055                          | 30                            | —            | 4,038        |
| Intercompany payables, long-term            | —        | —                        | 1,296                          | 896                           | (2,192 )     | —            |
| Pension benefit obligations                 | —        | —                        | —                              | 445                           | —            | 445          |
| Other long-term liabilities                 | —        | —                        | —                              | 633                           | —            | 633          |
| Total long-term liabilities                 | 2,953    | —                        | 2,351                          | 2,004                         | (2,192 )     | 5,116        |
| Total liabilities                           | 3,777    | 4,479                    | 4,502                          | 5,629                         | (9,577 )     | 8,810        |
| Total Aptiv shareholders' equity            | 3,670    | 3,397                    | 954                            | 12,258                        | (16,820 )    | 3,459        |
| Noncontrolling interest                     | —        | —                        | —                              | 211                           | —            | 211          |
| Total shareholders' equity                  | 3,670    | 3,397                    | 954                            | 12,469                        | (16,820 )    | 3,670        |
| Total liabilities and shareholders' equity  | \$ 7,447 | \$ 7,876                 | \$ 5,456                       | \$ 18,098                     | \$ (26,397 ) | \$ 12,480    |

Table of Contents**Statement of Cash Flows for the Three Months Ended March 31, 2019**

|                                                                                    | Parent        | Subsidiary<br>Guarantors | Subsidiary<br>Issuer/Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------------------------------------|---------------|--------------------------|--------------------------------|-------------------------------|--------------|--------------|
|                                                                                    | (in millions) |                          |                                |                               |              |              |
| Net cash (used in) provided by operating activities from continuing operations     | \$(10 )       | \$ —                     | \$ —                           | \$ 94                         | \$ —         | \$ 84        |
| Net cash used in operating activities from discontinued operations                 | —             | —                        | —                              | —                             | —            | —            |
| Net cash (used in) provided by operating activities                                | (10 )         | —                        | —                              | 94                            | —            | 84           |
| Cash flows from investing activities:                                              |               |                          |                                |                               |              |              |
| Capital expenditures                                                               | —             | —                        | —                              | (235 )                        | —            | (235 )       |
| Proceeds from sale of property / investments                                       | —             | —                        | —                              | 3                             | —            | 3            |
| Cost of business acquisitions, net of cash acquired                                | —             | —                        | —                              | 2                             | —            | 2            |
| Cost of technology investments                                                     | —             | —                        | —                              | (3 )                          | —            | (3 )         |
| Settlement of derivatives                                                          | —             | —                        | —                              | (2 )                          | —            | (2 )         |
| Loans to affiliates                                                                | —             | —                        | —                              | (303 )                        | 303          | —            |
| Repayments of loans from affiliates                                                | —             | —                        | —                              | 175                           | (175 )       | —            |
| Net cash (used in) provided by investing activities                                | —             | —                        | —                              | (363 )                        | 128          | (235 )       |
| Cash flows from financing activities:                                              |               |                          |                                |                               |              |              |
| Net proceeds under other short-term debt agreements                                | —             | —                        | 175                            | 54                            | —            | 229          |
| Repayment of senior notes                                                          | (654 )        | —                        | —                              | —                             | —            | (654 )       |
| Proceeds from issuance of senior notes, net of issuance costs                      | 643           | —                        | —                              | —                             | —            | 643          |
| Proceeds from borrowings from affiliates                                           | 303           | —                        | —                              | —                             | (303 )       | —            |
| Payments on borrowings from affiliates                                             | —             | —                        | (175 )                         | —                             | 175          | —            |
| Repurchase of ordinary shares                                                      | (226 )        | —                        | —                              | —                             | —            | (226 )       |
| Distribution of cash dividends                                                     | (57 )         | —                        | —                              | —                             | —            | (57 )        |
| Taxes withheld and paid on employees' restricted share awards                      | —             | —                        | —                              | (34 )                         | —            | (34 )        |
| Net cash provided by (used in) financing activities                                | 9             | —                        | —                              | 20                            | (128 )       | (99 )        |
| Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash | —             | —                        | —                              | 4                             | —            | 4            |
| Decrease in cash, cash equivalents and restricted cash                             | (1 )          | —                        | —                              | (245 )                        | —            | (246 )       |
| Cash, cash equivalents and restricted cash at beginning of period                  | 1             | —                        | —                              | 567                           | —            | 568          |
| Cash, cash equivalents and restricted cash at end of period                        | \$—           | \$ —                     | \$ —                           | \$ 322                        | \$ —         | \$ 322       |

Table of Contents**Statement of Cash Flows for the Three Months Ended March 31, 2018**

|                                                                                    | Parent  | Subsidiary<br>Guarantors | Subsidiary<br>Issuer/Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------------------------------------|---------|--------------------------|--------------------------------|-------------------------------|--------------|--------------|
| (in millions)                                                                      |         |                          |                                |                               |              |              |
| Net cash (used in) provided by operating activities from continuing operations     | \$(36 ) | \$ —                     | —                              | \$ 222                        | \$ —         | \$ 186       |
| Net cash used in operating activities from discontinued operations                 | —       | —                        | —                              | (31 )                         | —            | (31 )        |
| Net cash (used in) provided by operating activities                                | (36 )   | —                        | —                              | 191                           | —            | 155          |
| Cash flows from investing activities:                                              |         |                          |                                |                               |              |              |
| Capital expenditures                                                               | —       | —                        | —                              | (243 )                        | —            | (243 )       |
| Proceeds from sale of property / investments                                       | —       | —                        | —                              | 3                             | —            | 3            |
| Deposit for acquisition of KUM                                                     | (5 )    | —                        | —                              | —                             | —            | (5 )         |
| Loans to affiliates                                                                | —       | —                        | —                              | (250 )                        | 250          | —            |
| Net cash (used in) provided by investing activities                                | (5 )    | —                        | —                              | (490 )                        | 250          | (245 )       |
| Cash flows from financing activities:                                              |         |                          |                                |                               |              |              |
| Net proceeds under other short-term debt agreements                                | —       | —                        | —                              | 35                            | —            | 35           |
| Proceeds from borrowings from affiliates                                           | 250     | —                        | —                              | —                             | (250 )       | —            |
| Repurchase of ordinary shares                                                      | (149 )  | —                        | —                              | —                             | —            | (149 )       |
| Distribution of cash dividends                                                     | (59 )   | —                        | —                              | —                             | —            | (59 )        |
| Taxes withheld and paid on employees' restricted share awards                      | —       | —                        | —                              | (32 )                         | —            | (32 )        |
| Net cash provided by (used in) financing activities                                | 42      | —                        | —                              | 3                             | (250 )       | (205 )       |
| Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash | —       | —                        | —                              | 44                            | —            | 44           |
| Increase (decrease) in cash, cash equivalents and restricted cash                  | 1       | —                        | —                              | (252 )                        | —            | (251 )       |
| 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                        | \$2     | \$ —                     | —                              | \$ 1,344                      | \$ —         | \$ 1,346     |

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, 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, 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.

