

VISTEON CORP  
Form 10-K  
February 25, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K  
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2013

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-15827

VISTEON CORPORATION

(Exact name of registrant as specified in its charter)

State of Delaware

38-3519512

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

One Village Center Drive, Van Buren Township, Michigan 48111

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code: (800)-VISTEON

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

Title of Each Class

Name of Each Exchange on which Registered

Common Stock, par value \$0.01 per share

New York Stock Exchange

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

Warrants, each exercisable for one share of Common Stock at an exercise price of \$58.80 (expiring October 15, 2015)

(Title of class)

Warrants, each exercisable for one share of Common Stock at an exercise price of \$9.66 (expiring October 15, 2020)

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on June 28, 2013 (the last business day of the most recently completed second fiscal quarter) was approximately \$3.2 billion.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

As of February 17, 2014, the registrant had outstanding 48,395,695 shares of common stock.

Document Incorporated by Reference

Document	Where Incorporated
2014 Proxy Statement	Part III (Items 10, 11, 12, 13 and 14)

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### Part I

#### Item 1. Business

##### Description of Business

Visteon Corporation ("Visteon" or the "Company") is a global supplier of climate, electronics and interiors systems, modules and components to automotive original equipment manufacturers ("OEMs") including Bayerische Motoren Werke AG ("BMW"), Chrysler Group LLC ("Chrysler"), Daimler AG ("Daimler"), Ford Motor Company ("Ford"), General Motors Company ("General Motors"), Honda Motor Co., Ltd. ("Honda"), Hyundai Motor Company ("Hyundai"), Kia Motors ("Kia"), Mazda Motor Corporation ("Mazda"), Mitsubishi Motors ("Mitsubishi"), Nissan Motor Company, Ltd. ("Nissan"), PSA Peugeot Citroën, Renault S.A. ("Renault"), Toyota Motor Corporation ("Toyota") and Volkswagen, as well as emerging new vehicle manufacturers in Asia. Visteon delivers value to its customer and shareholders through a family of businesses including:

- Halla Visteon Climate Control Corporation, majority-owned by Visteon and the world's second largest global supplier of automotive climate components and systems.
- Visteon Electronics, a global provider of cockpit electronics, including audio/infotainment, driver information, center stack electronics and feature control modules.
- Visteon Interiors, a global provider of vehicle cockpit modules, instrument panels, consoles and door trim modules.

The Company, headquartered in Van Buren Township, Michigan, has an international network of manufacturing operations, technical centers and joint venture operations, supported by approximately 24,000 employees dedicated to the design, development, manufacture and support of its product offering and its global customers. The Company's manufacturing and engineering footprint is principally located outside of the U.S., with a heavy concentration in low-cost geographic regions. Management believes that the Company is strategically well-positioned to capitalize on growth in emerging markets, particularly those in Asia, where the Company generated 46% of its consolidated sales for the year ended December 31, 2013. The Company's sales for the year ended December 31, 2013 totaled \$7.4 billion and were distributed by product group, geographic region, and customer as follows.

##### The Company's History

The Company was incorporated in Delaware in January 2000 as a wholly-owned subsidiary of Ford Motor Company ("Ford" or "Ford Motor Company"). Subsequently, Ford transferred the assets and liabilities comprising its automotive components and systems business to Visteon. The Company separated from Ford on June 28, 2000 when all of the Company's common stock was distributed by Ford to its shareholders.

During the latter part of 2008 and through 2009, weakened economic conditions, largely attributable to the global credit crisis, and erosion of consumer confidence, triggered a global economic recession that negatively impacted the automotive sector. On May 28, 2009, the Company and many of its domestic subsidiaries filed voluntary petitions for reorganization relief under the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware in response to the resulting sudden and severe declines in global automotive production and the related adverse impact on the Company's cash flows and liquidity. On August 31, 2010, the bankruptcy court entered an order confirming the plan of reorganization and the Company emerged from bankruptcy on October 1, 2010.



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### The Company's Value Creation Strategy

In September 2012, the Company announced a comprehensive shareholder value creation plan founded on the pillars of industrial logic, customer focus and financial discipline. The comprehensive shareholder value creation plan includes the following primary elements.

**Climate consolidation** - Prior to 2013, the Company's Climate operations were comprised of Halla Climate Control Corporation ("Halla"), a 70% owned and consolidated Korean subsidiary, and a series of wholly-owned Visteon Climate operations and other Visteon Climate joint ventures. During the first quarter of 2013, Halla purchased certain subsidiaries and intellectual property relating to Visteon's global climate business for a total purchase price of \$410 million. This combination formed the world's second largest global supplier of automotive climate components and systems under the name of Halla Visteon Climate Control Corporation ("HVCC"). HVCC is majority-owned by Visteon and headquartered in South Korea. The Company expects to achieve synergies through improved global scale and common business practices over time in connection with this business combination.

**Electronics optimization** - The Company's Electronics business has undergone a transition away from powertrain, body and security electronics over the past several years and today is focused solely on electronics in the cockpit of the vehicle delivering innovative audio, infotainment, clusters and displays to OEM customers. The market for cockpit electronics is projected to grow to \$45 billion by 2018. The Company believes that its Electronics business is well-positioned to capitalize on a rapidly changing consumer-driven technology landscape and has taken steps to optimize the size and scale of this business associated with its cockpit electronics products.

In the fourth quarter of 2013, the Company paid \$58 million for an additional 11% ownership interest in Yanfeng Visteon Automotive Electronics Co., Ltd. ("YFVE"), resulting in a 51% controlling ownership interest in YFVE. YFVE provides an important source of global electronics development and engineering capability. Additionally, the Company invested \$48 million during the fourth quarter of 2013 in a non-consolidated electronics holding company owned 50% by Visteon and 50% by Yanfeng.

On January 13, 2014, Visteon reached an agreement to acquire the automotive electronics business of Johnson Controls for cash of \$265 million. The acquisition is subject to certain regulatory and other consents and approvals and is expected to be completed in the second quarter of 2014. In the fiscal year ended September 30, 2013, the business to be acquired by Visteon generated approximately \$1.3 billion in revenue and about \$58 million in EBITDA (earnings before interest, taxes, depreciation and amortization).

These actions are expected to strengthen Visteon's competitive position in the fast-growing vehicle cockpit electronics segment by expanding its global scale, manufacturing and engineering footprint, product portfolio and customer penetration. On a combined basis following completion of the acquisition of the automotive electronics business of Johnson Controls, Visteon expects that its electronics business will have sales of about \$3 billion, a No. 2 global position in driver information, an above-average growth rate for the segment, and penetration of nine of the world's ten largest vehicle manufacturers.

**Interiors strategy** - The Company determined that its Interiors business is not aligned with its long-term strategic goals and continues to explore alternatives for this non-core business including, but not limited to, divestiture, partnership or alliance. While the Company views Interiors as a non-core business, it continues to make commitments to this business and intends to divest in the future only under acceptable terms and conditions. On December 17, 2013, Visteon completed the sale of its 50% ownership interest in Yanfeng Visteon Automotive Trim Systems Co., Ltd., ("Yanfeng") a significant Interiors equity investee, for cash proceeds of \$928 million. The Company's goal is to dispose of the remainder of its Interiors businesses in three separate transactions targeted for 2014. Due to certain liabilities and capital requirements of many of the these remaining businesses, the Company may be required to contribute cash to such businesses in connection with any disposition, which amounts could be material.

**Cost reduction program** - In November 2012 the Company announced a \$100 million restructuring program designed to reduce fixed costs and to improve operational efficiency by addressing certain under-performing operations.

Through December 31, 2013, the Company recorded approximately \$76 million of restructuring expenses under this program. The Company anticipates recording additional restructuring charges related to this program in future periods as underlying plans are finalized.

Balance sheet enhancement - In December 2013 the Company exercised its right to repurchase \$50 million or 10% of its outstanding 6.75% senior notes due April 2019 for a redemption price of 103% of the principal amount, plus accrued and unpaid interest to the redemption date. This repurchase was in addition to a similar \$50 million repurchase of outstanding 6.75% senior notes due April 2019 that was completed in December 2012. Also during 2012, the Company offered an accelerated pension payment program to most of its U.S. defined benefit plan participants who are former employees with vested benefits not yet in pay status, whereby such participants could elect to receive a single lump sum

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payout. Approximately 70% of eligible participants elected to receive a single lump sum payout resulting in a reduction of the Company's U.S. retirement plan obligations of \$408 million and a reduction in plan assets of \$301 million, respectively.

Share repurchases - Since July 2012, the Company's board of directors has authorized a total of \$1.175 billion in share repurchases. In connection with these authorizations the Company completed two \$125 million accelerated share buy-back programs during 2013. Also in connection with these authorizations, the Company repurchased \$50 million during 2012 through open market purchases. As of December 31, 2013, \$875 million remains authorized and available for repurchase through December 31, 2015.

## The Company's Industry

The Company operates in the automotive industry, which is cyclical and highly sensitive to general economic conditions. The Company believes that future success in the automotive industry is, in part, dependent on alignment with customers to support their efforts to effectively meet the challenges associated with the following significant trends and developments in the global automotive industry.

Emissions and safety - Governments continue to focus regulatory efforts on cleaner and safer transportation with the objective of securing individual mobility. Accordingly, OEMs are working to lower average vehicle emissions by developing a more diverse range of vehicles including those powered by hybrid technologies, alternative fuels, and electricity. OEMs are also working to improve occupant and pedestrian safety by incorporating more safety oriented content in their vehicles. Suppliers must enable the emissions and safety initiatives of their customers including the development of new technologies.

Electronic content and connectivity - The electronic content of vehicles continues to increase due to various regulatory requirements and consumer demand for increased vehicle performance and functionality. The use of electronic components can reduce weight, expedite assembly, enhance fuel economy, improve emissions, increase safety and enhance vehicle performance. Additionally, digital and portable technologies have dramatically influenced the lifestyle of today's consumers who expect products that enable such a lifestyle. This requires increased electronic and technical content such as in-vehicle communication, navigation and entertainment capabilities. While OEMs are taking different paths to connect their vehicles to high-speed broadband internet connections in the short-term, future vehicles are expected to be built with vehicle-to-vehicle connectivity systems.

Vehicle standardization - OEMs continue to standardize vehicle platforms on a global basis, resulting in a lower number of individual vehicle platforms, design cost savings and further scale of economies through the production of a greater number of models from each platform. Having operations in the geographic markets in which OEMs produce global platforms enables suppliers to meet OEMs' needs more economically and efficiently, thus making global coverage a source of significant competitive advantage for suppliers with a diverse global footprint. Additionally, OEMs are looking to suppliers for increased collaboration to lower costs, reduce risks, and decrease overall time to market. Suppliers that can provide fully-engineered solutions, systems and pre-assembled combinations of component parts are positioned to leverage the trend toward system sourcing.

## Financial Information about Segments

The Company's operating structure is organized by global product lines, including Climate, Electronics and Interiors. These global product lines have financial and operating responsibility over the design, development and manufacture of the Company's product portfolio. Global customer groups are responsible for the business development of the Company's product portfolio and overall customer relationships. Certain functions such as procurement, information technology and other administrative activities are managed on a global basis with regional deployment. The Company's reportable segments are as follows:

Climate - The Company's Climate product line includes climate air handling modules, powertrain cooling modules, heat exchangers, compressors, fluid transport and engine induction systems.



Electronics - The Company's Electronics product line includes audio systems, infotainment systems, driver information systems, powertrain and feature control modules, climate controls, and electronic control modules.

Interiors - The Company's Interiors product line includes instrument panels, cockpit modules, door trim and floor consoles.

Further information relating to the Company's reportable segments can be found in Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K (Note 19, "Segment Information," to the Company's consolidated financial statements).

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## The Company's Products

The following discussion provides an overview description of the products associated with major design systems within each of the Company's global product lines.

## Climate

The Company designs and manufactures components, modules and systems that provide automotive heating, ventilation, air conditioning and powertrain cooling.

Climate Products	Description
Climate Systems	The Company designs and manufactures fully integrated heating, ventilation and air conditioning ("HVAC") systems. The Company's proprietary analytical tools and systems integration expertise enables the development of climate-oriented components, sub-systems and vehicle-level systems. Products contained in this area include: evaporators, condensers, heater cores, climate controls, compressors, air handling cases and fluid transport systems. The Company designs and manufactures components and modules that provide cooling and thermal management for the vehicle's engine and transmission, as well as for batteries and power electronics on hybrid and electric vehicles. The Company's systems expertise and proprietary analytical tools enable development of components and modules to meet a wide array of thermal management needs. Products include: radiators, oil coolers, charge air coolers, exhaust gas coolers, battery and power electronics coolers and systems and fluid transport systems.
Powertrain Cooling Systems	

## Electronics

The Company designs and manufactures advanced in-vehicle entertainment, driver information, wireless communication, climate control and body and security electronics products.

Electronics Products	Description
Audio / Infotainment Systems	The Company offers a range of audio/infotainment products, including audio head units, infotainment head units, connectivity solutions and various amplifiers and rear seat family entertainment systems. Premium audio and infotainment products are marketed under the brand OpenAir™.
Driver Information Systems	The Company offers a complete line of instrument clusters and displays ranging from standard analog-electronic clusters to high resolution, fully-configurable TFT devices across multiple vehicle segments. Displays can integrate a range of user interface technologies and graphics management capabilities. Premium instrumentation products are marketed under the brand LightScape™.
Electronic Climate Controls and Decorative Control Panels	The Company offers a complete line of electronic climate control modules and decorative control panel technologies. Available climate controls vary from single zone manual electronic modules to fully automatic multiple zone modules. Decorative control panels can include multiple modes for user interface technologies, various display and styling-related technologies, and a wide range of cockpit electronic features including audio, climate and driver information.
Body and Security	The Company designs and manufactures body electronics and security modules. Body electronics modules cover a wide range of comfort and convenience applications. Security modules typically manage a variety of access control and immobilization functions.

## Interiors

The Company designs and manufactures cockpit modules, instrument panels, door and console modules and interior trim.

Interiors Products	Description
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Cockpit Modules	Cockpit modules incorporate structural, electronic, climate control, mechanical and safety components and customers receive services including advanced engineering, design, styling and in-sequence delivery of parts. Cockpit modules are built around instrument panels which consist of a substrate and the optional assembly of structure, ducts, registers, passenger airbag system (integrated or conventional), finished panels and the glove box assembly.
Door Panels and Trims	The Company provides a range of door panels/modules as well as a variety of interior trim products.
Console Modules	Consoles deliver flexible and versatile storage options and are interchangeable units offering consumers a wide range of options that can be tailored to their individual needs.

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### The Company's Customers

The Company sells its products primarily to global vehicle manufacturers including BMW, Chrysler, Daimler, Ford, General Motors, Honda, Hyundai, Kia, Mazda, Mitsubishi, Nissan, PSA Peugeot Citroën, Renault, Toyota and Volkswagen, as well as emerging new vehicle manufacturers in Asia. To a lesser degree, the Company also sells products for use as aftermarket and service parts to automotive original equipment manufacturers and others for resale through independent distribution networks. Hyundai Kia Automotive Group is one of the Company's largest customers, accounting for 33% of total sales in both 2013 and 2012 and 31% of total sales in 2011. Additionally, Ford is one of the Company's largest customers and accounted for approximately 28% of total sales in 2013, 27% of total sales in both 2012 and 2011.

The Company records revenue when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price or fee is fixed or determinable and collectibility is reasonably assured. Price reductions are typically negotiated on an annual basis between suppliers and OEMs. Such reductions are intended to take into account expected annual reductions in the overall cost to the supplier of providing products and services to the customer, through such factors as manufacturing productivity enhancements, material cost reductions and design-related cost improvements. The Company has an aggressive cost reduction program that focuses on reducing its total costs, which are intended to offset customer price reductions. However, there can be no assurance that the Company's cost reduction efforts will be sufficient to fully offset such price reductions. The Company records price reductions when probable and reasonably estimable.

