VISTEON CORP
Form 10-K
February 26, 2010

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

FORM 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009, or

o **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 1-15827

VISTEON CORPORATION
(Exact name of registrant as specified in its charter)

Delaware *(State of incorporation)*	**38-3519512** *(I.R.S. employer identification no.)*
One Village Center Drive, **Van Buren Township, Michigan** *(Address of principal executive offices)*	**48111** *(Zip code)*

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

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

(Title of class)

Common Stock, par value $1.00 per share

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes __ No _ü_

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 _ü_

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 _ü_ 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. _ü_

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ___ Accelerated filer ___ Non-accelerated filer ___ Smaller reporting company _ü_
(Do not check if a 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 _ü_

The aggregate market value of the registrant s voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2009 (the last business day of the most recently completed second fiscal quarter) was approximately $19.6 million.

As of February 22, 2010, the registrant had outstanding 130,324,581 shares of common stock.

Document Incorporated by Reference

Document	**Where Incorporated**
None	None

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PART I

ITEM 1. BUSINESS

General

Visteon Corporation (the Company or Visteon) is a leading global supplier of climate, interiors and electronics systems, modules and components to global automotive original equipment manufacturers (OEMs). Headquartered in Van Buren Township, Michigan, Visteon has a workforce of approximately 29,500 employees and a network of manufacturing operations, technical centers customer service centers and joint ventures in every major geographic region of the world. 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.

In September 2005, the Company transferred 23 of its North American facilities and certain other related assets and liabilities (the Business) to Automotive Components Holdings, LLC (ACH), an indirect, wholly-owned subsidiary of the Company. On October 1, 2005, the Company sold ACH to Ford for cash proceeds of approximately $300 million, as well as the forgiveness of certain other postretirement employee benefit liabilities and other obligations relating to hourly employees associated with the Business and the assumption of certain other liabilities (together, the ACH Transactions). The transferred facilities included all of the Company s plants that leased hourly workers covered by Ford s Master Agreement with the United Auto Workers Union (UAW). The Business accounted for approximately $6.1 billion of the Company s total product sales for 2005, the majority being products sold to Ford.

In January 2006, the Company announced a multi-year improvement plan that involved the restructuring of certain underperforming and non-strategic plants and businesses to improve operating and financial performance and to reduce costs. The multi-year improvement plan, which was initially expected to affect up to 23 facilities, was completed during 2008 and addressed a total of 30 facilities and businesses, including 7 divestitures and 14 closures. These activities resulted in sales declines of $1 billion and $675 million during the years ended December 31, 2008, and 2007, respectively.

During 2008, weakened economic conditions, largely attributable to the global credit crisis, and erosion of consumer confidence, negatively impacted the automotive sector on a global basis. Significant factors including the deterioration of housing values, rising fuel prices, equity market volatility and rising unemployment levels resulted in consumers delaying purchases of durable goods, particularly highly deliberated purchases such as automobiles. Additionally, the absence of available credit hindered vehicle affordability, forcing consumers out of the market globally. Together these factors combined to drive a severe decline in demand for automobiles across substantially all geographies. Despite actions taken by the Company to reduce its operating costs in 2008, the rate of such reductions did not keep pace with that of the rapidly deteriorating market conditions and related decline in OEM production volumes, which resulted in significant operating losses and cash flow usage by the Company, particularly in the fourth quarter of 2008.

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ITEM 1. BUSINESS (Continued)

Bankruptcy Proceedings

On March 31, 2009, Visteon UK Limited, a company organized under the laws of England and Wales and an indirect, wholly-owned subsidiary of the Company (the UK Debtor), filed for administration (the UK Administration) under the United Kingdom Insolvency Act of 1986 with the High Court of Justice, Chancery division in London, England. The UK Administration does not include the Company or any of the Company s other subsidiaries. The UK Administration was initiated in response to continuing operating losses of the UK Debtor and mounting labor costs and their related demand on the Company s cash flows. The effect of the UK Debtor s entry into administration was to place the management, affairs, business and property of the UK Debtor under the direct control of the Administrators. Since their appointment, the Administrators have wound down the business of the UK Debtor and closed its operations in Enfield, UK, Basildon, UK and Belfast, UK, and made the employees redundant. The Administrators continue to realize the UK Debtor s assets, primarily comprised of receivables.

Amounts related to contingent liabilities for potential claims under the UK Administration, which may result from (i) negotiations; (ii) actions of the Administrators; (iii) resolution of contractual arrangements, including unexpired leases; (iv) assertions by the UK Pensions Regulator; and, (v) material adverse developments; or other events, may be recorded in future periods. Accordingly, no assurance can be provided that the Company will not be subject to future litigation and/or liabilities related to the UK Administration. Additional liabilities, if any, will be recorded when they become probable and estimable and could materially affect the Company s results of operations and financial condition in future periods.

On May 28, 2009 (the Petition Date), 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 reorganization cases are being jointly administered as Case No. 09-11786 under the caption In re Visteon Corporation, et al (hereinafter referred to as the Chapter 11 Proceedings). The Debtors continue to operate their businesses as debtors-in-possession (DIP) under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court. The Company s other subsidiaries, primarily non-U.S. subsidiaries, have been excluded from the Chapter 11 Proceedings and continue to operate their businesses without supervision from the Court and are not subject to the requirements of the Bankruptcy Code.