Included below are sales and operating data for Aptiv's segments for the three months ended March 31, 2019 and 2018.

|                                                    | Signal<br>and<br>Power<br>Solutions | Advanced<br>Safety and<br>User<br>Experience | Eliminations<br>and Other (1) | Total   |
|----------------------------------------------------|-------------------------------------|----------------------------------------------|-------------------------------|---------|
| (in millions)                                      |                                     |                                              |                               |         |
| <b>For the Three Months Ended March 31, 2019:</b>  |                                     |                                              |                               |         |
| Net sales                                          | \$2,562                             | \$ 1,023                                     | \$ (10 )                      | \$3,575 |
| Depreciation and amortization                      | \$131                               | \$ 42                                        | \$ —                          | \$173   |
| Adjusted operating income                          | \$283                               | \$ 62                                        | \$ —                          | \$345   |
| Operating income                                   | \$257                               | \$ 40                                        | \$ —                          | \$297   |
| Equity income, net of tax                          | \$3                                 | \$ —                                         | \$ —                          | \$3     |
| Net income attributable to noncontrolling interest | \$5                                 | \$ —                                         | \$ —                          | \$5     |
|                                                    | Signal<br>and<br>Power<br>Solutions | Advanced<br>Safety and<br>User<br>Experience | Eliminations<br>and Other (1) | Total   |

(in millions)

**For the Three Months Ended March 31, 2018:**

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|                                                    |         |          |          |         |
|----------------------------------------------------|---------|----------|----------|---------|
| Net sales                                          | \$2,617 | \$ 1,032 | \$ (19 ) | \$3,630 |
| Depreciation and amortization                      | \$119   | \$ 36    | \$ —     | \$155   |
| Adjusted operating income                          | \$351   | \$ 76    | \$ —     | \$427   |
| Operating income                                   | \$322   | \$ 52    | \$ —     | \$374   |
| Equity income, net of tax                          | \$5     | \$ —     | \$ —     | \$5     |
| Net income attributable to noncontrolling interest | \$9     | \$ —     | \$ —     | \$9     |

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

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The reconciliation of Adjusted Operating Income to operating income includes, as applicable, restructuring, 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 months ended March 31, 2019 and 2018 are as follows:

|                                                       | Signal<br>and<br>Power<br>Solutions | Advanced<br>Safety and<br>User<br>Experience | Eliminations<br>and Other | Total  |
|-------------------------------------------------------|-------------------------------------|----------------------------------------------|---------------------------|--------|
| (in millions)                                         |                                     |                                              |                           |        |
| <b>For the Three Months Ended March 31, 2019:</b>     |                                     |                                              |                           |        |
| Adjusted operating income                             | \$283                               | \$ 62                                        | \$                        | —\$345 |
| Restructuring                                         | (19 )                               | (7 )                                         | —                         | (26 )  |
| Other acquisition and portfolio project costs         | (7 )                                | (4 )                                         | —                         | (11 )  |
| Deferred compensation related to nuTonomy acquisition | —                                   | (11 )                                        | —                         | (11 )  |
| Operating income                                      | \$257                               | \$ 40                                        | \$                        | —297   |
| Interest expense                                      |                                     |                                              |                           | (38 )  |
| Other income, net                                     |                                     |                                              |                           | 16     |
| Income before income taxes and equity income          |                                     |                                              |                           | 275    |
| Income tax expense                                    |                                     |                                              |                           | (33 )  |
| Equity income, net of tax                             |                                     |                                              |                           | 3      |
| Net income                                            |                                     |                                              |                           | 245    |
| Net income attributable to noncontrolling interest    |                                     |                                              |                           | 5      |
| Net income attributable to Aptiv                      |                                     |                                              |                           | \$240  |

| Signal<br>and<br>Power<br>Solutions | Advanced<br>Safety and<br>User<br>Experience | Eliminations<br>and Other | Total |
|-------------------------------------|----------------------------------------------|---------------------------|-------|
|-------------------------------------|----------------------------------------------|---------------------------|-------|

(in millions)

|                                                       |       |       |    |        |
|-------------------------------------------------------|-------|-------|----|--------|
| <b>For the Three Months Ended March 31, 2018:</b>     |       |       |    |        |
| Adjusted operating income                             | \$351 | \$ 76 | \$ | —\$427 |
| Restructuring                                         | (18 ) | (2 )  | —  | (20 )  |
| Other acquisition and portfolio project costs         | (11 ) | (8 )  | —  | (19 )  |
| Deferred compensation related to nuTonomy acquisition | —     | (14 ) | —  | (14 )  |
| Operating income                                      | \$322 | \$ 52 | \$ | —374   |
| Interest expense                                      |       |       |    | (34 )  |
| Other income, net                                     |       |       |    | 30     |
| Income before income taxes and equity income          |       |       |    | 370    |
| Income tax expense                                    |       |       |    | (59 )  |
| Equity income, net of tax                             |       |       |    | 5      |
| Net income                                            |       |       |    | 316    |
| Net income attributable to noncontrolling interest    |       |       |    | 9      |
| Net income attributable to Aptiv                      |       |       |    | \$307  |





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Revenue is recognized 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. Accordingly, 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.