### The Company's Competition

The automotive sector is concentrated, but operates under highly competitive conditions resulting from the globalized nature of the industry, high fixed costs and the resulting need for scale economies, market dynamics including share in mature economies and positioning in emerging economies, and the low cost of switching for the end consumer. Accordingly, OEMs rigorously evaluate suppliers on the basis of financial viability, product quality, price competitiveness, technical expertise and development capability, new product innovation, reliability and timeliness of delivery, product design and manufacturing capability and flexibility, customer service and overall management. The Company's primary independent competitors include Behr GmbH & Co. KG, Calsonic Kansei, Continental AG, Delphi Corporation, Denso Corporation, Faurecia Group, Hyundai Mobis Co., Ltd., International Automotive Components Group, Johnson Controls, Inc., Magna International Inc., Panasonic Corporation, Pioneer Corporation, Robert Bosch GmbH, Sanden Corporation and Valéo S.A.

### The Company's Product Sales Backlog

Expected net product sales in Climate and Electronics for 2014 through 2016 from new programs, less net sales from phased-out, lost and canceled programs are approximately \$900 million. The Company's estimate of expected net sales may be impacted by various assumptions, including vehicle production levels on new programs, customer price reductions, currency exchange rates and the timing of program launches. In addition, the Company typically enters into agreements with its customers at the beginning of a vehicle's life for the fulfillment of customers' purchasing requirements for the entire production life of the vehicle. These agreements generally may be terminated by customers at any time and, accordingly, expected net sales information does not represent firm orders or firm commitments.

### Seasonality and Cyclicity of the Company's Business

Historically, the Company's business has been moderately seasonal because its largest North American customers typically cease production for approximately two weeks in July for model year changeovers and approximately one week in December during the winter holidays. Customers in Europe historically shut down vehicle production during

a portion of August and one week in December. Additionally, third quarter automotive production traditionally is lower as new vehicle models enter production.

However, the market for vehicles is cyclical and is heavily dependent upon general economic conditions, consumer sentiment and spending and credit availability. During 2009, the automotive sector was negatively impacted by global economic instability and the lack of available credit. The severity of the decline in 2009 was masked by numerous government stimulus programs and significant growth in certain emerging automotive markets, which caused vehicle production volumes to vary from historical patterns.

#### The Company's Workforce and Employee Relations

The Company's workforce as of December 31, 2013 included approximately 24,000 persons, of which approximately 8,000 were salaried employees and 16,000 were hourly workers. Many of the Company's employees are members of industrial trade unions and confederations within their respective countries, including Europe, Asia and South America. Many of these organizations

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operate under collectively bargained contracts that are not specific to any one employer. The Company constantly works to establish and maintain positive, cooperative relations with its unions around the world and believes that its relationships with unionized employees are satisfactory. The Company experienced work stoppages of varying lengths in Europe, South America and Asia during the past three years. These stoppages primarily were either national in nature, aimed at customers or were in anticipation of Company restructuring activities at particular facilities.

### The Company's Product Research and Development

The Company's research and development efforts are intended to maintain leadership positions in core product lines and provide the Company with a competitive edge as it seeks additional business with new and existing customers. The Company also works with technology development partners, including customers, to develop technological capabilities and new products and applications. Total research and development expenditures were approximately \$325 million in 2013, \$299 million in 2012, and \$326 million in 2011.

### The Company's Intellectual Property

The Company owns significant intellectual property, including a number of patents, copyrights, proprietary tools and technologies and trade secrets and is involved in numerous licensing arrangements. Although the Company's intellectual property plays an important role in maintaining its competitive position, no single patent, copyright, proprietary tool or technology, trade secret or license, or group of related patents, copyrights, proprietary tools or technologies, trade secrets or licenses is, in the opinion of management, of such value to the Company that its business would be materially affected by the expiration or termination thereof. The Company's general policy is to apply for patents on an ongoing basis, in appropriate countries, on its patentable developments which are considered to have commercial significance.

The Company also views its name and mark as significant to its business as a whole. In addition, the Company holds rights in a number of other trade names and marks applicable to certain of its businesses and products that it views as important to such businesses and products.

### The Company's Raw Materials and Suppliers

Raw materials used by the Company in the manufacture of its products include aluminum, resins, precious metals, steel, urethane chemicals and electronics components. All of the materials used are generally available from numerous sources. In general, the Company does not carry inventories of raw materials in excess of those reasonably required to meet production and shipping schedules.

Although not material to the Company's financial position, results of operations or cash flows, supply disruptions occurred during the year ended December 31, 2011 attributable to natural disasters that occurred in Thailand and Japan. Severe flooding from heavy monsoon rains in Thailand occurred in the third quarter of 2011, causing significant supplier and OEM production disruption in the fourth quarter of 2011. The Thailand disruptions primarily affected the Company's Climate and Interiors businesses. During March 2011, a large earthquake triggered a tsunami off the coast of northeastern Japan and resulted in significant casualties, dislocation and extensive infrastructure destruction. The Japan disruptions primarily affected the Company's Electronics business.

As of December 31, 2013 the Company had not experienced any other significant shortages of raw materials. The Company monitors its supply base and endeavors to work with suppliers and customers to attempt to mitigate the impact of potential material shortages and supply disruptions. While the Company does not anticipate any significant interruption in the supply of raw materials, there can be no assurance that sufficient sources or amounts of all necessary raw materials will be available in the future.

The automotive supply industry is subject to inflationary pressures with respect to raw materials which have historically placed operational and financial burdens on the entire supply chain. Accordingly, the Company continues to take actions with its customers and suppliers to mitigate the impact of these inflationary pressures in the future. Actions to mitigate inflationary pressures with customers include collaboration on alternative product designs and material specifications, contractual price escalation clauses and negotiated customer recoveries. Actions to mitigate inflationary pressures with suppliers include aggregation of purchase requirements to achieve optimal volume benefits, negotiation of cost reductions and identification of more cost competitive suppliers. While these actions are designed to offset the impact of inflationary pressures, the Company cannot provide assurance that it will be successful in fully offsetting increased costs resulting from inflationary pressures.

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## Impact of Environmental Regulations on the Company

The Company is subject to the requirements of federal, state, local and foreign environmental and occupational safety and health laws and regulations. These include laws regulating air emissions, water discharge and waste management. The Company is also subject to environmental laws requiring the investigation and cleanup of environmental contamination at properties it presently owns or operates and at third-party disposal or treatment facilities to which these sites send or arranged to send hazardous waste. The Company makes capital expenditures in the normal course of business as necessary to ensure that its facilities are in compliance with applicable environmental laws and regulations. For 2013, capital expenditures associated with environmental compliance were not material nor did such expenditures have a materially adverse effect on the Company's earnings or competitive position. The Company does not anticipate that its environmental compliance costs will be material in 2014.

The Company is aware of contamination at some of its properties. The Company is in various stages of investigation and cleanup at these sites and at December 31, 2013, had recorded a reserve of approximately \$1 million for this environmental investigation and cleanup. However, estimating liabilities for environmental investigation and cleanup is complex and dependent upon a number of factors beyond the Company's control and which may change dramatically. Accordingly, although the Company believes its reserve is adequate based on current information, the Company cannot provide any assurance that its ultimate environmental investigation and cleanup costs and liabilities will not exceed the amount of its current reserve.

## The Company's International Operations

Financial information about sales and net property by major geographic region can be found in Note 19, "Segment Information," included in Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. The attendant risks of the Company's international operations are primarily related to currency fluctuations, changes in local economic and political conditions, and changes in laws and regulations. The following table sets forth the Company's sales and net property and equipment by geographic region as a percentage of such consolidated total amounts.

	Sales			Property and Equipment, Net		
	Year Ended December 31			December 31		
	2013	2012	2011	2013	2012	
United States	19	% 18	% 16	% 5	% 8	%
Mexico	1	% 1	% 1	% 2	% 2	%
Canada	1	% 1	% 1	% 1	% 2	%
Intra-region eliminations	—	% —	% (1)	)% —	% —	%
Total North America	21	% 20	% 17	% 8	% 12	%
Germany	2	% 2	% 2	% 2	% 2	%
France	7	% 8	% 9	% 5	% 6	%
Portugal	8	% 8	% 6	% 7	% 6	%
Spain	3	% 4	% 5	% 2	% 3	%
Slovakia	5	% 5	% 5	% 4	% 4	%
Czech Republic	6	% 5	% 7	% 3	% 3	%
Hungary	4	% 4	% 4	% 5	% 5	%
Other Europe	3	% 3	% 1	% 5	% 2	%
Intra-region eliminations	(5	)% (4	)% —	% —	% —	%
Total Europe	33	% 35	% 39	% 33	% 31	%
Korea	30	% 30	% 31	% 33	% 34	%
China	15	% 11	% 7	% 13	% 10	%
India	4	% 5	% 4	% 6	% 6	%



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Japan	3	%	3	%	3	%	1	%	1	%
Thailand	5	%	5	%	3	%	2	%	2	%
Intra-region eliminations	(7	)%	(6	)%	(4	)%	—	%	—	%
Total Asia	50	%	48	%	44	%	55	%	53	%
South America	6	%	6	%	6	%	4	%	4	%
Inter-region eliminations	(10	)%	(9	)%	(6	)%	—	%	—	%
	100	%	100	%	100	%	100	%	100	%

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### The Company's Website and Access to Available Information

The Company's current and periodic reports filed with the United States Securities and Exchange Commission ("SEC"), including amendments to those reports, may be obtained through its internet website at [www.visteon.com](http://www.visteon.com) free of charge as soon as reasonably practicable after the Company files these reports with the SEC. A copy of the Company's code of business conduct and ethics for directors, officers and employees of Visteon and its subsidiaries, entitled "Ethics and Integrity Policy," the Corporate Governance Guidelines adopted by the Company's Board of Directors and the charters of each committee of the Board of Directors are also available on the Company's website. A printed copy of the foregoing documents may be requested by contacting the Company's Investor Relations department in writing at One Village Center Drive, Van Buren Township, MI 48111; by phone (734) 710-5800; or via email at [investor@visteon.com](mailto:investor@visteon.com).

### Item 1A. Risk Factors

The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties, including those not presently known or that the Company believes to be immaterial, also may adversely affect the Company's results of operations and financial condition. Should any such risks and uncertainties develop into actual events, these developments could have material adverse effects on the Company's business and financial results.

The Company is highly dependent on Hyundai Kia Automotive Group and Ford Motor Company and decreases in such customers' vehicle production volumes would adversely affect the Company.

Hyundai Kia Automotive Group ("Hyundai Kia") has rapidly become one of the Company's largest customers, accounting for 33% of total product sales in 2013, 33% of total product sales in 2012 and 31% of total product sales in 2011. Additionally, Ford is one of the Company's largest customers and accounted for approximately 28% of total product sales in 2013, 27% of total product sales in 2012, and 27% of total product sales in 2011. Accordingly, any change in Hyundai Kia's and/or Ford's vehicle production volumes will have a significant impact on the Company's sales volume and profitability.

Escalating price pressures from customers may adversely affect the Company's business.

Downward pricing pressures by automotive manufacturers is a characteristic of the automotive industry. Virtually all automakers have implemented aggressive price reduction initiatives and objectives each year with their suppliers, and such actions are expected to continue in the future. In addition, estimating such amounts is subject to risk and uncertainties because any price reductions are a result of negotiations and other factors. Accordingly, suppliers must be able to reduce their operating costs in order to maintain profitability. The Company has taken steps to reduce its operating costs and other actions to offset customer price reductions; however, price reductions have impacted the Company's sales and profit margins and are expected to continue to do so in the future. If the Company is unable to offset customer price reductions in the future through improved operating efficiencies, new manufacturing processes, sourcing alternatives and other cost reduction initiatives, the Company's results of operations and financial condition will likely be adversely affected.

Significant declines in the production levels of the Company's major customers could reduce the Company's sales and harm its profitability.

Demand for the Company's products is directly related to the automotive vehicle production of the Company's major customers. Automotive sales and production can be affected by general economic or industry conditions, labor relations issues, fuel prices, regulatory requirements, government initiatives, trade agreements and other factors.

Automotive industry conditions in North America and Europe have been and continue to be extremely challenging. In North America, the industry is characterized by significant overcapacity and fierce competition. In Europe, the market structure is more fragmented with significant overcapacity and declining sales. While Asia continues to grow, the rate of growth is expected to decline.

The financial distress of the Company's major customers and within the supply base could significantly affect its operating performance.

Domestic and European automotive manufacturers are burdened with substantial structural costs, such as pension and healthcare costs that have impacted their profitability and labor relations. In this environment, it is difficult to forecast future customer production schedules, the potential for labor disputes or the success or sustainability of any strategies undertaken by any of the Company's major customers in response to the current industry environment. This environment may also put additional pricing pressure on suppliers to OEMs, such as the Company, which would reduce such suppliers' (including the Company's) margins. In addition, cuts in production schedules are also sometimes announced by customers with little advance notice, making it difficult for suppliers to respond with corresponding cost reductions.

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The Company's supply base has also been adversely affected by industry conditions. Lower production levels for the global automotive OEMs and increases in certain raw material, commodity and energy costs have resulted in financial distress among many companies within the automotive supply base. In recent years, several large suppliers have filed for bankruptcy protection or ceased operations. Unfavorable industry conditions have also resulted in financial distress within the Company's supply base, an increase in commercial disputes and other risks of supply disruption. In addition, the current adverse industry environment has required the Company to provide financial support to distressed suppliers or take other measures to ensure uninterrupted production. While the Company has taken certain actions to mitigate these factors, those actions have offset only a portion of the overall impact on the Company's operating results. The continuation or worsening of these industry conditions would adversely affect the Company's profitability, operating results and cash flow.

The discontinuation of, loss of business or lack of commercial success, with respect to a particular vehicle model for which the Company is a significant supplier could reduce the Company's sales and harm its profitability.

Although the Company has purchase orders from many of its customers, these purchase orders generally provide for the supply of a customer's annual requirements for a particular vehicle model and assembly plant, or in some cases, for the supply of a customer's requirements for the life of a particular vehicle model, rather than for the purchase of a specific quantity of products. In addition, it is possible that customers could elect to manufacture components internally that are currently produced by outside suppliers, such as the Company. The discontinuation of, the loss of business with respect to or a lack of commercial success of a particular vehicle model for which the Company is a significant supplier, could reduce the Company's sales and harm the Company's profitability.

The Company's substantial international operations make it vulnerable to risks associated with doing business in foreign countries.

As a result of the Company's global presence, a significant portion of the Company's revenues and expenses are denominated in currencies other than the U.S. dollar. In addition, the Company has manufacturing and distribution facilities in many foreign countries, including countries in Europe, Central and South America and Asia. International operations are subject to certain risks inherent in doing business abroad, including:

- local economic conditions, expropriation and nationalization, foreign exchange rate fluctuations and currency controls;
- withholding and other taxes on remittances and other payments by subsidiaries;
- investment restrictions or requirements;
- export and import restrictions; and
- increases in working capital requirements related to long supply chains.

Expanding the Company's business in Asia and Europe and enhancing the Company's business relationships with Asian and European automotive manufacturers worldwide are important elements of the Company's long-term business strategy. In addition, the Company has invested significantly in joint ventures with other parties to conduct business in South Korea, China and elsewhere in Asia. The Company's ability to repatriate funds from these joint ventures depends not only upon their uncertain cash flows and profits, but also upon the terms of particular agreements with the Company's joint venture partners and maintenance of the legal and political status quo. As a result, the Company's exposure to the risks described above is substantial. The likelihood of such occurrences and its potential effect on the Company vary from country to country and are unpredictable. However, any such occurrences could be harmful to the Company's business and the Company's profitability and financial condition.