**Disaggregation of Revenue**

Revenue generated from Aptiv's operating segments is disaggregated by primary geographic market in the following tables for the three months ended March 31, 2019 and 2018. Information concerning geographic market reflects the manufacturing location.

|                                                   | Signal<br>and<br>Power<br>Solutions | Advanced<br>Safety and<br>User<br>Experience | Eliminations<br>and Other | Total   |
|---------------------------------------------------|-------------------------------------|----------------------------------------------|---------------------------|---------|
| <b>For the Three Months Ended March 31, 2019:</b> |                                     |                                              |                           |         |
| (in millions)                                     |                                     |                                              |                           |         |
| <b>Geographic Market</b>                          |                                     |                                              |                           |         |
| North America                                     | \$1,096                             | \$ 326                                       | \$ (1 )                   | \$1,421 |
| Europe, Middle East and Africa                    | 789                                 | 443                                          | (3 )                      | 1,229   |
| Asia Pacific                                      | 622                                 | 254                                          | (6 )                      | 870     |
| South America                                     | 55                                  | —                                            | —                         | 55      |
| Total net sales                                   | \$2,562                             | \$ 1,023                                     | \$ (10 )                  | \$3,575 |

|                                                   | Signal<br>and<br>Power<br>Solutions | Advanced<br>Safety and<br>User<br>Experience | Eliminations<br>and Other | Total |
|---------------------------------------------------|-------------------------------------|----------------------------------------------|---------------------------|-------|
| <b>For the Three Months Ended March 31, 2018:</b> |                                     |                                              |                           |       |

(in millions)

|                                |         |        |         |         |
|--------------------------------|---------|--------|---------|---------|
| <b>Geographic Market</b>       |         |        |         |         |
| North America                  | \$1,020 | \$ 335 | \$ (4 ) | \$1,351 |
| Europe, Middle East and Africa | 837     | 437    | (5 )    | 1,269   |

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|                 |         |          |        |   |         |
|-----------------|---------|----------|--------|---|---------|
| Asia Pacific    | 687     | 259      | (10    | ) | 936     |
| South America   | 73      | 1        | —      |   | 74      |
| Total net sales | \$2,617 | \$ 1,032 | \$ (19 | ) | \$3,630 |

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 March 31, 2019 or December 31, 2018.

**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 business. These payments to customers are generally recognized as a reduction to revenue at the time of the commitment to make these payments. However, certain other payments to customers, 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 March 31, 2019 and December 31, 2018, Aptiv has recorded \$82 million (of which \$15 million was classified within other current assets and \$67 million was classified within other long-term assets) and \$72 million (of which \$8 million was classified within other current assets and \$64 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 \$3 million and \$1 million for the three months ended March 31, 2019 and 2018, respectively.

**22. LEASES****Lease Portfolio**

The Company has operating and finance leases for real estate, office equipment, automobiles, forklifts and certain other equipment. The Company's leases have remaining lease terms of 1 year to 30 years, some of which include options to extend the leases for up to 8 years, and some of which include options to terminate the leases within 1 year. Certain of our lease agreements include rental payments which are adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. When available, we use the rate implicit in the lease to discount lease payments to present value; however, most of our leases do not provide a readily determinable implicit rate. Therefore, we must estimate our incremental borrowing rate to discount the lease payments based on information available at lease commencement.

The components of lease expense were as follows:

**Three  
Months  
Ended  
March  
31, 2019**

**(in  
millions)**

**Lease cost:**

Finance lease cost:

|                                     |      |
|-------------------------------------|------|
| Amortization of right-of-use assets | \$ 1 |
| Interest on lease liabilities       | —    |
| Total finance lease cost            | 1    |
| Operating lease cost                | 29   |
| Short-term lease cost               | 1    |

|                     |       |
|---------------------|-------|
| Variable lease cost | 1     |
| Sublease income (1) | —     |
| Total lease cost    | \$ 32 |

(1) Sublease income excludes rental income from owned properties of less than \$5 million for the three months ended March 31, 2019, which is included in other income, net.

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Supplemental cash flow and other information related to leases was as follows:

|                                                                                | Three<br>Months<br>Ended<br>March<br>31, 2019 |
|--------------------------------------------------------------------------------|-----------------------------------------------|
|                                                                                | (in<br>millions)                              |
| <b>Cash paid for amounts included in the measurement of lease liabilities:</b> |                                               |
| Operating cash flows for finance leases                                        | \$ —                                          |
| Operating cash flows for operating leases                                      | 27                                            |
| Financing cash flows for finance leases                                        | 1                                             |
| <b>Right-of-use assets obtained in exchange for lease obligations:</b>         |                                               |
| Operating leases                                                               | \$ 36                                         |
| Finance leases                                                                 | —                                             |

Supplemental balance sheet information related to leases was as follows:

|                                       | March 31,<br>2019        |
|---------------------------------------|--------------------------|
|                                       | (dollars in<br>millions) |
| <b>Operating leases:</b>              |                          |
| Operating lease right-of-use assets   | \$434                    |
| Accrued liabilities (Note 5)          | \$93                     |
| Long-term operating lease liabilities | 350                      |
| Total operating lease liabilities     | \$443                    |
| <b>Finance leases:</b>                |                          |
| Property and equipment                | \$22                     |
| Less: accumulated depreciation        | (5 )                     |
| Total property, net                   | \$17                     |
| Short-term debt (Note 8)              | \$2                      |
| Long-term debt (Note 8)               | 16                       |
| Total finance lease liabilities       | \$18                     |

**Weighted average remaining lease term:**

|                  |            |
|------------------|------------|
| Operating leases | 7<br>years |
| Finance leases   | 7<br>years |

**Weighted average discount rate:**

|                  |       |
|------------------|-------|
| Operating leases | 3.5 % |
| Finance leases   | 5.5 % |

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Maturities of lease liabilities were as follows:

|                                       | Operating<br>Leases | Finance<br>Leases |
|---------------------------------------|---------------------|-------------------|
| (in millions)                         |                     |                   |
| <b>As of March 31, 2019:</b>          |                     |                   |
| 2019 (remaining as of March 31, 2019) | \$ 80               | \$ 3              |
| 2020                                  | 96                  | 4                 |
| 2021                                  | 83                  | 4                 |
| 2022                                  | 69                  | 3                 |
| 2023                                  | 51                  | 3                 |
| Thereafter                            | 120                 | 7                 |
| Total lease payments                  | 499                 | 24                |
| Less: imputed interest                | (56 )               | (6 )              |
| Total                                 | \$443               | \$ 18             |

As of March 31, 2019, the Company entered into additional operating leases, primarily for real estate, that have not yet commenced and which are not significant.

**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 in which voters approved an exit from the European Union, commonly referred to as “Brexit,” scheduled to become effective on October 31, 2019, following an extension; fluctuations in interest rates and foreign currency exchange rates; the cyclical nature of global 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 and its anticipated successor agreement, the United States-Mexico-Canada Agreement which remains subject to approval; the ability of the Company to integrate and realize the benefits of recent acquisitions; the ability of the Company to attract, motivate and/or retain key executives; the ability of the Company to avoid or continue to operate during a strike, or partial work stoppage or slow down by any of its unionized employees or those of its principal customers; and the ability of the Company to attract and retain customers. Additional factors are discussed under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s filings with the Securities and Exchange Commission, including those set forth in the Company’s Annual Report on Form 10-K for fiscal year ended December 31, 2018 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.



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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 months ended March 31, 2019. 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 formed under the laws of Jersey on May 19, 2011 as Delphi Automotive PLC, which, through 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, 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 PLC 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.” 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 United Kingdom (“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 continues to be subject to United States (“U.S.”) Securities and Exchange Commission reporting requirements and prepare its consolidated 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 primarily 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.

Our total net sales during the three months ended March 31, 2019 were \$3.6 billion, a decrease of 2% compared to the same period of 2018. The decrease in our total net sales is primarily attributable to significant volume decreases in China, coupled with unfavorable foreign currency impacts, partially offset by volume increases in North America and Europe. However, our overall lean cost structure, along with continued above-market sales growth, has enabled us to maintain strong levels of operating income while continuing to strategically invest in the future.

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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 refine our cost structure, as evidenced by our ongoing restructuring programs focused on the continued rotation of our manufacturing footprint to best cost locations and on reducing our 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 decreased 1% from 2017 to 2018, the levels of automotive vehicle production were uneven from a regional perspective. Compared to 2017, vehicle production in 2018 in North America remained flat as compared to the reduced volumes experienced in the region in 2017, while vehicle production decreased by 1% in Europe and 4% in China. Vehicle production in South America, our smallest region, increased by 4% compared to 2017.

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 and its anticipated successor agreement, the United States-Mexico-Canada Agreement which remains subject to approval, 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 U.K. and Europe, as a result of the U.K. referendum in which voters approved an exit from the European Union (“E.U.”), commonly referred to as “Brexit,” scheduled to become effective on October 31, 2019, following an extension. 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, including vehicle production, 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 do not have a material physical presence in the U.K., with less than 1% of our workforce located in the U.K. and approximately 1% of our annual net sales generated in the U.K., the potential impacts of the impending Brexit decision could adversely impact other global economies, and in particular, the European economy, a region which accounted for approximately 34% of our total net sales for the three months ended March 31, 2019. We continue to actively monitor the ongoing potential impacts of Brexit and will seek to minimize its impact on our business through review of our existing contractual arrangements and obligations, particularly in the European region.

*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, as evidenced by the significant reduction in volumes in the region during the three months ended March 31, 2019 as compared to the same period of 2018. 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.

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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 CO<sub>2</sub> 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. For instance, the recent presidential elections and government changes in Mexico have yielded requirements that call for an increase in minimum wages at the border as well as the interior of Mexico. These or any further political or governmental developments in Mexico or other countries in which we operate could result in social, economic and labor instability. In addition, existing free trade laws and regulations, such as the North American Free Trade Agreement and its anticipated successor agreement, the United States-Mexico-Canada Agreement which remains subject to approval, 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 effect on our business and financial results. For instance, during 2018, the U.S. and Chinese governments have imposed a series of significant incremental retaliatory tariffs to certain imported products. Most notably with respect to the automotive industry, the U.S. imposed tariffs on imports of certain steel, aluminum and automotive components, and China imposed retaliatory tariffs on imports of U.S. vehicles and certain automotive components. While these tariffs could have potentially adverse economic impacts, particularly with respect to the automotive industry and vehicle production levels, we do not anticipate a significant impact to our operations, as we have developed and implemented strategies to mitigate adverse tariff impacts, such as production localization and relocation, contract review and

renegotiation and working with the appropriate governmental agencies. Further, our global footprint and regional model serves to minimize our exposure to cross-border transactions. However, the scope and duration of the imposed tariffs remain uncertain.

*Product development.* The automotive technology and components 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 technology and components 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.

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.

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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 and 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 18,600 scientists, engineers and technicians focused on developing leading product solutions for our key markets, located at 15 major technical centers in China, Germany, India, Mexico, Poland, Singapore and the United States. We invest approximately \$1.4 billion (which includes approximately \$300 million co-investment by customers and government agencies) annually in research and development, including engineering, to maintain our portfolio of innovative products, and owned/held approximately 7,100 patents and protective rights as of December 31, 2018. We also encourage “open innovation” and collaborate extensively with peers in the industry, government agencies and academic institutions. Our technology competencies are recognized by both customers and government agencies, who have co-invested approximately \$300 million annually in new product development, accelerating the pace of innovation and reducing the risk associated with successful commercialization of technological breakthroughs.

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

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

We are focused on maintaining a low fixed cost structure that provides us flexibility to remain profitable at all points of the traditional vehicle industry production cycle. As a result, approximately 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 14% of the hourly workforce as of March 31, 2019. 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 \$4.5 billion and substantial available liquidity of approximately \$2.1 billion of cash and cash equivalents and available financing under our Revolving Credit Facility and committed European accounts receivable factoring facility as of March 31, 2019, 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.

*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



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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 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 operate on Aptiv’s fully-integrated autonomous driving platform and are 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.

## **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.

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

The automotive technology and 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 Months Ended March 31, 2019 versus Three Months Ended March 31, 2018***

The results of operations for the three months ended March 31, 2019 and 2018 were as follows:

|                                                    | Three Months Ended March 31, |           |                         |   |
|----------------------------------------------------|------------------------------|-----------|-------------------------|---|
|                                                    | 2019                         | 2018      | Favorable/(unfavorable) |   |
|                                                    | (dollars in millions)        |           |                         |   |
| Net sales                                          | \$3,575                      | \$3,630   | \$ (55                  | ) |
| Cost of sales                                      | 2,962                        | 2,947     | (15                     | ) |
| Gross margin                                       | 613                          | 17.1% 683 | 18.8% (70               | ) |
| Selling, general and administrative                | 256                          | 259       | 3                       |   |
| Amortization                                       | 34                           | 30        | (4                      | ) |
| Restructuring                                      | 26                           | 20        | (6                      | ) |
| Operating income                                   | 297                          | 374       | (77                     | ) |
| Interest expense                                   | (38 )                        | (34 )     | (4                      | ) |
| Other income, net                                  | 16                           | 30        | (14                     | ) |
| Income before income taxes and equity income       | 275                          | 370       | (95                     | ) |
| Income tax expense                                 | (33 )                        | (59 )     | 26                      |   |
| Income before equity income                        | 242                          | 311       | (69                     | ) |
| Equity income, net of tax                          | 3                            | 5         | (2                      | ) |
| Net income                                         | 245                          | 316       | (71                     | ) |
| Net income attributable to noncontrolling interest | 5                            | 9         | (4                      | ) |
| Net income attributable to Aptiv                   | \$240                        | \$307     | \$ (67                  | ) |