The Company is subject to significant foreign currency risks and foreign exchange exposure.

In addition, as a result of our global presence, a significant portion of the Company's revenues and expenses is denominated in currencies other than the U.S. dollar. The Company is therefore subject to foreign currency risks and foreign exchange exposure. The Company's primary exposures are to the Euro, Korean Won, Czech Koruna, Mexican Peso, Hungarian Forint, Indian Rupee, Thai Baht and Chinese Renminbi. While the Company employs financial instruments to hedge transactional foreign exchange exposure, these activities do not insulate us completely from those exposures. Exchange rates can be volatile and could adversely impact our financial results and comparability of results from period to period. Specifically, there is concern regarding the overall stability of the euro and the future of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. Potential negative developments and market perceptions related to the euro could adversely affect the value of the Company's euro-denominated assets, as well as those of the Company's customers and suppliers.

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Work stoppages and similar events could significantly disrupt the Company's business.

Because the automotive industry relies heavily on just-in-time delivery of components during the assembly and manufacture of vehicles, a work stoppage at one or more of the Company's manufacturing and assembly facilities could have material adverse effects on the business. Similarly, if one or more of the Company's customers were to experience a work stoppage, that customer would likely halt or limit purchases of the Company's products, which could result in the shut down of the related manufacturing facilities. A significant disruption in the supply of a key component due to a work stoppage at one of the Company's suppliers or any other supplier could have the same consequences, and accordingly, have a material adverse effect on the Company's financial results.

Visteon's operations may be restricted by the terms of the Company's credit agreements.

The Company's credit agreements include a number of significant restrictive covenants. These covenants could impair the Company's financing and operational flexibility and make it difficult to react to market conditions and satisfy ongoing capital needs and unanticipated cash requirements. Specifically, such covenants may restrict the ability and, if applicable, the ability of the subsidiaries to, among other things:

- incur additional debt;
- make certain investments;
- enter into certain types of transactions with affiliates;
- limit dividends or other payments by restricted subsidiaries;
- use assets as security in other transactions;
- pay dividends on Successor common stock or repurchase equity interests;
- sell certain assets or merge with or into other companies;
- guarantee the debts of others;
- enter into new lines of business;
- prepay, redeem or exchange debt; and
- form any joint ventures or subsidiary investments.

In addition, the credit agreements require the Company to periodically meet various financial ratios and tests, including maximum leverage, minimum excess availability and minimum interest coverage levels in order to take certain corporate actions such as additional debt incurrence or restricted payments. These financial covenants and tests could limit the ability to react to market conditions or satisfy extraordinary capital needs and could otherwise restrict the Company's financing and operations. The Company's ability to comply with the covenants and other terms of the credit agreements will depend on future operating performance. If Visteon fails to comply with such covenants and terms, the Company would be required to obtain waivers from the lenders to maintain compliance under such agreements. If the Company is unable to obtain any necessary waivers and the debt under the credit agreements is accelerated, it would have a material adverse effect on the financial condition and future operating performance.

Inflation may adversely affect the Company's profitability and the profitability of the Company's tier 2 and tier 3 supply base.

The automotive supply industry has experienced significant inflationary pressures, primarily in ferrous and non-ferrous metals and petroleum-based commodities, such as resins. These inflationary pressures have placed significant operational and financial burdens on automotive suppliers at all levels, and are expected to continue for the foreseeable future. Generally, it has been difficult to pass on, in total, the increased costs of raw materials and components used in the manufacture of the Company's products to its customers. In addition, the Company's need to maintain a continuing supply of raw materials and/or components has made it difficult to resist price increases and surcharges imposed by its suppliers.

Further, this inflationary pressure, combined with other factors, has adversely impacted the financial condition of several domestic automotive suppliers, resulting in several significant supplier bankruptcies. Because the Company purchases various types of equipment, raw materials and component parts from suppliers, the Company may be materially and adversely affected by the failure of those suppliers to perform as expected. This non-performance may consist of delivery delays, failures caused by production issues or delivery of non-conforming products, or supplier insolvency or bankruptcy. Consequently, the Company's efforts to continue to mitigate the effects of these inflationary pressures may be insufficient if conditions worsen, thereby negatively impacting the Company's financial results.

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The Company could be negatively impacted by supplier shortages.

In an effort to manage and reduce the costs of purchased goods and services, the Company, like many suppliers and automakers, has been consolidating its supply base. In addition, certain materials and components used by the Company, primarily in its electronics products, are in high demand but of limited availability. As a result, the Company is dependent on single or limited sources of supply for certain components used in the manufacture of its products. The Company selects its suppliers based on total value (including price, delivery and quality), taking into consideration production capacities and financial condition. However, there can be no assurance that strong demand, capacity limitations or other problems experienced by the Company's suppliers will not result in occasional shortages or delays in the supply of components. If the Company were to experience a significant or prolonged shortage of critical components from any of its suppliers, particularly those who are sole sources, and could not procure the components from other sources, the Company would be unable to meet its production schedules for some of its key products or to ship such products to its customers in a timely fashion, which would adversely affect sales, margins, and customer relations.

The Company's pension expense and funding levels of pension plans could materially deteriorate or the Company may be unable to generate sufficient excess cash flow to meet increased pension benefit obligations.

Many of the Company's employees participate in defined benefit pension plans or retirement/termination indemnity plans. Effective December 31, 2011, active salaried employees in the U.S. ceased to accrue benefits under the existing defined benefit pension plan. The Company's worldwide pension obligations exposed the Company to approximately \$388 million in unfunded liabilities as of December 31, 2013, of which approximately \$121 million and \$267 million was attributable to unfunded U.S. and non-U.S. pension obligations, respectively.

The Company has previously experienced declines in interest rates and pension asset values. Future declines in interest rates or the market values of the securities held by the plans, or certain other changes, could materially deteriorate the funded status of the Company's plans and affect the level and timing of required contributions in 2014 and beyond. Additionally, a material deterioration in the funded status of the plans could significantly increase pension expenses and reduce the Company's profitability.

The Company's assumptions used to calculate pension obligations as of the annual measurement date directly impact the expense to be recognized in future periods. While the Company's management believes that these assumptions are appropriate, significant differences in actual experience or significant changes in these assumptions may materially affect the Company's pension obligations and future expense. For more information on sensitivities to changing assumptions, please see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 10 "Employee Retirement Benefits" to the Company's consolidated financial statements included in Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

The Company's ability to generate sufficient cash to satisfy its obligations may be impacted by the factors discussed herein.

The Company's inability to execute its shareholder value creation strategy could adversely affect its financial performance.

The Company's long-term financial and stock performance depends, in part, on the Company's ability to successfully execute a comprehensive shareholder value creation strategy. This strategy involves, among other things, consolidating climate operations, realigning and reducing fixed costs, enhancing or disposing of certain product groups, achieving market recognition for certain businesses, balance sheet improvements, and share repurchases. Various factors, including the industry environment and the other matters described herein and in Part II - Item 7,



“Management's Discussion and Analysis of Financial Condition and Results of Operations,” including “- Forward-Looking Statements,” could adversely affect our ability to execute this strategy. A failure to execute these strategic objectives could adversely affect the Company's financial condition, operating results and cash flows. Moreover, there can be no assurances that, even if implemented, that the strategy will be successful.

The Company's ability to effectively operate could be hindered if it fails to attract and retain key personnel.

The Company's ability to operate its business and implement its strategies effectively depends, in part, on the efforts of its executive officers and other key employees. In addition, the Company's future success will depend on, among other factors, the ability to attract and retain qualified personnel, particularly engineers and other employees with critical expertise and skills that support key customers and products or in emerging regions. The loss of the services of any key employees or the failure to attract or retain other qualified personnel could have a material adverse effect on the Company's business.

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The Company may incur significant restructuring charges.

The Company has taken, and expects to take, restructuring actions to realign and resize its production capacity and cost structure to meet current and projected operational and market requirements. Charges related to these actions could have a material adverse effect on the Company's financial condition, operating results and cash flows. Moreover, there can be no assurances that any future restructurings will be completed as planned or achieve the desired results.

Impairment charges relating to the Company's goodwill and long-lived assets and possible increases to deferred income tax asset valuation allowances could adversely affect the Company's financial performance.

The Company regularly monitors its goodwill and long-lived assets for impairment indicators. The Company performs either a qualitative or quantitative assessment of goodwill for impairment at the reporting unit level on an annual basis. In conducting the impairment analysis of long-lived assets, the Company compares the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. Changes in economic or operating conditions impacting the estimates and assumptions could result in the impairment of goodwill or long-lived assets. In the event that the Company determines that its goodwill or long-lived assets are impaired, the Company may be required to record a significant charge to earnings that could materially affect the Company's results of operations and financial condition in the period(s) recognized. The Company recorded asset impairment charges of \$24 million and \$66 million in 2012 and 2011, respectively, to adjust the carrying value of certain assets to their estimated fair value. In addition, the Company cannot provide assurance that it will be able to recover remaining net deferred tax assets, which are dependent upon achieving future taxable income in certain foreign jurisdictions. Failure to achieve its taxable income targets may change the Company's assessment of the recoverability of its remaining net deferred tax assets and would likely result in an increase in the valuation allowance in the applicable period. Any increase in the valuation allowance would result in additional income tax expense, which could have a significant impact on the Company's future results of operations.

The Company's expected annual effective tax rate could be volatile and could materially change as a result of changes in mix of earnings and other factors.

Changes in the Company's debt and capital structure, among other items, may impact its effective tax rate. The Company's overall effective tax rate is computed as consolidated tax expense as a percentage of consolidated earnings before tax. However, tax expenses and benefits are not recognized on a global basis but rather on a jurisdictional basis. Further, the Company is in a position whereby losses incurred in certain tax jurisdictions generally provide no current financial statement benefit. In addition, certain jurisdictions have statutory rates greater than or less than the United States statutory rate. As such, changes in the mix and source of earnings between jurisdictions could have a significant impact on the Company's overall effective tax rate in future periods. Changes in tax law and rates, changes in rules related to accounting for income taxes or adverse outcomes from tax audits that regularly are in process in any of the jurisdictions in which the Company operates could also have a significant impact on the Company's overall effective rate in future periods.

Warranty claims, product liability claims and product recalls could harm the Company's business, results of operations and financial condition.

The Company faces the inherent business risk of exposure to warranty and product liability claims in the event that its products fail to perform as expected or such failure results, or is alleged to result, in bodily injury or property damage (or both). In addition, if any of the Company's designed products are defective or are alleged to be defective, the Company may be required to participate in a recall campaign. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, automakers are increasingly expecting

them to warrant their products and are increasingly looking to suppliers for contributions when faced with product liability claims or recalls. A successful warranty or product liability claim against the Company in excess of its available insurance coverage and established reserves, or a requirement that the Company participate in a product recall campaign, could have materially adverse effects on the Company's business, results of operations and financial condition.

The Company is involved from time to time in legal proceedings and commercial or contractual disputes, which could have an adverse effect on its business, results of operations and financial position.

The Company is involved in legal proceedings and commercial or contractual disputes that, from time to time, are significant. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes (including disputes with suppliers), intellectual property matters, personal injury claims and employment matters. No assurances can be given that such proceedings and claims will not have a material adverse impact on the Company's profitability and financial position.

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The Company could be adversely impacted by environmental laws and regulations.

The Company's operations are subject to U.S. and foreign environmental laws and regulations governing emissions to air; discharges to water; the generation, handling, storage, transportation, treatment and disposal of waste materials; and the cleanup of contaminated properties. Currently, environmental costs with respect to former, existing or subsequently acquired operations are not material, but there is no assurance that the Company will not be adversely impacted by such costs, liabilities or claims in the future either under present laws and regulations or those that may be adopted or imposed in the future.

Developments or assertions by or against the Company relating to intellectual property rights could materially impact its business.

The Company owns significant intellectual property, including a number of patents, trademarks, copyrights and trade secrets, and is involved in numerous licensing arrangements. The Company's intellectual property plays an important role in maintaining its competitive position in a number of the markets served. Developments or assertions by or against the Company relating to intellectual property rights could materially impact the Company's business. Significant technological developments by others also could materially and adversely affect the Company's business and results of operations and financial condition.

A disruption in our information technology systems could adversely affect our business and financial performance.

We rely on the accuracy, capacity and security of our information technology systems. Despite the security and risk-prevention measures we have implemented, our systems could be breached, damaged or otherwise interrupted by computer viruses, unauthorized physical or electronic access or other natural or man-made incidents or disasters. Such a breach or interruption could result in business disruption, theft of our intellectual property or trade secrets and unauthorized access to personnel information. To the extent that our business is interrupted or data is lost, destroyed or inappropriately used or disclosed, such disruptions could adversely affect our competitive position, relationships with our customers, financial condition, operating results and cash flows.

The Company may not be able to fully utilize its U.S. net operating losses and other tax attributes.

Visteon's emergence from bankruptcy in 2010 resulted in a change of ownership within the meaning of Internal Revenue Code ("IRC") Sections 382 and 383, causing the use of Visteon's pre-emergence U.S. federal net operating loss ("NOL") and various other tax attributes to be limited in the post-emergence period. However, NOLs and other tax attributes generated in the post-emergence period are generally not limited by the emergence from bankruptcy, but could be limited if there is a subsequent change of ownership. If the Company were to have another change of ownership within the meaning of IRC Sections 382 and 383, its post-emergence NOL and other tax attributes could be limited to an amount equal to its market capitalization at the time of the subsequent ownership change multiplied by the federal long-term tax exempt rate. The Company cannot provide any assurance that such an ownership change will not occur, in which case the availability of the Company's NOLs and other tax attributes could be significantly limited or possibly eliminated.

Certain tax benefit preservation provisions of our corporate documents could delay or prevent a change of control, even if that change would be beneficial to stockholders.

Our second amended and restated certificate of incorporation provides, among other things, that any attempted transfer of the Company's securities during a Restricted Period shall be prohibited and void ab initio insofar as it purports to transfer ownership or rights in respect of such stock to the purported transferee to the extent that, as a result of such transfer, either any person or group of persons shall become a "Five-percent shareholder" of Visteon

pursuant to Treasury Regulation § 1.382-2T(g), other than a “direct public group” as defined in such regulation (a “Five-Percent Shareholder”), or the percentage stock ownership interest in Visteon of any Five-Percent Shareholder shall be increased.

The foregoing restriction does not apply to transfers if either the transferor or transferee gives written notice to the Board of Directors and obtains their approval. A Restricted Period means any period beginning when the Company's market capitalization falls below \$1.5 billion (or such other level determined by the Board of Directors not more frequently than annually) and ending when such market capitalization has been above such threshold for 30 consecutive calendar days.

The Company's business and results of operations could be affected adversely by terrorism.

Terrorist-sponsored attacks, both foreign and domestic, could have adverse effects on the Company's business and results of operations. These attacks could accelerate or exacerbate other automotive industry risks such as those described above and also have the potential to interfere with the Company's business by disrupting supply chains and the delivery of products to customers.

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A failure of the Company's internal controls could adversely affect the Company's ability to report its financial condition and results of operations accurately and on a timely basis. As a result, the Company's business, operating results and liquidity could be harmed.

Because of the inherent limitations of any system of internal control, including the possibility of human error, the circumvention or overriding of controls or fraud, even an effective system of internal control may not prevent or detect all misstatements. In the event of an internal control failure, the Company's ability to report its financial results on a timely and accurate basis could be adversely impacted, which could result in a loss of investor confidence in its financial reports or have a material adverse effect on the Company's ability to operate its business or access sources of liquidity.

These restrictions could prohibit or delay the accomplishment of an ownership change with respect to Visteon by (i) discouraging any person or group from being a Five-Percent Shareholder and (ii) discouraging any existing Five-Percent Shareholder from acquiring more than a minimal number of additional shares of Visteon's stock.

### Item 1B. Unresolved Staff Comments

None

### Item 2. Properties

The Company's principal executive offices are located in Van Buren Township, Michigan. As of December 31, 2013, the Company and its consolidated subsidiaries owned or leased approximately:

• 29 corporate offices, technical and engineering centers and customer service centers in seventeen countries around the world, of which 26 were leased and 3 were owned;

• 30 Climate manufacturing and/or assembly facilities in the United States, Canada, Mexico, Czech Republic, France, Hungary, Portugal, Slovakia, Turkey, South Africa, China, India, South Korea, Thailand and Argentina, of which 13 were leased and 17 were owned;

• 24 Interiors manufacturing and/or assembly facilities in Belgium, France, Germany, Poland, Slovakia, Spain, Russia, Morocco, South Korea, Thailand, India, Brazil and Argentina, of which 14 were leased and 10 were owned; and

• 10 Electronics manufacturing and/or assembly facilities in Mexico, Portugal, Russia, India, Japan, South Korea, China, Thailand and Brazil, of which 7 were leased and 3 were owned.

In addition, the Company's non-consolidated affiliates operate approximately 19 manufacturing and/or assembly locations, primarily in the Asia Pacific region. The Company considers its facilities to be adequate for its current uses.

### Item 3. Legal Proceedings

In 2003, the Local Development Finance Authority of the Charter Township of Van Buren, Michigan (the "Township") issued approximately \$28 million in bonds finally maturing in 2032, the proceeds of which were used at least in part to assist in the development of the Company's U.S. headquarters located in the Township. During January 2010, the Company and the Township entered into a settlement agreement (the "Settlement Agreement") that, among other things, reduced the taxable value of the headquarters property to current market value and facilitated certain claims of the Township in the Company's chapter 11 proceedings. The Settlement Agreement also provided that the Company would continue to negotiate in good faith with the Township in the event that property tax payments were inadequate to permit the Township to meet its payment obligations with respect to the bonds. In September 2013, the Township notified the Company in writing that it is estimating a shortfall in tax revenues of between \$25 million and \$36 million, which could render it unable to satisfy its payment obligations under the bonds, but made no specific

monetary demand of the Company. The Company disputes the factual and legal assertions made by the Township and intends to vigorously defend the matter should the Township seek to commence a legal proceeding against the Company. The Company is not able to estimate the possible loss or range of loss in connection with this matter.

In November 2013, the Company and Halla Visteon Climate Control Corp., the Company's South Korean subsidiary ("HVCC"), jointly filed an Initial Notice of Voluntary Self-Disclosure statement with the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") regarding certain sales of automotive HVAC components by a minority-owned, Chinese joint venture of HVCC into Iran, which the Company updated in December 2013. Pursuant to the notice, the Company and HVCC are reviewing these matters and will furnish OFAC with the results of their investigation. OFAC may conclude that our actions resulted in violations of U.S. economic sanctions laws and warrant the imposition of civil penalties, such as fines, limitations on our ability to export

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products from the United States, and/or referral for further investigation by the U.S. Department of Justice. Any such fines or restrictions may be material to the Company's financial results in the period in which they are imposed. Additionally, disclosure of this conduct and any fines or other action relating to this conduct could harm the Company's reputation and have a material adverse effect on our business, operating results and financial condition. Although the Company plans to file its full report with OFAC by March 2014, it cannot predict when OFAC will conclude its review of that report or whether it will impose any of the potential penalties described above.

During January 2014, HVCC provided documents and information to the Korean Fair Trade Commission regarding certain subcontracting transactions and practices. HVCC's policy is to comply with all laws and regulations applicable to it and it intends to cooperate fully with the Korean Fair Trade Commission. At this time, HVCC is not able to estimate a reasonably possible range of loss that may ultimately result from this investigation.

On March 29, 2012, the Korean Supreme Court ruled that regular bonuses should be included for purposes of calculating the ordinary wage of applicable employees, which was contrary to previous legal precedent and the position of the Korean Ministry of Employment and Labor. On December 18, 2013, the Korean Supreme Court issued an en banc decision clarifying that (i) regular bonuses, should be included for purposes of calculating such ordinary wage, and (ii) certain incentive pay and family allowances may also be included for purposes of calculating such ordinary wage if they were paid to employees as consideration for the labor actually provided by them. The court also indicated that employers could be excused from liability for excluding such regular bonuses from ordinary wages where an express or implied management-labor agreement or practice to exclude such amounts existed and to require such payment would cause "serious managerial difficulty." The Company is evaluating the potential financial impact of these new court rulings, and is not able to determine at this time whether it will have a material impact on the results of operations and cash flows of its South Korean subsidiaries. However, the Company believes it qualifies for this provision for prior periods. In addition, on May 24, 2013, Halla Visteon Climate Control Union in Korea, representing 891 hourly employees of HVCC, filed a legal petition with Seoul Southern District Court, claiming unpaid statutory benefits for the past three years based on the initial Supreme Court ruling. The Company is in the process of evaluating these claims, but at this time is not able to estimate the possible loss or range of loss in connection with this matter.

The Company's operations in Brazil are subject to highly complex labor, tax, customs and other laws. While the Company believes that it is in compliance with such laws, it is periodically engaged in litigation regarding the application of these laws. As of December 31, 2013, the Company maintained accruals of approximately \$9 million for claims aggregating approximately \$150 million. The amounts accrued represent claims that are deemed probable of loss and are reasonably estimable based on the Company's assessment of the claims and prior experience with similar matters.

Several current and former employees of Visteon Deutschland GmbH ("Visteon Germany") filed civil actions against Visteon Germany in various German courts beginning in August 2007 seeking damages for the alleged violation of German pension laws that prohibit the use of pension benefit formulas that differ for salaried and hourly employees without adequate justification. Several of these actions have been joined as pilot cases. In a written decision issued in April 2010, the Federal Labor Court issued a declaratory judgment in favor of the plaintiffs in the pilot cases. To date, more than 750 current and former employees have filed similar actions or have inquired as to or been granted additional benefits, and an additional 600 current and former employees are similarly situated. The Company's remaining reserve for unsettled cases is approximately \$8 million and is based on the Company's best estimate as to the number and value of the claims that will be made in connection with the pension plan. However, the Company's estimate is subject to many uncertainties which could result in Visteon Germany incurring amounts in excess of the reserved amount of up to approximately \$9 million.



On May 28, 2009, the Company filed voluntary petitions in the Court seeking reorganization relief under the provisions of chapter 11 of the Bankruptcy Code and continued to operate as debtors-in-possession until emergence on October 1, 2010. Substantially all pre-petition liabilities and claims relating to rejected executory contracts and unexpired leases have been settled under the plan of reorganization, however, the ultimate amounts to be paid in settlement of each those claims will continue to be subject to the uncertain outcome of litigation, negotiations and Bankruptcy Court decisions for a period of time after the emergence date.

In December of 2009, the Court granted the Debtors' motion in part authorizing them to terminate or amend certain other postretirement employee benefits, including health care and life insurance. On December 29, 2009, the IUE-CWA, the Industrial Division of the Communications Workers of America, AFL-CIO, CLC, filed a notice of appeal of the Court's order with the District Court. By order dated March 31, 2010, the District Court affirmed the Court's order in all respects. On April 1, 2010, the IUE filed a notice of appeal. On July 13, 2010, the Circuit Court reversed the order of the District Court as to the IUE-CWA and directed the District Court to, among other things, direct the Court to order the Company to take whatever action is necessary to immediately restore terminated or modified benefits to their pre-termination/modification levels. On July 27, 2010, the Company filed a Petition for Rehearing or Rehearing En Banc requesting that the Circuit Court review the panel's decision, which was denied. By orders dated August 30, 2010, the Court ruled that the Company should restore certain other postretirement employee benefits to the

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appellant-retirees and also to salaried retirees and certain retirees of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (“UAW”). On September 1, 2010, the Company filed a Notice of Appeal to the District Court of the Court's decision to include non-appealing retirees, and on September 15, 2010 the UAW filed a Notice of Cross-Appeal. On July 25, 2012, the District Court ruled in favor of the Company on both appeals, and the UAW has appealed this ruling to the Circuit Court. The Company reached an agreement with the original appellants in late-September 2010, which resulted in the Company not restoring other postretirement employee benefits of such retirees. On September 30, 2010, the UAW filed a complaint, which it amended on October 1, 2010, in the United States District Court for the Eastern District of Michigan seeking, among other things, a declaratory judgment to prohibit the Company from terminating certain other postretirement employee benefits for UAW retirees after October 1, 2010. The parties reached a preliminary settlement agreement in January 2013, but it was later terminated by the plaintiffs. On October 22, 2013, the U.S. District Court for the Eastern District of Michigan issued an order denying the Company's motion to dismiss the UAW's complaint and granted its motion to transfer the case to the U.S. District Court for the District of Delaware. As of December 31, 2013, the Company maintains an accrual for claims that are deemed probable of loss and are reasonably estimable.

While the Company believes its accruals for litigation and claims are adequate, the final amounts required to resolve such matters could differ materially from recorded estimates and the Company's results of operations and cash flows could be materially affected.

## Item 4. Mine Safety Disclosures

None

## Item 4A. Executive Officers and Key Employees

The following table shows information about the executive officers of the Company and other key employees. Ages are as of February 1, 2014:

Name	Age	Position
Timothy D. Leuliette	64	President and Chief Executive Officer
Jeffrey M. Stafeil	44	Executive Vice President and Chief Financial Officer
Martin T. Thall	52	Executive Vice President and President, Electronics Product Group
Michael K. Sharnas	42	Senior Vice President and General Counsel
Michael J. Widgren	45	Senior Vice President, Corporate Controller and Chief Accounting Officer
Yong Hwan Park	57	President and Chief Executive Officer, Halla Visteon Climate Control Corporation

Timothy D. Leuliette has been Visteon's Chief Executive Officer and President since September 30, 2012, and a director of the Company since October 1, 2010. From August 10, 2012 to September 30, 2012 Mr. Leuliette served as Visteon's Interim Chairman of the Board, Interim Chief Executive Officer and Interim President, and prior to that Mr. Leuliette was the Senior Managing Director of FINNEA Group, LLC, an investment and financial services firm since October 14, 2010. Mr. Leuliette has also served as the President and Chief Executive Officer of Dura Automotive LLC, an automotive supplier, from July 2008, a director of Dura from June 2008, and the Chairman of the Board of Dura from December 2008. Mr. Leuliette also served as a Managing Director of Patriarch Partners LLC, the majority stockholder of Dura. Prior to that, he served as Co-Chairman and Co-Chief Executive Officer of Asahi Tec Corporation, a manufacturer of automotive parts and other products, and Chairman, Chief Executive Officer and President of Metaldyne Corporation, an automotive supplier, from January 2001 to January 2008. Over his career he has held executive and management positions at both vehicle manufacturers and suppliers and has served on both corporate and civic boards, including as Chairman of the Detroit Branch of the Federal Reserve Bank of Chicago.

Jeffrey M. Stafeil has been Visteon's Executive Vice President since joining the Company on October 31, 2012 and Chief Financial Officer since November 2, 2012. Prior to joining the Company, Mr. Stafeil was the chief executive officer of DURA Automotive Systems LLC, an automotive supplier, since October 2010, and DURA's executive vice president and chief financial officer between December 2008 and October 2012. Prior to that, Mr. Stafeil was the chief financial officer and a board member at the Klöckner Pentaplast Group, a producer of films for packaging, printing and specialty applications, from July 2007 to December 2008. From July 2003 to July 2007, he was the executive vice president and chief financial officer of Metaldyne Corporation, an automotive supplier. Prior to joining Metaldyne in 2001, Mr. Stafeil served in a variety of management positions at Booz Allen and Hamilton, Peterson Consulting and Ernst and Young. In addition, from January 2007 to July 2009, he served on the board of directors and was co-chairman of the audit committee for Meridian Automotive Systems, and served on the board of directors and was audit committee chairman of J.L. French Automotive Castings, Inc. from September 2009 to June 2012.

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Martin T. Thall has been Visteon's Executive Vice President and President, Electronics Product Group since November 19, 2013. Before joining Visteon, Mr. Thall was a vice president at Verizon Communications, a mobile phone service provider, from January 2012 to April 2013, and Chief Executive Officer of Vehicle ICT Corporation, a provider of management consulting services to automotive and information technology firms, from January 2010 to December 2011. Prior to that, he served in various management roles at Microsoft Corporation from 1996 to 2008, including Vice President and General Manager of the Automotive Business Unit. Mr. Thall also served as director of Blackline GPS, Inc. from July 2009 to December 2011.

Michael K. Sharnas has been Visteon's Senior Vice President and General Counsel since August 2012. Prior to that, he was Vice President and General Counsel since October 2009, Assistant General Counsel since 2005 and Associate General Counsel since joining the Company in October 2002.

Michael J. Widgren has been Visteon's Senior Vice President, Corporate Controller and Chief Accounting Officer since November 1, 2013. Prior to that he was Vice President, Corporate Controller and Chief Accounting Officer since May 2007, served as Visteon's interim Chief Financial Officer from October 3, 2012 to November 2, 2012, and was Assistant Corporate Controller since joining the Company in October 2005. Before joining Visteon, Mr. Widgren served as Chief Accounting Officer for Federal-Mogul Corporation.

Yong Hwan Park has been Halla Visteon Climate Control Corporation's President and Chief Executive Officer since March 2012. From June 2011 until March 2012, Mr. Park served as President and Chief Operating Officer of Halla Visteon Climate Control Corporation. Prior to that, he was Vice President, Corporate Planning from January 2011 until May 2011, and Senior Director, Corporate Planning prior thereto. Mr. Park joined Halla Visteon Climate Control Corporation in 1986 when the company was formed and has held various roles of increasing responsibility.

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## Part II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of February 17, 2014, the Company had 48,395,695 shares of its common stock \$0.01 par value outstanding, which were owned by 10,890 shareholders of record. The table below shows the high and low sales prices per share for the Company's successor common stock as reported by the NYSE for each quarterly period for the last two years.

	2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
High	\$61.50	\$66.49	\$77.60	\$82.23
Low	\$50.00	\$52.26	\$59.95	\$72.50
	2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
High	\$57.00	\$53.46	\$48.40	\$54.18
Low	\$47.16	\$35.72	\$27.04	\$42.48

No dividends were paid by the Company on its common stock during the years ended December 31, 2013, 2012 or 2011. The Company's Board of Directors (the "Board") evaluates the Company's dividend policy based on all relevant factors. The Company's credit agreements limit the amount of cash payments for dividends that may be made. Additionally, the ability of the Company's subsidiaries to transfer assets is subject to various restrictions, including regulatory requirements and governmental restraints. Refer to Note 4, "Non-Consolidated Affiliates," to the Company's consolidated financial statements included in Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

The following table summarizes information relating to purchases made by or on behalf of the Company, or an affiliated purchaser, of shares of the Company's common stock during the fourth quarter of 2013.

Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or units) Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2) (in millions)
Oct. 1, 2013 to Oct. 31, 2013	57,424	\$76.00	—	\$875
Nov. 1, 2013 to Nov. 30, 2013	1,350	\$77.14	—	\$875
Dec. 1, 2013 to Dec. 31, 2013	308,992	\$74.56	307,975	\$875
Total	367,766	\$74.80	307,975	\$875

This column includes 59,791 shares surrendered to the Company by employees to satisfy tax withholding (1) obligations in connection with the vesting of restricted share and stock unit awards made pursuant to the Visteon Corporation 2010 Incentive Plan.