***Total Net Sales***

Below is a summary of our total net sales for the three months ended March 31, 2019 versus March 31, 2018.

| Three Months Ended March 31, |         |                         |          | Variance Due To:                            |         |                        |       |         |
|------------------------------|---------|-------------------------|----------|---------------------------------------------|---------|------------------------|-------|---------|
| 2019                         | 2018    | Favorable/(unfavorable) |          | Volume, net of contractual price reductions | FX      | Commodity pass-through | Other | Total   |
| (in millions)                |         |                         |          | (in millions)                               |         |                        |       |         |
| Total net sales              | \$3,575 | \$3,630                 | \$ (55 ) | \$108                                       | \$(148) | \$ (15 )               | \$    | —\$(55) |

Total net sales for the three months ended March 31, 2019 decreased 2% compared to the three months ended March 31, 2018. We experienced volume growth of 4% for the period, which includes net sales of \$125 million as a result of the acquisitions of KUM and Winchester in 2018, primarily as a result of increases in North America and Europe, partially offset by volume declines of approximately 10% in China as compared to the three months ended March 31, 2018. Volume growth

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was 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 further detail of our business acquisitions.

### 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 \$15 million for the three months ended March 31, 2019 compared to the three months ended March 31, 2018, as summarized below. The Company's material cost of sales was approximately 50% of net sales in both the three months ended March 31, 2019 and 2018.

|                         | Three Months Ended March 31, |         |                         | Variance Due To: |                         |       |              |
|-------------------------|------------------------------|---------|-------------------------|------------------|-------------------------|-------|--------------|
|                         | 2019                         | 2018    | Favorable/(unfavorable) | Volume (a)FX     | Operational performance | Other | Total        |
|                         | (dollars in millions)        |         |                         | (in millions)    |                         |       |              |
| Cost of sales           | \$2,962                      | \$2,947 | \$ (15 )                | \$(181)          | \$118                   | \$ 19 | \$ 29 \$(15) |
| Gross margin            | \$613                        | \$683   | \$ (70 )                | \$(73 )          | \$(30 )                 | \$ 19 | \$ 14 \$(70) |
| Percentage of net sales | 17.1 %                       | 18.8 %  |                         |                  |                         |       |              |

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

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 and operational performance improvements. Cost of sales was also impacted by the following items in Other above:

\$15 million of decreased commodity costs; and

\$3 million of decreased warranty costs.

### Selling, General and Administrative Expense

|                                             | Three Months Ended March 31, |       |                         |
|---------------------------------------------|------------------------------|-------|-------------------------|
|                                             | 2019                         | 2018  | Favorable/(unfavorable) |
|                                             | (dollars in millions)        |       |                         |
| Selling, general and administrative expense | \$256                        | \$259 | \$ 3                    |
| Percentage of net sales                     | 7.2 %                        | 7.1 % |                         |

Selling, general and administrative expense ("SG&A") includes administrative expenses, information technology costs and incentive compensation related costs. SG&A increased as a percentage of net sales for the three months ended March 31, 2019 as compared to 2018, primarily due to the impacts of our acquisitions, partially offset by cost reduction initiatives, including our continuing rotation to best cost manufacturing locations in Europe and initiatives focused on reducing global overhead costs.

### Amortization

|              | Three Months Ended March 31, |      |                         |
|--------------|------------------------------|------|-------------------------|
|              | 2019                         | 2018 | Favorable/(unfavorable) |
|              | (in millions)                |      |                         |
| Amortization | \$34                         | \$30 | \$ (4 )                 |

Amortization expense reflects the non-cash charge related to definite-lived intangible assets. The increase in amortization during the three months ended March 31, 2019 compared to 2018 reflects the continued amortization of our definite-lived



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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 March 31,  
2019    2018    Favorable/  
                                         (unfavorable)

(dollars in millions)

Restructuring                    \$26    \$20    \$ (6    )

Percentage of net sales    0.7 %    0.6 %

The increase in restructuring expense recorded during the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 is primarily attributable to an increase in costs recognized for global overhead reductions as compared to the prior period.

The Company recorded employee-related and other restructuring charges related to these programs totaling approximately \$26 million during the three months ended March 31, 2019, of which \$7 million was 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.

The Company recorded employee-related and other restructuring charges related to these programs totaling approximately \$20 million during the three months ended March 31, 2018, of which \$12 million was 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.

We expect to continue to incur additional restructuring expense in 2019, 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. Additionally, as we continue to operate in a cyclical industry that is impacted by movements in the global and regional economies, we continually evaluate opportunities to further adjust our cost structure and optimize our manufacturing footprint. The Company plans to implement additional restructuring activities in the future, if necessary, in order to align manufacturing capacity and other costs with prevailing regional automotive production levels and locations, to improve the efficiency and utilization of other locations and in order to increase investment in advanced technologies and engineering. Such future restructuring actions are dependent on market conditions, customer actions and other factors.

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

Interest Expense

Three Months Ended  
March 31,  
2019    2018    Favorable/  
                                         (unfavorable)

(in millions)

Interest expense    \$38    \$34    \$ (4    )

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

Other Income, Net

Three Months Ended  
March 31,  
2019    2018    Favorable/  
                                         (unfavorable)

(in millions)

Other income, net    \$16    \$30    \$ (14    )

As further discussed in Note 17. Acquisitions and Divestitures to the consolidated financial statements contained herein, during the three months ended March 31, 2019, Aptiv recorded a pre-tax unrealized gain of \$19 million related to increases in



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fair value of its equity investments without readily determinable fair values. Also, as further discussed in Note 8. Debt to the consolidated financial statements contained herein, during the three months ended March 31, 2019, Aptiv redeemed for cash the entire \$650 million aggregate principal amount outstanding of the 3.15% Senior Notes, resulting in a loss on debt extinguishment of approximately \$6 million.

As further discussed in Note 14. Derivatives and Hedging Activities to the consolidated financial statements contained herein, during the three months ended March 31, 2018, Aptiv recorded a gain of \$11 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. Additionally, during the three months ended March 31, 2018, Aptiv recorded \$3 million for certain fees earned pursuant to the Transition Services Agreement in connection with the Separation of the Company's former Powertrain Systems business.