(2) On August 11, 2013, the board of directors increased its share repurchase program authorization by \$875 million to a total authorization to repurchase up to \$1 billion of the Company's common stock thereafter until December 31, 2015. In August 2013, the Company entered into an accelerated stock buyback "(ASB)" program with a third-party financial institution to repurchase shares of common stock for an aggregate purchase price of \$125 million. Under the ASB program, the Company paid the financial institution \$125 million and received an initial delivery of 1,368,925 shares of common stock using a reference price of \$73.05. On December 20, 2013, the program concluded and the Company received an additional 307,975 shares. The Company anticipates that additional repurchases of common stock, if any, would occur from time to time in open market transactions,

non-discretionary programs or in privately negotiated transactions depending on market and economic conditions, share price, trading volumes, alternative uses of capital and other factors.

The following information in Item 5 is not deemed to be “soliciting material” or be “filed” with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 (“Exchange Act”) or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such a filing.

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## Performance Graph

The following graph compares the cumulative total stockholder return from October 1, 2010, the date of the Company's emergence from Chapter 11 bankruptcy proceedings, through December 31, 2013, for its existing common stock, the S&P 500 Index and the Dow Jones U.S. Auto Parts Index. Because the value of the Company's predecessor common stock bears no relation to the value of its existing common stock, the graph below reflects only the Company's existing common stock. The graph below assumes that \$100 was invested on October 1, 2010 in each of the Company's existing common stock, the stocks comprising the S&P 500 Index and the stocks comprising the Dow Jones U.S. Auto Parts Index, and that all that dividends have been reinvested.

	October 1, 2010	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
Visteon Corporation	\$ 100.00	\$ 123.80	\$ 83.20	\$ 89.70	\$ 136.50
S&P 500	\$ 100.00	\$ 110.30	\$ 112.60	\$ 130.60	\$ 172.90
Dow Jones U.S. Auto & Parts Index	\$ 100.00	\$ 127.80	\$ 111.30	\$ 122.70	\$ 178.30

The above comparisons are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of possible future performance of the Company's common stock or the referenced indices.

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## Item 6. Selected Financial Data

The following statement of operations, statement of cash flow and balance sheet data were derived from the Company's consolidated financial statements for the years ended December 31, 2013, 2012 and 2011, and the three month period ended December 31, 2010 and nine month period ended October 1, 2010, and the years ended December 31, 2009. This information should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K.

On May 28, 2009, Visteon and certain of its U.S. subsidiaries (the "Debtors") filed voluntary petitions for reorganization relief under chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Court") (the "Chapter 11 Proceedings") in response to sudden and severe declines in global automotive production during the latter part of 2008 and early 2009 and the resulting adverse impact on the Company's cash flows and liquidity. On August 31, 2010 (the "Confirmation Date"), the Court entered an order (the "Confirmation Order") confirming the Debtors' joint plan of reorganization (as amended and supplemented, the "Plan"). On October 1, 2010 (the "Effective Date"), all conditions precedent to the effectiveness of the Plan and related documents were satisfied or waived and the Company emerged from bankruptcy and became a new entity for financial reporting purposes. Accordingly, the consolidated financial statements for the reporting entity subsequent to the Effective Date (the "Successor") are not comparable to the consolidated financial statements for the reporting entity prior to the Effective Date (the "Predecessor").

	Successor			Three	Predecessor		
	Year Ended	Year Ended	Year Ended	months	Nine Months	Year Ended	
	December	December	December	Ended	Ended	December	
	31	31	31	December	October 1	31	
	2013	2012	2011	2010	2010	2009	
	(Dollars in Millions, Except Per Share Amounts)						
<b>Statement of Operations Data</b>							
Net sales	\$7,439	\$6,857	\$7,532	\$1,778	\$5,244	\$6,328	
Net income from continuing operations	775	170	210	105	982	227	
(Loss) income from discontinued operations, net of tax	—	(3	) (56	) —	14	(43	)
Net income attributable to Visteon Corporation	\$690	\$100	\$80	\$86	\$940	\$128	
<b>Basic earnings (loss) per share:</b>							
Continuing operations	\$13.80	\$1.95	\$2.65	\$1.71	\$7.10	\$1.31	
Discontinued operations	—	(0.06	) (1.09	) —	0.11	(0.33	)
Basic earnings attributable to Visteon Corporation	\$13.80	\$1.89	\$1.56	\$1.71	\$7.21	\$0.98	
<b>Diluted earnings (loss) per share:</b>							
Continuing operations	\$13.50	\$1.93	\$2.62	\$1.66	\$7.10	\$1.31	
Discontinued operations	—	(0.05	) (1.08	) —	0.11	(0.33	)
	\$13.50	\$1.88	\$1.54	\$1.66	\$7.21	\$0.98	



Diluted earnings attributable to  
Visteon Corporation

## Balance Sheet Data

Total assets	\$5,991	\$5,156	\$4,969	\$5,208	N/A	\$5,019
Total debt	\$730	\$569	\$599	\$561	N/A	\$231
Total Visteon Corporation stockholders' equity (deficit)	\$1,920	\$1,385	\$1,307	\$1,260	N/A	\$(772 )

## Statement of Cash Flows Data

Cash provided from operating activities	\$312	\$239	\$175	\$154	\$20	\$141
Cash provided from (used by) investing activities	\$698	\$(40 )	\$(331 )	\$(76 )	\$(75 )	\$(123 )
Cash used by financing activities	\$(141 )	\$(115 )	\$(3 )	\$(40 )	\$(42 )	\$(259 )

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On August 12, 2013, Visteon entered into a Master Agreement (the “Master Agreement”) with Huayu Automotive Systems Company Limited (“HASCO”), Yanfeng Visteon Automotive Trim Systems Co., Ltd. (“Yanfeng”) and Yanfeng Visteon Automotive Electronics Co., Ltd. (“YFVE”), pursuant to which, among other things, Visteon and HASCO agreed to modify their existing interests in automobile interiors and electronics joint ventures in the People’s Republic of China, including Yanfeng and YFVE. Pursuant to the Master Agreement, among other transactions, Visteon agreed to sell its 50% ownership interest in Yanfeng for cash of approximately \$928 million and Visteon agreed to subscribe to an additional 11% ownership interest in YFVE for cash of approximately \$58 million. During the fourth quarter of 2013, Visteon completed some of the transactions contemplated under the Master Agreement including, but not limited to, the subscription to an additional 11% ownership interest in YFVE and the sale of its 50% ownership interest in Yanfeng.

Income before income taxes, income (loss) from continuing operations, and net income (loss) attributable to Visteon Corporation for the quarter ended December 31, 2013 included gains of \$465 million related to the completion of certain of these transactions. Visteon recorded a gain of \$413 million from the sale of its 50% equity interest in Yanfeng and a gain of \$52 million from the remeasurement of Visteon's previous 40% equity interest in YFVE to fair value in connection with the step acquisition of an additional 11%, which resulted in a 51% controlling ownership interest in YFVE. Additionally, during the fourth quarter of 2013, Visteon recorded equity earnings of \$27 million, representing its 50% share of a \$54 million non-cash gain at Yanfeng. The gain resulted from the deconsolidation of YFVE at Yanfeng pursuant to Visteon's November 2013 step acquisition. Cash received from the sale of the Company's 50% investment in Yanfeng has been included in the table above as Cash provided from investing activities for the year ended December 31, 2013.

On August 1, 2012, the Company completed the sale of its Lighting operations and the respective results of operations of the Lighting business have been reclassified to (Loss) income from discontinued operations, net of tax for all periods presented.

During the nine-month predecessor period ended October 1, 2010 the Company recorded a pre-tax gain of approximately \$1.1 billion for reorganization related items in connection with the plan of reorganization. This gain included \$956 million related to the cancellation of certain pre-petition obligations previously recorded as liabilities subject to compromise in accordance with terms of the plan of reorganization. Additionally, on the Effective Date, the Company became a new entity for financial reporting purposes and adopted fresh-start accounting, which requires, among other things, that all assets and liabilities be recorded at fair value resulting in a gain of \$106 million.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations, financial condition and cash flows of Visteon Corporation ("Visteon" or the "Company"). MD&A is provided as a supplement to, and should be read in conjunction with, the Company's consolidated financial statements and related notes appearing in Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Executive Summary

Description of Business

Visteon Corporation (the "Company" or "Visteon") is a global supplier of climate, electronics and interiors systems, modules and components to automotive original equipment manufacturers ("OEMs") including BMW, Chrysler, Daimler, Ford, General Motors, Honda, Hyundai, Kia, Nissan, PSA Peugeot Citroën, Renault, Toyota and Volkswagen. Visteon delivers value to its customers, and shareholders through a family of businesses including:

- Halla Visteon Climate Control Corporation, majority-owned by Visteon and the world's second largest global supplier of automotive climate components and systems.

- Visteon Electronics, a global provider of cockpit electronics, including audio/infotainment, driver information, center stack electronics and feature control modules.

- Visteon Interiors, a global provider of vehicle cockpit modules, instrument panels, consoles and door trim modules.

Visteon, headquartered in Van Buren Township, Michigan, has an international network of manufacturing operations, technical centers and joint venture operations, supported by approximately 24,000 employees dedicated to the design, development, manufacture and support of its product offerings and its global customers. The Company's manufacturing and engineering footprint is principally located outside of the U.S., with a heavy concentration in low-cost geographic regions. The Company's sales for the year ended December 31, 2013 totaled \$7.4 billion and were distributed by product group, geographic region, and customer as follows.

Strategic Transformation

In September 2012, the Company announced a comprehensive shareholder value creation plan founded on the pillars of industrial logic, customer focus and financial discipline. The comprehensive shareholder value creation plan includes the following primary elements.

Climate consolidation - Prior to 2013, the Company's Climate operations were comprised of Halla Climate Control Corporation ("Halla"), a 70% owned and consolidated Korean subsidiary, and a series of wholly-owned Visteon Climate operations and other Visteon Climate joint ventures. By combining these Climate operations, the Company expects to achieve synergies through improved global scale and common business practices. During the first quarter of 2013, Halla purchased certain subsidiaries and intellectual property relating to Visteon's global climate business for a total purchase price of \$410 million. This combination formed the world's second largest global supplier of automotive climate components and systems under the name of Halla Visteon Climate Control Corporation ("HVCC"). HVCC is majority-owned by Visteon and headquartered in South Korea.

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Electronics optimization - The Company's Electronics business has undergone a transition away from powertrain, body and security electronics over the past several years and today is focused solely on electronics in the cockpit of the vehicle delivering innovative audio, infotainment, clusters and displays to OEM customers. The market for cockpit electronics is projected to grow to \$45 billion by 2018. The Company believes that its Electronics business is well-positioned to capitalize on a rapidly changing consumer-driven technology landscape. The Company has taken steps to optimize the size and scale of its Electronics business with a specific focus on cockpit electronics products. In the fourth quarter of 2013, the Company paid \$58 million for an additional 11% ownership interest in Yanfeng Visteon Automotive Electronics Co., Ltd. ("YFVE"), resulting in a 51% controlling ownership interest. YFVE provides an important source of global electronics development and engineering capability. Additionally, the Company invested \$48 million during the fourth quarter of 2013 in a non-consolidated electronics holding company owned 50% by Visteon and 50% by Yanfeng.

On January 13, 2014, Visteon reached an agreement to acquire the automotive electronics business of Johnson Controls for cash of \$265 million. The acquisition is subject to certain regulatory and other consents and approvals and is expected to be completed in the second quarter of 2014. In the fiscal year ended September 30, 2013, the business to be acquired by Visteon generated approximately \$1.3 billion in revenue and about \$58 million in EBITDA (earnings before interest, taxes, depreciation and amortization).

These actions are expected to strengthen Visteon's competitive position in the fast-growing vehicle cockpit electronics segment by expanding its global scale, manufacturing and engineering footprint, product portfolio and customer penetration. On a combined basis following completion of the acquisition of the automotive electronics business of Johnson Controls, Visteon expects that its electronics business will have sales of about \$3 billion, a No.2 global position in driver information, an above-average growth rate for the segment, and penetration of nine of the world's ten largest vehicle manufacturers.

Interiors strategy - The Company determined that its Interiors business is not aligned with its long-term strategic goals and continues to explore alternatives for this non-core business including, but not limited to, divestiture, partnership or alliance. While the Company views Interiors as a non-core business, it continues to make commitments to this business and intends to divest in the future only under acceptable terms and conditions. On December 17, 2013, Visteon completed the sale of its 50% ownership interest in Yanfeng Visteon Automotive Trim Systems Co., Ltd., ("Yanfeng") a significant interiors equity investee, for cash proceeds of \$928 million (before applicable taxes). The Company's goal is to dispose of the remainder of its Interiors businesses in three separate transactions targeted for 2014. Due to certain liabilities and capital requirements of many of these remaining businesses, the Company may be required to contribute cash to such businesses in connection with any disposition, which amounts could be material.

In connection with the preparation of the December 31, 2013 financial statements, the Company determined that an indicator of impairment existed in relation to the net assets of its Interiors business, which approximated \$220 million as of December 31, 2013. Accordingly, the Company performed a recoverability test utilizing a probability weighted analysis of cash flows associated with continuing to run and operate the Interiors business and estimated cash flows associated with the potential sale of the Interiors business. As a result of the analysis, the Company concluded that the assets were not recoverable. However, no impairment was recorded as of December 31, 2013 as the fair value of the underlying assets were determined to be in excess of the respective carrying value. To the extent that a sale transaction becomes more likely to occur in future periods an impairment charge may be required and such charge could be material. As of December 31, 2013 the Company did not meet the specific criteria necessary for the Interiors assets to be considered held for sale.

Cost reduction program - In November 2012 the Company announced a \$100 million restructuring program designed to reduce fixed costs and to improve operational efficiency by addressing certain under-performing operations. Through December 31, 2013, the Company recorded approximately \$76 million of restructuring expenses under this program. The Company anticipates recording additional restructuring charges related to this program in future periods as underlying plans are finalized.

Balance sheet enhancement - In December 2013 the Company exercised its right to repurchase \$50 million or 10% of its outstanding 6.75% senior notes due April 2019 for a redemption price of 103% of the principal amount, plus

accrued and unpaid interest to the redemption date. This repurchase was in addition to a similar \$50 million repurchase of outstanding 6.75% senior notes due April 2019 that was completed in December 2012. Also during 2012, the Company offered an accelerated pension payment program to most of its U.S. defined benefit plan participants who are former employees with vested benefits not yet in pay status, whereby such participants could elect to receive a single lump sum payout. Approximately 70% of eligible participants elected to receive a single lump sum payout resulting in a reduction of the Company's U.S. retirement plan obligations of \$408 million and a reduction in plan assets of \$301 million, respectively.

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## Share Repurchase Program

During 2012, the Company's board of directors authorized the repurchase of up to \$100 million of the Company's common stock. During 2012, the Company repurchased 1,005,559 shares of its outstanding common stock at an average price of \$49.72 per share, excluding commissions, for the aggregate purchase price of \$50 million. In January 2013, the board of directors reauthorized the \$100 million and increased the repurchase amount to an additional \$200 million over the next two years, bringing the total share repurchase authorization to \$300 million. In March 2013, the Company entered into an accelerated stock buyback ("ASB") program with a third-party financial institution to purchase shares of common stock for an aggregate purchase price of \$125 million. On April 17, 2013, the ASB program concluded with the Company having repurchased a total of 2,209,078 shares.

In August 2013, the Company's board of directors raised the authorization of its remaining share repurchase program from \$125 million to \$1 billion over the next two years. The Company entered into another ASB program in August 2013 with a third-party financial institution to purchase shares of common stock for an aggregate purchase price of \$125 million. The Company paid the financial institution \$125 million and received an initial delivery of 1,368,925 shares of common stock. The value of those shares on the date of delivery was \$100 million at \$73.05 per share and is included in common stock held in treasury. On December 20, 2013, the program concluded and the Company received an additional 307,975 shares. As of December 31, 2013, \$875 million remains authorized and available for repurchase through December 31, 2015. The Company anticipates that repurchases of common stock would occur from time to time in open market transactions, non-discretionary programs or in privately negotiated transactions depending on market and economic conditions, share price, trading volumes, alternative uses of capital and other factors.

## Global Automotive Industry

The Company conducts its business in the automotive industry, which is capital intensive, highly competitive and sensitive to economic conditions. During 2013 the global automotive industry continued to experience modest global growth. Vehicle production in China outpaced the overall growth rate fueled by increasing consumer demand. Production in North America also increased based on continuing strength in demand, growing exports, and increased localization of production. Europe appears to have stabilized, although at historically low levels, supported by strong luxury exports. Production in the remaining regions was mixed due to varying economic, political and social factors. Light vehicle production levels for 2013 by geographic region are provided below (units in millions):

	Light Vehicle Production			
	2013	2012	Change	
Global	84.5	81.5	3.6	%
North America	16.2	15.4	4.9	%
South America	4.5	4.3	5.7	%
Europe	19.3	19.3	0.2	%
China	21.2	18.6	13.9	%
Japan/Korea	13.5	14.0	(3.4	)%
India	3.6	3.8	(4.1	)%
ASEAN	4.3	4.1	4.1	%

Source: IHS Automotive

## Financial Results Summary

Highlights of the Company's financial results for the year ended December 31, 2013 include the following.

The Company recorded sales of \$7,439 million representing an increase of approximately 8% when compared with the year ended December 31, 2012. The increase reflects higher customer production volumes for Climate in all regions, Electronics in Asia and North America, partially offset by Interiors declines in Europe and South America. Gross margin was \$684 million or 9.2% of sales for the year ended December 31, 2013 compared to \$589 million or 8.6% of sales for the same period of 2012. The increase was primarily attributable to higher volumes.

Net income attributable to Visteon was \$690 million, inclusive of gains totaling \$465 million comprised of a \$413 million gain on the sale of the Company's 50% ownership interest in Yanfeng and a \$52 million gain on the remeasurement of Visteon's previous 40% equity interest in YFVE to fair value.

The Company generated \$312 million of cash from operating activities, an increase of \$73 million compared with the prior year, largely due to higher cash dividends from non-consolidated affiliates.

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Cash from investing activities of \$698 million included \$928 million from the sale of the Company's 50% interest in Yanfeng, partially offset by capital expenditures.

Total cash, including restricted cash, was \$1,702 million, \$857 million higher than December 31, 2012. The Company's total debt was \$730 million, \$161 million higher than December 31, 2012. As of December 31, 2013 the Company had \$972 million of cash in excess of total debt.

## Consolidated Results of Operations - 2013 Compared with 2012

The Company's consolidated results of operations for the years ended December 31, 2013 and 2012 were as follows:

	Year Ended December 31		
	2013	2012	Change
	(Dollars in Millions)		
Sales	\$7,439	\$6,857	\$582
Cost of sales	6,755	6,268	487
Gross margin	684	589	95
Selling, general and administrative expenses	367	369	(2 )
Equity in net income of non-consolidated affiliates	213	226	(13 )
Restructuring expense	39	79	(40 )
Interest expense, net	39	35	4
Gain on Yanfeng transactions	465	—	465
Other expense, net	35	41	(6 )
Provision for income taxes	107	121	(14 )
Net income from continuing operations	775	170	605
Loss from discontinued operations	—	(3 )	3
Net income	\$775	\$167	\$608
Net income attributable to Visteon Corporation	\$690	\$100	\$590
Adjusted EBITDA*	\$704	\$626	\$78

\* Adjusted EBITDA is a Non-GAAP financial measure, as further discussed below.

## Sales

Sales for the year ended December 31, 2013 totaled \$7,439 million, which represents an increase of \$582 million compared with the same period of 2012. Sales increased \$562 million primarily driven by Climate and Electronics due to higher production volumes in Asia, North America and Europe. Favorable currency of \$58 million also contributed to the increase, primarily attributable to the Euro, Korean Won and Chinese Yuan currencies, partially offset by the Indian Rupee, Japanese Yen and Brazilian Real currencies. The consolidation of YFVE with effect from November 1, 2013 increased sales \$66 million. Other reductions of \$104 million were associated with customer pricing, net of design savings.

## Cost of Sales

Cost of sales increased \$487 million for the year ended December 31, 2013 when compared with the same period in 2012. The increase includes \$446 million attributable to increased production volumes and changes in product mix, representing the variable nature of material and labor costs. Foreign currency increased cost of sales by \$73 million attributable to strengthening of the Euro, Korean Won and Chinese Yuan, partially offset by offset by weakening of the Japanese Yen, Indian Rupee, and the Brazilian Real. Engineering costs increased \$23 million, supporting growth in the Climate and Electronics segments. Material commodity pricing, manufacturing performance and design changes increased cost of sales by \$16 million. These increases were partially offset by \$134 million of efficiencies including



material, design, and usage economics.

#### Gross Margin

The Company's gross margin was \$684 million or 9.2% of sales for the year ended December 31, 2013 compared to \$589 million or 8.6% of sales for the same period of 2012. The increase in gross margin of \$95 million was associated with favorable volume and mix of \$116 million partially offset by unfavorable currency of \$14 million. Other net cost performance decreased gross margin by \$7 million, primarily driven by increased engineering costs.

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## Selling, General and Administrative Expenses

Selling, general, and administrative expenses were \$367 million and \$369 million during the years ended December 31, 2013 and 2012, respectively. The decrease resulted from administrative cost efficiencies and the non-recurrence of prior year costs including pension settlement losses of \$4 million, note receivable impairment of \$4 million and consulting fees of \$5 million. Higher incentive compensation costs and the YFVE consolidation of \$4 million were partial offsets.

## Equity in Net Income of Non-Consolidated Affiliates

Equity in net income of non-consolidated affiliates totaled \$213 million and \$226 million for the years ended December 31, 2013 and 2012, respectively, representing a decrease of \$13 million. Equity in net income of non-consolidated affiliates for the year ended December 31, 2013 includes \$27 million representing Visteon's 50% equity interest in a non-cash gain recorded by Yanfeng. The gain resulted from the deconsolidation of YFVE pursuant to Visteon's November 2013 step acquisition to acquire a controlling 51% ownership interest in YFVE. In connection with the deconsolidation, Yanfeng recorded its retained non-controlling interest in YFVE at fair value, which exceeded the carrying value of net assets deconsolidated. Equity earnings for the year ended December 31, 2012 included \$63 million representing Visteon's equity interest in a non-cash gain recorded by Yanfeng resulting from the excess of fair value over the carrying value of a former equity investee that was consolidated effective June 1, 2012. The following table presents summarized statement of operations data for the Company's non-consolidated affiliates representing 100% of the results of operations of such non-consolidated affiliates.

	Net Sales		Gross Margin		Net Income	
	December 31		December 31		December 31	
	2013	2012	2013	2012	2013	2012
	(Dollars in Millions)					
Yanfeng	\$8,089	\$5,171	\$1,160	\$782	\$334	\$369
All other	1,335	1,757	111	194	94	92
	\$9,424	\$6,928	\$1,271	\$976	\$428	\$461

Yanfeng sales and gross margin for the year ended December 31, 2012 include approximately \$1,733 million and \$278 million, respectively, related to the results of operations for the five months ended May 31, 2013 of a former equity investee that was consolidated effective June 1, 2012. Yanfeng net income for the years ended December 31, 2013 and 2012 includes approximately \$54 million and \$130 million, respectively associated with non-cash gains.

## Restructuring Expense

During 2013 the Company recorded \$39 million of restructuring expenses, net of reversals, compared to \$79 million, net of reversals, for 2012. The Company's restructuring reserve and activity is summarized below for the year ended December 31, 2013.

	Interiors	Climate	Electronics	Corporate	Total	
	(Dollars in Millions)					
Restructuring reserve - December 31, 2012	\$34	\$1	\$1	\$3	\$39	
Expenses	13	19	—	9	41	
Reversals	(1	) —	(1	) —	(2	)
Utilization	(21	) (19	) —	(9	) (49	)
Restructuring reserve - December 31, 2013	\$25	\$1	\$—	\$3	\$29	

During the year ended December 31, 2013, the Company recorded an additional \$4 million of employee severance and termination benefit costs associated with a previously announced plan to restructure three European Interiors facilities and made cash payments of approximately \$16 million for related employee severance and termination benefits. As of December 31, 2013 approximately \$18 million remains accrued for this program. During 2013 the Company also announced a plan to restructure the workforce and related processes at an Interiors operation in Brazil and recorded employee severance and termination benefit costs of \$8 million associated with approximately 255 employees. The Company made cash payments of approximately \$4 million for related employee severance and termination benefits during 2013. As of December 31, 2013 approximately \$4 million remains accrued for this program. The Company recorded and paid employee severance and termination benefit costs of \$19 million for approximately 100 employees during the year ended December 31, 2013 related to a program designed to commonize global business systems and processes across its Climate operations for the purpose of reducing costs.

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Given the economically-sensitive and highly competitive nature of the automotive industry, the Company continues to closely monitor current market factors and industry trends taking action as necessary, including but not limited to, additional restructuring actions. However, there can be no assurance that such actions will be sufficient to fully offset the impact of adverse factors on the Company or its results of operations, financial position and cash flows.

## Interest Expense, Net

Interest expense for the year ended December 31, 2013 of \$47 million included \$30 million associated with the Company's 6.75% Senior Notes due April 15, 2019, \$11 million associated with affiliate debt, and \$6 million for commitment fees and amortization of debt issuance costs. During the year ended December 31, 2012, interest expense was \$49 million, including \$33 million on the 6.75% Senior Notes due April 15, 2019, \$7 million for commitment fees and amortization of debt issuance costs, \$5 million related to the Korean Bridge Loan and \$4 million associated with affiliate debt. Interest income of \$8 million for the year ended December 31, 2013 decreased by \$6 million when compared to \$14 million for the same period of 2012 due to lower rates and a change in the regional mix of cash.

## Gain on Yanfeng Transactions

On August 12, 2013, Visteon entered into a Master Agreement (the "Master Agreement") with Huayu Automotive Systems Company Limited ("HASCO"), Yanfeng Visteon Automotive Trim Systems Co., Ltd. ("Yanfeng") and Yanfeng Visteon Automotive Electronics Co., Ltd. ("YFVE"), pursuant to which, among other things, Visteon and HASCO agreed to modify their existing interests in automobile interiors and electronics joint ventures in the People's Republic of China, including Yanfeng and YFVE.

During the fourth quarter of 2013, Visteon completed some of the transactions contemplated under the Master Agreement including, but not limited to, the subscription to an additional 11% ownership interest in YFVE and the sale of its 50% ownership interest in Yanfeng. The Company recorded gains on these transactions totaling \$465 million, including a gain of \$413 million from the sale of its 50% equity interest in Yanfeng and a gain of \$52 million from the remeasurement of Visteon's previous 40% equity interest in YFVE to fair value in connection with the 11% step acquisition, which resulted in a 51% controlling ownership interest in YFVE. Other transactions contemplated under the Master Agreement not completed during the fourth quarter of 2013 remain subject to substantive closing conditions, including government and regulatory approvals. Such transactions are expected to be substantially completed in multiple stages by June 30, 2015.

## Other Expense, Net

Other expense, net consists of the following:

	Year Ended December 31	
	2013	2012
	(Dollars in Millions)	
Transformation costs	\$40	\$33
Gain on sale of joint venture interest	(5	) (19
Loss on debt extinguishment	2	6
UK Administration recovery	(2	) —
Loss on asset contribution	—	14
Asset impairments	—	5
Reorganization-related costs, net	—	2
	\$35	\$41

The Company recorded transformation costs of \$40 million and \$33 million for the years ended December 31, 2013 and 2012, respectively, related to financial and advisory services associated with continued execution of its

comprehensive shareholder value creation plan.

In June 2013, the Company completed the sale of its 20% equity interest in Dongfeng Visteon Automotive Trim Systems Co., Ltd. ("Dongfeng") for proceeds of approximately \$20 million and recognized a gain of approximately \$5 million. Dongfeng is an interiors joint venture based in China with 2012 revenue of \$190 million. In August 2012, the Company sold its 50% ownership interest in R-Tek Limited, a UK-based Interiors joint venture, for cash proceeds of approximately \$30 million, resulting in a gain of \$19 million.

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Loss on debt extinguishment of \$2 million for the years ended December 31, 2013 and 2012 are related to the 103% redemption premium paid on the December 2013 and 2012 repurchases each for \$50 million of the Company's 6.75% senior notes due April 15, 2019. In the year ended December 31, 2012, the Company recorded an additional loss on debt extinguishment of \$4 million relating to unamortized amounts attributable to the Korean Bridge Loan that was repaid during the third quarter 2012.

In September 2013, the Company received a distribution of \$2 million under the United Kingdom Insolvency Act of 1986 resulting from the liquidation and recovery process associated with the estate of Visteon UK Limited, a company organized under the laws of England and Wales and a former indirect, wholly-owned subsidiary of the Company. The recovery was primarily related to various trade and loan receivables due from Visteon UK Limited to the Company at the March 2009 date of entry into administration.

During the year ended December 31, 2012 and in connection with agreements reached with the labor union and the Spanish government for the closure of the Cadiz Electronics operation, the Company transferred land, building and machinery with a net book value of approximately \$14 million to the Spanish government for the benefit of the former Cadiz Electronics employees and the El Puerto de Santa Maria, Spain community.

During the fourth quarter of 2012, the Company recorded an impairment of \$5 million for an other than temporary decline in the value of Visteon TYC Corporation, reflecting the difference between the carrying value and estimated sale transaction proceeds.

## Income Taxes

The Company's provision for income tax was \$107 million for year ended December 31, 2013 and reflects income tax expense related to those countries where the Company is profitable, accrued withholding taxes, ongoing assessments related to the recognition and measurement of uncertain tax benefits, the inability to record a tax benefit for pre-tax losses in the U.S. and certain other jurisdictions, and other non-recurring tax items.

The Company's provision for income taxes decreased \$14 million for the year ended December 31, 2013 compared with 2012, reflecting a \$59 million reduction in year-over-year changes in unrecognized tax benefits (including interest) primarily attributable to reevaluating transfer pricing-related exposures in Europe and the United States due to audit closures occurring in 2013, \$6 million associated with tax law changes (primarily in Mexico), and a \$4 million increase in tax benefits resulting from the elimination of valuation allowances, comprised of a \$12 million benefit in 2013 related to the elimination of valuation allowances against Korean foreign tax credits as compared to an \$8 million benefit in 2012 related to the elimination of deferred tax asset valuation allowances at several foreign subsidiaries in China, India and the Czech Republic. Other changes in the Company's deferred tax asset valuation allowances did not materially impact net tax expense during the years ended December 31, 2013 or 2012. Decreases in year-over-year tax expense were partially offset by \$4 million attributable to overall changes in the mix of earnings and tax rates between jurisdictions and other items and \$51 million of China tax associated with the gain on the Yanfeng transactions. Additionally, the U.S. income tax consequences associated with the Yanfeng transactions were fully offset by tax attributes carrying a full valuation allowance and had no material impact on net tax expense.

Visteon's emergence from bankruptcy in 2010 resulted in a change of ownership within the meaning of Internal Revenue Code ("IRC") Sections 382 and 383, causing the use of Visteon's pre-emergence U.S. federal net operating loss ("NOL") and various other tax attributes to be limited in the post-emergence period. However, NOLs and other tax attributes generated in the post emergence period are generally not limited by the emergence from bankruptcy, but could be limited if there is a subsequent change of ownership. If the Company were to have another change of ownership within the meaning of IRC Sections 382 and 383, its post-emergence NOL and other tax attributes could be limited to an amount equal to its market capitalization at the time of the subsequent ownership change multiplied by

the federal long-term tax exempt rate. The Company cannot provide any assurance that such an ownership change will not occur, in which case the availability of the Company's NOLs and other tax attributes could be significantly limited or possibly eliminated. In order to continue to protect the Company's pre and post-emergence period tax attributes and reduce the likelihood that the Company will experience an additional ownership change, once the Company's market capitalization falls below \$1.5 billion Board of Director approval is required should a person or group become a 5-percent shareholder and/or an existing 5-percent shareholder intend to increase its ownership interest.