Income Taxes

| Three Months Ended<br>March 31, |      |                             |
|---------------------------------|------|-----------------------------|
| 2019                            | 2018 | Favorable/<br>(unfavorable) |

(in millions)

|                    |      |      |       |
|--------------------|------|------|-------|
| Income tax expense | \$33 | \$59 | \$ 26 |
|--------------------|------|------|-------|

The Company's effective tax rate was impacted by favorable changes in geographic income mix in 2019 as compared to 2018, primarily due to changes in the underlying business operations and the receipt of certain tax incentives and holidays that reduced the effective tax rate for certain subsidiaries below the statutory rate during the three months ended March 31, 2019.

The Company's effective tax rate for the three months ended March 31, 2019 also includes net discrete tax benefits of \$10 million, primarily related to changes in reserves and provision to return adjustments, as further discussed in Note 11. Income Taxes to the consolidated financial statements contained herein. The effective tax rate for the three months ended March 31, 2018 includes net discrete tax benefits of \$1 million, primarily related to changes in reserves, offset by provision to return adjustments.

Equity Income

| Three Months Ended<br>March 31, |      |                             |
|---------------------------------|------|-----------------------------|
| 2019                            | 2018 | Favorable/<br>(unfavorable) |

(in millions)

|                           |     |     |        |
|---------------------------|-----|-----|--------|
| Equity income, net of tax | \$3 | \$5 | \$ (2) |
|---------------------------|-----|-----|--------|

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 months ended March 31, 2019 as compared to the three months ended March 31, 2018, primarily attributable to the performance of our joint ventures in North America and Asia Pacific as compared to the prior period.

**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, 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.

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,

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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 months ended March 31, 2019 and 2018 are as follows:

|                                                       | Signal<br>and<br>Power<br>Solutions | Advanced<br>Safety and<br>User<br>Experience | Eliminations<br>and Other | Total  |
|-------------------------------------------------------|-------------------------------------|----------------------------------------------|---------------------------|--------|
| (in millions)                                         |                                     |                                              |                           |        |
| <b>For the Three Months Ended March 31, 2019:</b>     |                                     |                                              |                           |        |
| Adjusted operating income                             | \$283                               | \$ 62                                        | \$                        | —\$345 |
| Restructuring                                         | (19 )                               | (7 )                                         | —                         | (26 )  |
| Other acquisition and portfolio project costs         | (7 )                                | (4 )                                         | —                         | (11 )  |
| Deferred compensation related to nuTonomy acquisition | —                                   | (11 )                                        | —                         | (11 )  |
| Operating income                                      | \$257                               | \$ 40                                        | \$                        | —297   |
| Interest expense                                      |                                     |                                              |                           | (38 )  |
| Other income, net                                     |                                     |                                              |                           | 16     |
| Income before income taxes and equity income          |                                     |                                              |                           | 275    |
| Income tax expense                                    |                                     |                                              |                           | (33 )  |
| Equity income, net of tax                             |                                     |                                              |                           | 3      |
| Net income                                            |                                     |                                              |                           | 245    |
| Net income attributable to noncontrolling interest    |                                     |                                              |                           | 5      |
| Net income attributable to Aptiv                      |                                     |                                              |                           | \$240  |
|                                                       | Signal<br>and<br>Power<br>Solutions | Advanced<br>Safety and<br>User<br>Experience | Eliminations<br>and Other | Total  |
| (in millions)                                         |                                     |                                              |                           |        |
| <b>For the Three Months Ended March 31, 2018:</b>     |                                     |                                              |                           |        |
| Adjusted operating income                             | \$351                               | \$ 76                                        | \$                        | —\$427 |
| Restructuring                                         | (18 )                               | (2 )                                         | —                         | (20 )  |
| Other acquisition and portfolio project costs         | (11 )                               | (8 )                                         | —                         | (19 )  |
| Deferred compensation related to nuTonomy acquisition | —                                   | (14 )                                        | —                         | (14 )  |
| Operating income                                      | \$322                               | \$ 52                                        | \$                        | —374   |
| Interest expense                                      |                                     |                                              |                           | (34 )  |
| Other income, net                                     |                                     |                                              |                           | 30     |
| Income before income taxes and equity income          |                                     |                                              |                           | 370    |
| Income tax expense                                    |                                     |                                              |                           | (59 )  |
| Equity income, net of tax                             |                                     |                                              |                           | 5      |
| Net income                                            |                                     |                                              |                           | 316    |
| Net income attributable to noncontrolling interest    |                                     |                                              |                           | 9      |
| Net income attributable to Aptiv                      |                                     |                                              |                           | \$307  |



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Net sales, gross margin as a percentage of net sales and Adjusted Operating Income by segment for the three months ended March 31, 2019 and 2018 are as follows:

*Net Sales by Segment*

|                                     | Three Months Ended March 31, |         |                             | Variance Due To:                                     |         |                           |       |         |
|-------------------------------------|------------------------------|---------|-----------------------------|------------------------------------------------------|---------|---------------------------|-------|---------|
|                                     | 2019                         | 2018    | Favorable/<br>(unfavorable) | Volume, net of<br>contractual<br>price<br>reductions | FX      | Commodity<br>pass-through | Other | Total   |
|                                     | (in millions)                |         |                             | (in millions)                                        |         |                           |       |         |
| Signal and Power Solutions          | \$2,562                      | \$2,617 | \$ (55 )                    | \$71                                                 | \$(111) | \$ (15 )                  | \$    | —\$(55) |
| Advanced Safety and User Experience | 1,023                        | 1,032   | (9 )                        | 29                                                   | (38 )   | —                         | —     | (9 )    |
| Eliminations and Other              | (10 )                        | (19 )   | 9                           | 8                                                    | 1       | —                         | —     | 9       |
| Total                               | \$3,575                      | \$3,630 | \$ (55 )                    | \$108                                                | \$(148) | \$ (15 )                  | \$    | —\$(55) |

*Gross Margin Percentage by Segment*

|                                     | Three Months<br>Ended March 31, |       |
|-------------------------------------|---------------------------------|-------|
|                                     | 2019                            | 2018  |
| Signal and Power Solutions          | 19.5%                           | 21.4% |
| Advanced Safety and User Experience | 11.1%                           | 12.0% |
| Eliminations and Other              | — %                             | — %   |
| Total                               | 17.1%                           | 18.8% |