#### Discontinued Operations

On August 1, 2012, the Company completed the sale of its Lighting operations for proceeds of approximately \$70 million (the "Lighting Transaction"). In connection with the Lighting Transaction, the results of operations of the Lighting business were reclassified to (Loss) income from discontinued operations, net of tax in the Consolidated Statements of Operations for the year ended December 31, 2012.

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Discontinued operations are summarized as follows:

	Year Ended December 31, 2012 (Dollars in Millions)
Sales	\$297
Cost of sales	264
Gross margin	33
Selling, general and administrative expenses	7
Asset impairments	19
Interest and other expense	6
Income from discontinued operations before income taxes	1
Provision for income taxes	4
Loss from discontinued operations, net of tax	\$(3 )

The Company recorded impairment charges principally related to property and equipment of approximately \$19 million during the year ended December 31, 2012. Included in the provision for income taxes in 2012 was \$3 million related to the establishment of a valuation allowance against certain deferred tax credits in Mexico, the realization of which is no longer considered more likely than not due to insufficient projected future taxable income, offset by favorable adjustments of \$2 million associated with uncertain tax positions.

#### Net Income

Net income attributable to Visteon was \$690 million for the year ended December 31, 2013 compared to \$100 million for the same period of 2012. Adjusted EBITDA (a non-GAAP financial measure, as defined below) was \$704 million for the year ended December 31, 2013, representing an increase of \$78 million when compared with Adjusted EBITDA of \$626 million for the same period of 2012. The increase in Adjusted EBITDA included \$116 million of favorable volume and mix primarily attributable to growth in Asia and North America markets, \$25 million of higher equity in affiliate earnings primarily related to Yanfeng and affiliates, \$6 million associated with the Company's consolidation of the YFVE business, partially offset by \$15 million of unfavorable currency primarily reflecting stronger Korean Won and weakening Indian Rupee currencies partially offset by the stronger Euro. Adjusted EBITDA also decreased by \$18 million for non-controlling interest impacts due to improved climate business and climate consolidation actions and lower commercial agreements and engineering cost recoveries of \$6 million. Higher engineering of \$23 million and other costs were partially offset by material, design and other cost efficiencies.

Adjusted EBITDA is presented as a supplemental measure of the Company's financial performance that management believes is useful to investors because the excluded items may vary significantly in timing or amounts and/or may obscure trends useful in evaluating and comparing the Company's operating activities across reporting periods. The Company defines Adjusted EBITDA as net income attributable to the Company, plus net interest expense, provision for income taxes and depreciation and amortization, as further adjusted to eliminate the impact of asset impairments, gains or losses on divestitures, discontinued operations, net restructuring expenses and other reimbursable costs, non-cash stock-based compensation expense, certain employee charges and benefits, reorganization items and other non-operating gains and losses. Not all companies use identical calculations and, accordingly, the Company's presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA is not a recognized term under accounting principles generally accepted in the United States and does not purport to be a substitute for net income as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has limitations as an analytical tool and is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. In addition, the Company uses Adjusted EBITDA (i) as a factor in incentive compensation decisions, (ii) to evaluate the effectiveness of the



Company's business strategies and (iii) because the Company's credit agreements use measures similar to Adjusted EBITDA to measure compliance with certain covenants. Adjusted EBITDA, as determined and measured by the Company should not be compared to similarly titled measures reported by other companies.

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The reconciliation of Adjusted EBITDA to net income attributable to Visteon for the years ended December 31, 2013 and 2012 is as follows:

	Year Ended December 31		Change
	2013	2012	
	(Dollars in Millions)		
Adjusted EBITDA	\$704	\$626	\$78
Interest expense, net	39	35	4
Provision for income taxes	107	121	(14 )
Depreciation and amortization	262	258	4
Restructuring expenses	39	79	(40 )
Gain on Yanfeng transactions	(465	) —	(465 )
Non-cash, stock-based compensation expense	17	25	(8 )
Equity in gain of non-consolidated affiliates	(29	) (63	) 34
Other	44	71	(27 )
Net income attributable to Visteon Corporation	\$690	\$100	\$590

## Segment Results of Operations - 2013 compared with 2012

The Company's operating structure is organized by global product lines, including Climate, Electronics and Interiors. These global product lines have financial and operating responsibility over the design, development and manufacture of the Company's product portfolio. Global customer groups are responsible for the business development of the Company's product portfolio and overall customer relationships. Certain functions such as procurement, information technology and other administrative activities are managed on a global basis with regional deployment. The Company's reportable segments are as follows:

Climate - The Company's Climate product line includes climate air handling modules, powertrain cooling modules, heat exchangers, compressors, fluid transport and engine induction systems.

Electronics - The Company's Electronics product line includes audio systems, infotainment systems, driver information systems, powertrain and feature control modules, climate controls, and electronic control modules.

Interiors - The Company's Interiors product line includes instrument panels, cockpit modules, door trim and floor consoles.

## Sales

	Climate	Electronics	Interiors	Eliminations	Total
	(Dollars in Millions)				
Year ended December 31, 2012	\$4,286	\$1,274	\$1,388	\$(91	) \$6,857
Volume and mix	583	139	(103	) (57	) 562
Currency	76	(12	) (6	) —	58
YFVE consolidation	—	66	—	—	66
Other	(74	) (12	) (18	) —	(104 )
Year ended December 31, 2013	\$4,871	\$1,455	\$1,261	\$(148	) \$7,439

Climate sales increased during the year ended December 31, 2013 by \$585 million. Higher production volumes in Asia, North America, and Europe, increased sales by \$583 million. Favorable currency resulted in an increase of \$76 million, primarily related to the Euro, Korean Won and Chinese Yuan partially offset by the Indian Rupee. Other changes, totaling \$74 million, reflected price productivity, partially offset by increases in commodity pricing and design actions.

Electronics sales increased during the year ended December 31, 2013 by \$181 million. Volume increases of \$139 million reflected higher production volumes primarily in North America and Asia. Unfavorable currency, primarily related to the Japanese Yen and Indian Rupee partially offset by the Euro, decreased product sales by \$12 million. The consolidation of YFVE during the fourth quarter of 2013 increased sales \$66 million. Other changes, totaling \$12 million, reflected price productivity, partially offset by increases in revenue related to commodity pricing and design actions.

Interiors sales decreased during the year ended December 31, 2013 by \$127 million, including unfavorable volume and product mix of \$103 million primarily reflecting production declines in Europe driven by continued weak economic conditions across the

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region. Unfavorable currency related to the Indian Rupee and Brazilian Real partially offset by the Euro decreased sales by \$6 million. Other changes, totaling \$18 million, reflected price productivity, partially offset by increases in commodity pricing and design actions and lower commercial agreement recoveries.

## Cost of Sales

	Climate	Electronics	Interiors	Eliminations	Total
	(Dollars in Millions)				
Year ended December 31, 2012	\$3,909	\$1,136	\$1,314	\$(91)	) \$6,268
Material	378	92	(88)	) (58)	) 324
Freight and duty	11	(5)	) (5)	) (1)	) —
Labor and overhead	116	6	(17)	) (2)	) 103
Depreciation and amortization	7	(3)	) (3)	) (1)	) —
YFVE consolidation	—	63	—	—	63
Other	(15)	) 6	1	5	(3)
Year ended December 31, 2013	\$4,406	\$1,295	\$1,202	\$(148)	) \$6,755

Climate material costs increased by \$378 million, including \$474 million related to higher production volumes and \$9 million related to higher aluminum, resin and other commodity costs and design changes, partially offset by \$105 million of manufacturing efficiencies and purchasing improvements. Labor and overhead increased by \$116 million, including \$101 million related to production volumes and currency and \$15 million related to higher manufacturing costs, net of efficiencies, primarily driven by significant launch activity during 2013. Depreciation and amortization increased by \$7 million, as capital expenditures increased to support growing business. Other decreases of \$15 million primarily relate to the non-recurrence of 2012 pension settlement charges.

Electronics material costs increased by \$92 million, including \$123 million related to production volumes and currency and \$4 million of design changes, partially offset by \$35 million related to the impact of manufacturing efficiencies and purchasing improvements. Labor and overhead increased by \$6 million, directly attributable to production volumes. The consolidation of YFVE during the fourth quarter of 2013 increased cost of sales \$63 million, including \$4 million for the step-up of inventory related to purchase accounting. Other increases of \$6 million primarily relate to engineering costs to support infotainment technology, impacts of a temporary contract manufacturing arrangement and project launch costs.

Interiors material costs decreased by \$88 million, including \$82 million related to lower production volumes and currency. Material costs also decreased \$6 million due to lower resin material commodity costs and design changes. Labor and overhead decreased by \$17 million, including \$8 million related to production volumes and \$9 million primarily associated with European restructuring related cost reductions.

## Adjusted EBITDA

Adjusted EBITDA by segment for the years ended December 31, 2013 and 2012 is presented in the table below.

	Year Ended December 31		
	2013	2012	Change
	(Dollars in Millions)		
Climate	\$443	\$370	\$73
Electronics	137	126	11
Interiors	183	178	5
Total Segment Adjusted EBITDA	\$763	\$674	\$89
Reconciling Item:			
Corporate	(59)	) (48)	) (11)

Total consolidated	\$704	\$626	\$78
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Changes in Adjusted EBITDA by segment are presented in the table below.

	Climate	Electronics	Interiors	Total
	(Dollars in Millions)			
Year ended December 31, 2012	\$370	\$126	\$178	\$674
Volume and mix	107	26	(17)	) 116
Currency	(8	) (4	) (3	) (15
Other	(26	) (11	) 25	(12
Year ended December 31, 2013	\$443	\$137	\$183	763
Reconciling Item:				
Corporate				(59
Total				) \$704

Adjusted EBITDA for the Climate segment for the year ended December 31, 2013 increased by \$73 million compared to the same period of 2012. The increase in Climate Adjusted EBITDA primarily reflects increased volume of \$107 million associated with net new business including Hyundai in Asia and Europe, Kia in North America, and Ford in Asia and Europe. Unfavorable currency decreased Climate Adjusted EBITDA by \$8 million primarily reflecting stronger Korean Won and weaker Indian Rupee currencies, partially offset by a stronger Euro. Higher engineering and other costs associated with current year launch activity, customer price productivity and increased non-controlling interest related to the 2013 combination of former Visteon climate operations with Halla to form HVCC, and overall growth were partially offset by material, design and other cost efficiencies.

Electronics Adjusted EBITDA for the year ended December 31, 2013 increased by \$11 million compared to the same period of 2012. Favorable volume increased Adjusted EBITDA \$26 million, primarily in Asia and North America. Unfavorable currency of \$4 million reflects the weakening Japanese Yen and Indian Rupee, partially offset by the Euro. Higher engineering and temporary contract manufacturing arrangement costs were partially offset by the favorable impact of consolidating YFVE during the fourth quarter of 2013 and other material, design and other cost efficiencies.

Interiors Adjusted EBITDA for the year ended December 31, 2013 increased by \$5 million compared to the same period of 2012. The increase in Interiors Adjusted EBITDA includes equity in affiliate net income of \$22 million primarily related to Yanfeng and its affiliates, as well as material, design and other cost efficiencies which more than offset customer price productivity. These favorable impacts were partially offset by \$17 million of unfavorable volume reflecting lower production volumes in Europe and South America, \$3 million of unfavorable currency reflecting the weaker Indian Rupee and Brazilian Real offset by the Euro.

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## Consolidated Results of Operations - 2012 Compared with 2011

The Company's consolidated results of operations for the years ended December 31, 2012 and 2011 were as follows:

	Year Ended December 31		Change
	2012	2011	
	(Dollars in Millions)		
Sales	\$6,857	\$7,532	\$(675 )
Cost of sales	6,268	6,914	(646 )
Gross margin	589	618	(29 )
Selling, general and administrative expenses	369	387	(18 )
Equity in net income of non-consolidated affiliates	226	168	58
Restructuring expense	79	24	55
Interest expense, net	35	27	8
Other expense, net	41	11	30
Provision for income taxes	121	127	(6 )
Net income from continuing operations	170	210	(40 )
Loss from discontinued operations	(3 )	(56 )	53
Net income	\$167	\$154	\$13
Net income attributable to Visteon Corporation	\$100	\$80	\$20
Adjusted EBITDA*	\$626	\$689	\$(63 )

\* Adjusted EBITDA is a Non-GAAP financial measure, as further discussed below.

**Sales**

Sales for the year ended December 31, 2012 totaled \$6,857 million, which represents a decrease of \$675 million compared with the same period of 2011. Approximately \$549 million of this decrease is due to the deconsolidation of Duckyang Industry Co. Ltd ("Duckyang"), an Interiors joint venture, which resulted from the October 2011 sale of a controlling ownership interest in the entity ("Duckyang Share Sale"). Unfavorable currency of \$307 million, primarily attributable to the Euro, Indian Rupee, Brazilian Real and Korean Won currencies, also contributed to the decline. Other reductions of \$79 million were associated with price productivity net of design actions. These declines were partially offset by sales increases of \$241 million associated with higher global production volumes as increases in Asia and North America more than offset decreases in Europe and higher commercial agreements of \$19 million.

**Cost of Sales**

Cost of sales decreased \$646 million for the year ended December 31, 2012 when compared with the prior year. The decrease includes \$541 million attributable to the deconsolidation of Duckyang and \$257 million attributable to currency primarily driven by the Euro, Brazilian Real, Indian Rupee, and the Korean Won. Cost of sales also decreased by \$136 million attributable to production efficiencies including material design and usage economics as well as lower depreciation and amortization expense of \$29 million. These decreases were partially offset by costs associated with increased production volumes and changes in product mix, which increased cost of sales by \$283 million. Other changes, totaling \$34 million, primarily relate to commodity pricing and design actions and customer design and development recoveries.

**Gross Margin**

Gross margin was \$589 million or 8.6% of sales for the year ended December 31, 2012 compared to \$618 million or 8.2% of sales for the same period of 2011. The \$29 million decrease in gross margin resulted from unfavorable currency of \$50 million, unfavorable product mix of \$42 million, and the Duckyang deconsolidation of \$8 million.

Lower depreciation and amortization expense of \$29 million, net cost performance of \$23 million and customer recoveries of \$19 million, were partial offsets.

#### Selling, General and Administrative Expenses

Selling, general, and administrative expenses were \$369 million and \$387 million during the years ended December 31, 2012 and 2011, respectively, for a year over year decrease of \$18 million. The decrease includes \$23 million associated with lower employee costs including incentive compensation expense, favorable currency of \$11 million, and the Duckyang deconsolidation of \$5



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million. These decreases were partially offset by higher corporate office rent expense of \$3 million, pension settlement losses of \$4 million, note receivable impairment of \$4 million, and higher professional fees of \$5 million.

## Equity in Net Income of Non-Consolidated Affiliates

Equity in the net income of non-consolidated affiliates totaled \$226 million and \$168 million for the years ended December 31, 2012 and 2011, respectively, representing an increase of \$58 million. Equity earnings for the year ended December 31, 2012 included \$63 million representing Visteon's equity interest in a non-cash gain recorded by Yanfeng Visteon Automotive Trim Systems Co., Ltd ("Yanfeng") resulting from the excess of fair value over the carrying value of a former equity investee that was consolidated effective June 1, 2012. The following table presents summarized statement of operations data for the Company's non-consolidated affiliates representing 100% of the results of operations of such non-consolidated affiliates.