*Adjusted Operating Income by Segment*

|                                     | Three Months Ended March<br>31, |       |                             | Variance Due To:                                     |                            |        |        |  |
|-------------------------------------|---------------------------------|-------|-----------------------------|------------------------------------------------------|----------------------------|--------|--------|--|
|                                     | 2019                            | 2018  | Favorable/<br>(unfavorable) | Volume, net of<br>contractual<br>price<br>reductions | operational<br>performance | Other  | Total  |  |
|                                     | (in millions)                   |       |                             | (in millions)                                        |                            |        |        |  |
| Signal and Power Solutions          | \$283                           | \$351 | \$ (68 )                    | \$(59)                                               | \$ 4                       | \$(13) | \$(68) |  |
| Advanced Safety and User Experience | 62                              | 76    | (14 )                       | (14 )                                                | 12                         | (12 )  | (14 )  |  |
| Eliminations and Other              | —                               | —     | —                           | —                                                    | —                          | —      | —      |  |
| Total                               | \$345                           | \$427 | \$ (82 )                    | \$(73)                                               | \$ 16                      | \$(25) | \$(82) |  |

As noted in the table above, Adjusted Operating Income for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 was impacted by volume and contractual price reductions, including product mix, and operational performance improvements which were partially offset by incremental investment in advanced technologies and engineering, as well as the following items included within Other in the table above:

• Unfavorable foreign currency impacts of \$20 million, primarily related to the Euro and Chinese Yuan Renminbi; and  
• \$18 million of increased depreciation and amortization, primarily as a result of a higher fixed asset base; partially offset by  
• \$3 million of decreased warranty costs.

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 March 31, 2019, we had cash and cash equivalents of \$0.3 billion and net debt (defined as outstanding debt less cash and cash equivalents) of \$4.2 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 March 31, 2019. 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.

|                                                                                   | <b>March 31,<br/>2019</b> |
|-----------------------------------------------------------------------------------|---------------------------|
|                                                                                   | <b>(in<br/>millions)</b>  |
| Cash and cash equivalents                                                         | \$ 321                    |
| Revolving Credit Facility, unutilized portion (1)                                 | 1,825                     |
| Committed European accounts receivable factoring facility, unutilized portion (2) | 2                         |
| Total available liquidity                                                         | \$ 2,148                  |

(1) Availability reduced by less than \$1 million in letters of credit issued under the Credit Agreement as of March 31, 2019.

(2) Based on March 31, 2019 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 March 31, 2019, the Company's cash and cash equivalents held by our non-U.S. subsidiaries totaled \$309 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 2019 and beyond.

***Share Repurchases***

In April 2016, the Board of Directors authorized a share repurchase program of up to \$1.5 billion of ordinary shares, which commenced in September 2016. 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.

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A summary of the ordinary shares repurchased during the three months ended March 31, 2019 and 2018 is as follows:

|                                    | <b>Three Months Ended</b> |             |
|------------------------------------|---------------------------|-------------|
|                                    | <b>March 31,</b>          |             |
|                                    | <b>2019</b>               | <b>2018</b> |
| Total number of shares repurchased | 2,840,079                 | 2,676,144   |
| Average price paid per share       | \$79.57                   | \$ 89.17    |
| Total (in millions)                | \$226                     | \$ 149      |

As of March 31, 2019, approximately \$264 million of share repurchases remained available under the April 2016 share repurchase program. All repurchased shares were retired, and are reflected as a reduction of ordinary share capital for the par value of the shares, with the excess applied as reductions to additional paid-in-capital and retained earnings.

### ***New Share Repurchase Program***

In January 2019, the Board of Directors authorized a new share repurchase program of up to \$2.0 billion of ordinary shares. This share repurchase program provides for share purchases in the open market or in privately negotiated transactions, depending on share price, market conditions and other factors, as determined by the Company. This program will commence following the completion of the Company's April 2016 share repurchase program described above.

### ***Acquisitions***

**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 \$680 million, net of cash acquired. 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 Winchester included within the Company's Signal and Power Solutions segment from the date of acquisition. The Company acquired Winchester utilizing cash on hand and short-term borrowings.

**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 \$526 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.

**Technology Investments**—During the first quarter of 2019, the Company's Advanced Safety and User Experience segment made an additional \$3 million investment in Otonomo Technologies Ltd. ("Otonomo"), a connected car data marketplace developer. This investment was in addition to the Company's \$15 million investment made in the first quarter of 2017. During the fourth quarter of 2018, the Company's Advanced Safety and User Experience segment made a \$15 million investment in Affectiva, Inc., a leader in human perception artificial intelligence technology. 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.

### ***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 unsecured 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 March 31, 2019, \$175 million was outstanding under the Revolving Credit Facility and less than \$1 million in letters of credit were issued under the Credit Agreement. Letters of credit issued under the Credit Agreement reduce availability

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under the Revolving Credit Facility. The maximum amount drawn under the Revolving Credit Facility during the three months ended March 31, 2019 was \$465 million, primarily to manage intra-month working capital requirements. 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:

|                           | March 31, 2019 |          | December 31, 2018 |          |
|---------------------------|----------------|----------|-------------------|----------|
|                           | 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 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 March 31, 2019, Aptiv selected the one-month LIBOR interest rate option on the Tranche A Term Loan, and the rate effective as of March 31, 2019, as detailed in the table below, was based on the Company's current credit rating and the Applicable Rate for the Credit Agreement:

| Applicable Rate                            | Borrowings as of March 31, 2019 (in millions) |      | Rates effective as of March 31, 2019 |  |
|--------------------------------------------|-----------------------------------------------|------|--------------------------------------|--|
|                                            |                                               |      |                                      |  |
| Revolving Credit Facility ABR plus 0.10%   | \$ 25                                         | 5.60 | %                                    |  |
| Revolving Credit Facility LIBOR plus 1.10% | \$ 150                                        | 3.60 | %                                    |  |
| Tranche A Term Loan LIBOR plus 1.25%       | \$ 380                                        | 3.75 | %                                    |  |

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 March 31, 2019.

As of March 31, 2019, 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 of 1933, as amended (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

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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 was 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. In March 2019, Aptiv redeemed for cash the entire \$650 million aggregate principal amount outstanding of the 3.15% Senior Notes, financed by the proceeds received from the issuance of the 2019 Senior Notes, as defined below. As a result of the redemption of the 3.15% Senior Notes, Aptiv recognized a loss on debt extinguishment of approximately \$6 million during the three months ended March 31, 2019 within other expense, net in the consolidated statement of operations.

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.

On March 14, 2019, Aptiv PLC issued \$650 million in aggregate principal amount of senior unsecured notes in a transaction registered under the Securities Act, comprised of \$300 million of 4.35% senior unsecured notes due 2029 (the “4.35% Senior Notes”) and \$350 million of 5.40% senior unsecured notes due 2049 (the “5.40% Senior Notes”) (collectively, the “2019 Senior Notes”). The 4.35% Senior Notes were priced at 99.879% of par, resulting in a yield to maturity of 4.365%, and the 5.40% Senior Notes were priced at 99.558% of par, resulting in a yield to maturity of 5.430%. The proceeds were utilized to redeem the 3.15% Senior Notes. Aptiv incurred approximately \$5 million of issuance costs in connection with the 2019 Senior Notes. Interest on the 2019 Senior Notes is payable semi-annually on March 15 and September 15 of each year to holders of record at the close of business on March 1 or September 1 immediately preceding the interest payment date.

Although the specific terms of each indenture governing each series of senior notes vary, the indentures contain certain restrictive covenants, including with respect to 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 March 31, 2019, the Company was in compliance with the provisions of all series of the outstanding senior notes.

The 2014 Senior Notes issued by Aptiv Corporation 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, 4.25% Senior Notes, 2016 Euro-denominated Senior Notes, 2016 Senior Notes and 2019 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.

Table of Contents**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. The rate effective on amounts outstanding as of March 31, 2019 was 0.42%. As of March 31, 2019 and December 31, 2018, Aptiv had \$335 million and \$279 million, respectively, outstanding on the European accounts receivable factoring facility. The maximum amount drawn under the European facility during the three months ended March 31, 2019 was \$335 million, primarily to manage intra-month working capital requirements.

**Finance leases and other**—As of March 31, 2019 and December 31, 2018, approximately \$27 million and \$32 million, respectively, of other debt primarily issued by certain non-U.S. subsidiaries and finance lease obligations were outstanding.

**Letter of credit facilities**—In addition to the letters of credit issued under the Credit Agreement, Aptiv had approximately \$2 million and \$2 million outstanding through other letter of credit facilities as of March 31, 2019 and December 31, 2018, respectively, primarily to support arrangements and other obligations at certain of its subsidiaries.

**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 \$84 million and \$186 million for the three months ended March 31, 2019 and 2018, respectively. Cash flow from operating activities from continuing operations for the three months ended March 31, 2019 consisted primarily of net earnings of \$245 million, increased by \$189 million for non-cash charges for depreciation, amortization, pension costs and extinguishment of debt, partially offset by \$368 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 three months ended March 31, 2018 consisted primarily of net earnings of \$316 million, increased by \$166 million for non-cash charges for depreciation, amortization and pension costs, partially offset by \$299 million related to changes in operating assets and liabilities, net of restructuring and pension contributions.

**Investing activities**—Net cash used in investing activities totaled \$235 million for the three months ended March 31, 2019, as compared to \$245 million for the three months ended March 31, 2018. The decrease in usage is primarily attributable to decreased capital expenditures of \$8 million during the three months ended March 31, 2019 as compared to the three months ended March 31, 2018.

**Financing activities**—Net cash used in financing activities totaled \$99 million and \$205 million for the three months ended March 31, 2019 and 2018, respectively. Cash flows used in financing activities for the three months ended March 31, 2019 primarily included net proceeds of \$643 million received from the issuance of the 2019 Senior Notes, which were utilized to redeem \$650 million of the 3.15% Senior Notes, as well as \$226 million paid to repurchase ordinary shares and \$57 million of dividend payments, partially offset by \$229 million in proceeds under other short-term debt agreements. Cash flows used in financing activities for the three months ended March 31, 2018 primarily included \$149 million paid to repurchase ordinary shares and \$59 million of dividend payments.

**Off-Balance Sheet Arrangements**

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

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**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 months ended March 31, 2019.

**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, 2018. 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, as amended (the "Exchange Act"). The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance of achieving their objectives.

As of March 31, 2019, 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 Exchange Act, 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 March 31, 2019.

**Changes in Internal Control over Financial Reporting**

There were no material changes in the Company's internal controls over financial reporting during the three months ended March 31, 2019 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, 2018. 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, 2018.

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

A summary of our ordinary shares repurchased during the three months ended March 31, 2019, is shown below:

| Period                                | Total<br>Number of<br>Shares<br>Purchased<br>(1) | Average<br>Price<br>Paid<br>per<br>Share<br>(2) | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Approximate<br>Dollar Value<br>of Shares<br>that May Yet<br>be<br>Purchased<br>Under the<br>Program (in<br>millions) (3) |
|---------------------------------------|--------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| January 1, 2019 to January 31, 2019   | —                                                | \$ —                                            | —                                                                                                        | \$ 2,490                                                                                                                 |
| February 1, 2019 to February 28, 2019 | 2,406,149                                        | 78.96                                           | 2,406,149                                                                                                | 2,300                                                                                                                    |
| March 1, 2019 to March 31, 2019       | 433,930                                          | 82.92                                           | 433,930                                                                                                  | 2,264                                                                                                                    |
| Total                                 | 2,840,079                                        | 79.57                                           | 2,840,079                                                                                                |                                                                                                                          |

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

(2) Excluding commissions.

(3) In January 2019, the Board of Directors authorized a share repurchase program of up to \$2.0 billion. This program will commence following the completion of the previously announced share repurchase program of \$1.5 billion, which was approved by the Board of Directors in April 2016. The timing of repurchases is dependent on price, market conditions and applicable regulatory requirements.

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**ITEM 6. EXHIBITS**

| <u>Exhibit<br/>Number</u>               | <u>Description</u>                                                                                                                                               |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1                                    | <u>Form of Allocation Letter for Executives, effective 2019*</u>                                                                                                 |
| 10.2                                    | <u>Aptiv PLC Annual Incentive Plan (as Amended and Restated Effective January 1, 2019)*</u>                                                                      |
| 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# - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH                                 | XBRL Taxonomy Extension Schema Document#                                                                                                                         |
| 101.CAL                                 | XBRL Taxonomy Extension Calculation Linkbase Document#                                                                                                           |
| 101.DEF                                 | XBRL Taxonomy Extension Definition Linkbase Document#                                                                                                            |
| 101.LAB                                 | XBRL Taxonomy Extension Label Linkbase Document#                                                                                                                 |
| 101.PRE                                 | XBRL Taxonomy Extension Presentation Linkbase Document#                                                                                                          |
| * Filed herewith.                       |                                                                                                                                                                  |
| # Filed electronically with the Report. |                                                                                                                                                                  |

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**SIGNATURES**

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

APTIV PLC

/s/ Joseph R. Massaro

By: Joseph R. Massaro

Senior Vice President and

Chief Financial Officer

Dated: May 2, 2019