	Net Sales		Gross Margin		Net Income	
	December 31		December 31		December 31	
	2012	2011	2012	2011	2012	2011
	(Dollars in Millions)					
Yanfeng	\$5,171	\$3,014	\$782	\$473	\$369	\$246
All other	1,757	1,681	194	176	92	90
	\$6,928	\$4,695	\$976	\$649	\$461	\$336

Yanfeng sales and gross margin for the year ended December 31, 2012 include approximately \$1,733 million and \$278 million, respectively, related to activity of a former equity investee that was consolidated effective June 1, 2012. Yanfeng net income for the year ended December 31, 2012 includes approximately \$130 million associated with a non-cash gain on the consolidation of a former equity investee.

## Restructuring Expense

During the year ended December 31, 2012, the Company recorded \$79 million of restructuring expenses compared to \$24 million, net of reversals, for the year ended December 31, 2011. The following is a summary of the Company's consolidated restructuring reserve and related activity for the year ended December 31, 2012.

	Electronics	Interiors	Climate	Corporate	Total
	(Dollars in Millions)				
Restructuring reserve - December 31, 2011	\$19	\$6	\$1	\$—	\$26
Expenses	36	34	5	4	79
Utilization	(54)	(6)	(5)	(1)	(66)
Restructuring reserve - December 31, 2012	\$1	\$34	\$1	\$3	\$39

During 2011 the Company announced its intention to permanently cease production and to close the Cadiz Electronics facility located in Spain. During January 2012 the Company reached agreements with the local unions and Spanish government for the closure of the Cadiz Electronics operation. During the three months ended March 31, 2012, the Company recorded one-time termination benefits, in excess of the previously recorded statutory minimum requirement, of approximately \$31 million and other exit costs of \$5 million. Utilization during the year ended December 31, 2012 associated with the Cadiz closure included \$49 million of cash payments for employee severance and termination benefits and \$5 million for other exit costs, primarily governmental registration of contributed assets. The Company recovered approximately \$23 million of these costs pursuant to the Release Agreement with Ford, including \$19 million during 2012 and \$4 million during 2011.

In November 2012 the Company announced a \$100 million restructuring program designed to reduce fixed costs and to improve operational efficiency by addressing certain under-performing operations. During the quarter ended December 31, 2012 and in connection with that program, the Company announced a plan to restructure three

European Interiors facilities. The Company recorded approximately \$30 million for employee severance and termination benefits associated with approximately 230 employees. These cash benefits are expected to be paid to employees during 2013 and remain accrued on the Company's consolidated balance sheet as of December 31, 2012. The Company also recorded severance and termination benefit costs of \$4 million under this program associated with the realignment of its corporate and administrative functions directly to their corresponding operational beneficiary to right-sizing such functions and reduce related costs. Benefits associated with these actions are expected to be paid to employees during 2013 and remain accrued on the Company's consolidated balance sheet as of December 31, 2012.

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## Interest Expense, Net

Interest expense for the year ended December 31, 2012 of \$49 million included \$33 million associated with the Company's 6.75% Senior Notes due April 15, 2019, \$7 million for commitment fees and amortization of debt issuance costs, \$5 million related to the Korean Bridge Loan, and \$4 million associated with affiliate debt. During the year ended December 31, 2011, interest expense was \$48 million, including \$25 million on the 6.75% Senior Notes due April 15, 2019, \$11 million associated with the \$500 million secured term loan due October 1, 2017 which was repaid on April 16, 2011, \$6 million for commitment fees and amortization of debt issuance costs, and \$6 million associated with affiliate debt. Interest income of \$14 million for the year ended December 31, 2012 decreased by \$7 million when compared to \$21 million for the same period of 2011 due to a change in the regional mix of cash, lower rates, and lower average cash balances.

## Other Expense, Net

Other expense, net consists of the following:

	Year Ended December 31		
	2012	2011	
	(Dollars in Millions)		
Transformation costs	\$33	\$7	
Gain on sale of joint venture interest	(19	) —	
Loss on asset contribution	14	—	
Loss on debt extinguishment	6	24	
Asset impairments	5	—	
Reorganization-related costs, net	2	8	
Deconsolidation gains	—	(8	)
UK Administration recovery	—	(18	)
Gain on sale of assets	—	(2	)
	\$41	\$11	

During the year ended December 31, 2012, the Company continued to transform its business portfolio and to rationalize its cost structure including, among other things, the investigation of potential transactions for the sale, merger or other combination of certain businesses. Business transformation costs of \$33 million and \$7 million incurred during the years ended December 31, 2012 and December 31, 2011, respectively relate principally to financial and advisory fees.

In August 2012, Visteon sold its 50% ownership interest in R-Tek Ltd., a UK-based Interiors joint venture, for cash proceeds of approximately \$30 million, resulting in a gain of \$19 million.

In connection with the closure of the Cadiz Electronics operation the Company agreed to transfer land, building and machinery with a net book value of approximately \$14 million for the benefit of employees.

Loss on debt extinguishment of \$6 million for the year ended December 31, 2012 included \$4 million of unamortized amounts attributable to the Korean Bridge Loan that was repaid during the third quarter 2012 and \$2 million for the 103% redemption premium paid on the December 2012 repurchase of \$50 million of the Company's 6.75% Senior Notes due April 15, 2019. In April 2011, the Company completed the sale of \$500 million aggregate principal amount of 6.75% senior notes due April 15, 2019. Concurrently with the completion of the sale of the senior notes, the Company repaid its obligations under the \$500 million secured term loan due October 1, 2017 and recorded a loss on early extinguishment of \$24 million for unamortized original issue discount, debt fees and other debt issue costs associated with the term loan.

In connection with the expected sale of the Company's 50% equity interest in Visteon TYC Corporation ("VYTC"), the Company recorded an other-than temporary decline in value of \$5 million during the three months ended December 31, 2012, reflecting the difference between carrying value and expected proceeds. In January 2013, the Company completed the sale of its interest in VTYC for proceeds of approximately \$17 million.

In December 2011, the Company received a distribution of \$18 million, in connection with the liquidation and recovery process under the UK Administration. This distribution represented recoveries associated with loss claims on amounts owed to Visteon for various trade and loan receivables due from the UK Debtor.

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As of October 31, 2011 the Company deconsolidated total assets of \$217 million, total liabilities of \$159 million, non-controlling interests of \$29 million and related amounts deferred as Accumulated other comprehensive income from its balance sheet related to Duckyang pursuant to the Duckyang Share Sale. The Company recorded a gain on the transaction of \$8 million including amounts associated with the deconsolidation and remeasurement of the retained 50% non-controlling interest to fair value.

## Income Taxes

The Company's provision for income tax was \$121 million for year ended December 31, 2012 and reflects income tax expense related to those countries where the Company is profitable, accrued withholding taxes, ongoing assessments related to the recognition and measurement of uncertain tax benefits, the inability to record a tax benefit for pre-tax losses in the U.S. and certain other jurisdictions, and other non-recurring tax items. The Company's provision for income taxes decreased \$6 million for the year ended December 31, 2012 compared with 2011. The decrease in tax expense includes \$5 million associated with tax law changes and \$1 million attributable to the overall changes in the mix of earnings and tax rates between jurisdictions.

During 2012, the Company recorded a tax benefit of \$8 million attributable to the elimination of deferred tax asset valuation allowances at several foreign subsidiaries in China, India and the Czech Republic. The Company recorded a similar amount during 2011 attributable to the elimination of deferred tax asset valuation allowances at its UK subsidiary. Additionally, other changes in the Company's deferred tax asset valuation allowances did not materially impact net tax expense during the years ended December 31, 2012 or 2011.

## Discontinued Operations

On August 1, 2012, the Company completed the sale of its Lighting operations for proceeds of approximately \$70 million (the "Lighting Transaction"). In connection with the Lighting Transaction, the results of operations of the Lighting business were reclassified to (Loss) income from discontinued operations, net of tax in the Consolidated Statements of Comprehensive Income for the years ended December 31, 2012 and 2011. Discontinued operations are summarized as follows:

	Year Ended December 31	
	2012	2011
	(Dollars in Millions)	
Sales	\$297	\$515
Cost of sales	264	490
Gross margin	33	25
Selling, general and administrative expenses	7	11
Asset impairments	19	66
Interest and other expense	6	4
Income (loss) from discontinued operations before income taxes	1	(56)
Provision for income taxes	4	—
Loss from discontinued operations, net of tax	\$(3)	\$(56)

The Company recorded impairment charges principally related to property and equipment of approximately \$19 million and \$66 million during the years ended December 31, 2012 and 2011, respectively. Included in the provision for income taxes in 2012 is \$3 million related to the establishment of a valuation allowance against certain deferred tax credits in Mexico, the realization of which is no longer considered more likely than not due to insufficient projected future taxable income, offset by favorable adjustments of \$2 million associated with uncertain tax positions.

## Net Income

Net income attributable to Visteon was \$100 million for the year ended December 31, 2012 compared to \$80 million for the same period of 2011. Adjusted EBITDA (a non-GAAP financial measure, as defined below) was \$626 million

for the year ended December 31, 2012, representing a decrease of \$63 million when compared with Adjusted EBITDA of \$689 million for the same period of 2011. The decrease in Adjusted EBITDA included \$42 million of unfavorable volume and mix attributable to continued economic weakness in European markets, \$40 million of unfavorable currency primarily reflecting weaker Euro and Indian Rupee currencies, and \$6 million associated with the non-recurrence of a 2011 Brazil land sale. Higher favorable commercial agreements and engineering cost recoveries increased Adjusted EBITDA \$33 million.

Adjusted EBITDA is presented as a supplemental measure of the Company's financial performance that management believes is useful to investors because the excluded items may vary significantly in timing or amounts and/or may obscure trends useful in

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evaluating and comparing the Company's operating activities across reporting periods. The Company defines Adjusted EBITDA as net income attributable to the Company, plus net interest expense, provision for income taxes and depreciation and amortization, as further adjusted to eliminate the impact of asset impairments, gains or losses on divestitures, discontinued operations, net restructuring expenses and other reimbursable costs, non-cash stock-based compensation expense, certain employee charges and benefits, reorganization items and other non-operating gains and losses. Not all companies use identical calculations and, accordingly, the Company's presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA is not a recognized term under accounting principles generally accepted in the United States and does not purport to be a substitute for net income as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has limitations as an analytical tool and is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. In addition, the Company uses Adjusted EBITDA (i) as a factor in incentive compensation decisions, (ii) to evaluate the effectiveness of the Company's business strategies and (iii) because the Company's credit agreements use measures similar to Adjusted EBITDA to measure compliance with certain covenants. Adjusted EBITDA, as determined and measured by the Company should not be compared to similarly titled measures reported by other companies.

The reconciliation of Adjusted EBITDA to net income attributable to Visteon for the years ended December 31, 2012 and 2011 is as follows:

	Year Ended December 31		
	2012	2011	Change
	(Dollars in Millions)		
Adjusted EBITDA	\$626	\$689	\$(63 )
Interest expense, net	35	27	8
Provision for income taxes	121	127	(6 )
Depreciation and amortization	258	295	(37 )
Restructuring expense	79	24	55
Non-cash, stock-based compensation expense	25	39	(14 )
Equity in gain of non-consolidated affiliate	(63 )	—	(63 )
Other	71	97	(26 )
Net income attributable to Visteon Corporation	\$100	\$80	\$20

## Segment Results of Operations - 2012 compared with 2011

## Sales

	Climate	Electronics	Interiors	Eliminations	Total
	(Dollars in Millions)				
Year ended December 31, 2011	\$4,053	\$1,370	\$2,282	\$(173 )	\$7,532
Volume and mix	418	(26 )	(193 )	42	241
Currency	(146 )	(54 )	(107 )	—	(307 )
Duckyang deconsolidation	—	—	(589 )	40	(549 )
Other	(39 )	(16 )	(5 )	—	(60 )
Year ended December 31, 2012	\$4,286	\$1,274	\$1,388	\$(91 )	\$6,857

Climate sales increased during the year ended December 31, 2012 by \$233 million. Higher production volumes in Asia, North America, and Europe, increased sales by \$418 million. Unfavorable currency, primarily related to the Euro, Indian Rupee and Korean Won, resulted in a decrease of \$146 million. Other changes, totaling \$39 million, reflected price productivity, partially offset by increases in revenue related to commercial agreements, commodity

pricing and design actions.

Electronics sales decreased during the year ended December 31, 2012 by \$96 million. Volume declines of \$26 million reflect historical customer sourcing actions and weakened economic conditions in Europe, partially offset by higher production volumes in North America and Asia. Unfavorable currency, primarily related to the Euro and the Indian Rupee, further decreased product sales by \$54 million. Other changes, totaling \$16 million, reflected price productivity, partially offset by increases in revenue related to commercial agreements, commodity pricing and design actions.

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Interiors sales decreased during the year ended December 31, 2012 by \$894 million, including the Duckyang deconsolidation of \$589 million (prior to eliminations), unfavorable volume and product mix of \$193 million reflecting customer sourcing actions and weakened economic conditions in Europe, and unfavorable currency related to the Euro and Brazilian Real of \$107 million.

## Cost of Sales

	Climate	Electronics	Interiors	Eliminations	Total
	(Dollars in Millions)				
Year ended December 31, 2011	\$3,702	\$1,237	\$2,148	\$(173)	\$6,914
Material	162	(27)	(700)	82	(483)
Freight and duty	22	(6)	(15)	—	1
Labor and overhead	30	(20)	(103)	(2)	(95)
Depreciation and amortization	(12)	(12)	(7)	(6)	(37)
Other	5	(36)	(9)	8	(32)
Year ended December 31, 2012	\$3,909	\$1,136	\$1,314	\$(91)	\$6,268

Climate material costs increased by \$162 million, including \$240 million related to higher production volumes and \$16 million related to higher aluminum, resin and other commodity costs and design changes, partially offset by \$95 million of manufacturing efficiencies and purchasing improvements. Labor and overhead increased by \$30 million, including \$25 million related to production volumes and currency and \$5 million related to higher manufacturing costs, net of efficiencies. Depreciation and amortization decreased by \$12 million, as the cessation of depreciation on assets with short useful lives established in connection with fresh-start accounting more than offset depreciation from current year capital expenditures.

Electronics material costs decreased by \$27 million, including \$5 million related to production volumes and currency and \$30 million associated with purchasing improvement efforts and design efficiencies, partially offset by \$8 million related to the impact of commodity price increases and design changes. Labor and overhead decreased by \$20 million, including \$14 million related to lower production volumes, the exit of the Cadiz facility and currency and \$6 million related to lower manufacturing costs, net of economics. Depreciation and amortization decreased by \$12 million, as the cessation of depreciation on assets with short useful lives established in connection with fresh-start accounting more than offset depreciation from current year capital expenditures. Other decreases of \$36 million primarily relate to currency hedging and the non-recurrence of costs related to the closure of the Cadiz facility.

Interiors material costs decreased by \$700 million, including \$532 million related to the deconsolidation of Duckyang (prior to eliminations), \$154 million related to production volumes and currency and \$14 million related to the impact of resin commodity costs and design changes. Labor and overhead decreased by \$103 million, including \$40 million associated with Duckyang (prior to eliminations), \$70 million related to production volumes and currency, partially offset by \$4 million related to increases in net manufacturing costs. Other reductions of \$9 million include design and development recoveries of \$15 million, partially offset by the non-recurrence of a Brazil land sale in 2011.

## Adjusted EBITDA

Adjusted EBITDA by segment for the years ended December 30, 2012 and 2011 is presented in the table below.

	Year Ended December 31		Change
	2012	2011	
Climate	\$370		

(Dollars in Millions)