The Chapter 11 Proceedings were initiated in response to sudden and severe declines in global automotive production and the adverse impact on the Company s cash flows and liquidity. Under the Chapter 11 Proceedings, the Debtors expect to develop and implement a plan to restructure their capital structure and operations to reflect the current automotive industry demand. Under section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against a debtor, including most actions to collect pre-petition indebtedness or to exercise control over the property of the debtor s estate. Absent an order of the Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization. Subsequent to the petition date, the Debtors received approval from the Court to pay or otherwise honor certain pre-petition obligations generally designed to stabilize the Debtors operations including employee obligations, tax matters and from limited available funds, pre-petition claims of certain critical vendors, certain customer programs, limited foreign business operations, adequate protection payments and certain other pre-petition claims. Additionally, the Debtors have been paying and intend to continue to pay undisputed post-petition claims in the ordinary course of business.

ITEM 1. BUSINESS (Continued)

The Company s financial statements for periods subsequent to the filing of the chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, revenues, expenses, realized gains and losses and provisions for losses that can be directly associated with the reorganization of the business have been reported separately as reorganization items in the Company s statements of operations. Additionally, pre-petition liabilities subject to compromise under a plan of reorganization have been reported separately from both pre-petition liabilities that are not subject to compromise and from liabilities arising subsequent to the petition date. Liabilities expected to be affected by a plan of reorganization are reported at amounts expected to be allowed, even if they may be settled for lesser amounts and have been reported separately on the Company s balance sheets as liabilities subject to compromise.

Section 365 of the Bankruptcy Code permits the Debtors to assume, assume and assign, or reject certain pre-petition executory contracts subject to the approval of the Court and certain other conditions. Rejection constitutes a Court-authorized breach of the contract in question and, subject to certain exceptions, relieves the Debtors of their future obligations under such contract but creates a deemed pre-petition claim for damages caused by such breach or rejection. Parties whose contracts are rejected may file claims against the rejecting Debtor for damages. Generally, the assumption, or assumption and assignment, of an executory contract requires a debtor to cure all prior defaults under such executory contract and to provide adequate assurance of future performance. Additional liabilities subject to compromise and resolution in the chapter 11 cases have been asserted as a result of damage claims created by the Debtors rejection of executory contracts.

The Debtors are currently funding post-petition operations under a temporary cash collateral order from the Court and a $150 million Senior Secured Super Priority Priming Debtor in Possession Credit and Guaranty Agreement (DIP Credit Agreement), under which the Company has borrowed $75 million and may borrow the remaining $75 million in one additional advance prior to maturity, subject to certain conditions. The Company s non-debtor subsidiaries, primarily non-U.S. subsidiaries, have been excluded from the Chapter 11 Proceedings and are funding their operations through cash generated from operating activities supplemented by customer support agreements and local financing arrangements or through cash transfers from the Debtors subject to specific authorization from the Court. The Company has also entered into various accommodation and other support agreements with certain North American and European customers that provide for additional liquidity through cash surcharge payments, payments for research and engineering costs, accelerated payment terms, asset sales and other commercial arrangements. There can be no assurance that cash on hand and other available funds will be sufficient to meet the Company s reorganization or ongoing cash needs or that the Company will be successful in extending the duration of the temporary cash collateral order with the Court or that the Company will remain in compliance with all necessary terms and conditions of the DIP Credit Agreement or that the lending commitments under the DIP Credit Agreement will not be terminated by the lenders.

On August 26, 2009, pursuant to the Bankruptcy Code, the Debtors filed statements and schedules with the Court setting forth the assets and liabilities of the Debtors as of the Petition Date. In September 2009, the Debtors issued approximately 57,000 proof of claim forms to their current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. An October 15, 2009 bar date was set for the filing of proofs of claim against the Debtors. Differences between amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the Chapter 11 Proceedings. Accordingly, liabilities associated with such claims remain subject to future adjustments, which may result from (i) negotiations; (ii) actions of the Court; (iii) disputed claims; (iv) rejection of executory contracts and unexpired leases; (v) the determination as to the value of any collateral securing claims; (vi) proofs of claim; or (vii) other events. However, the Court will ultimately determine liability amounts, if any, that will be allowed for these claims.

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ITEM 1. BUSINESS (Continued)

On December 17, 2009, the Debtors filed a plan of reorganization (the Plan) and related disclosure statement (the Disclosure Statement) with the Court. The Plan and Disclosure Statement as filed with the Court outline a proposal for the settlement of claims against the estate of the Debtors based on an estimate of the overall enterprise value. As set forth in the Disclosure Statement, the Plan is predicated on the termination of certain pension plans to ensure the equitization of secured term lender interests. The Plan calls for settlement of the Debtors estate through the split of equity interests in the reorganized Debtors between the secured interests (96%) and the Pension Benefit Guaranty Corporation (4%) on account of its controlled group underfunding claim, which is structurally superior to the claims of other unsecured interests. Disclosure Statement hearings associated with the Plan scheduled for January and February 2010 were postponed to allow more time to consider alternatives to the Plan.

Because a Court confirmed plan of reorganization will determine the rights and satisfaction of claims of various creditors and security holders, the ultimate settlement of such claims is subject to various uncertainties. Accordingly, no assurance can be provided as to what values, if any, will be ascribed in the Chapter 11 Proceedings to these or any other constituencies in regards to what types or amounts of distributions, if any, will be received. If certain requirements of the Bankruptcy Code are met, a plan of reorganization can be confirmed without acceptance by all constituents and without the receipt or retention of any property on account of all interests under the plan. The Company believes that its presently outstanding equity securities will have no value and will be canceled under any plan of reorganization and it urges that caution be exercised with respect to existing and future investments in any security of the Company. For a discussion of certain risks and uncertainties related to the Debtors chapter 11 cases and reorganization objectives refer to Item 1A. Risk Factors in this Annual Report on Form 10-K.

Additional details regarding the status of the Company s Chapter 11 Proceedings are included herein under Note 4, Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code, to the consolidated financial statements included in Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K and in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report on Form 10-K.

The Company s Industry

The Company supplies a range of integrated systems, modules and components to vehicle manufacturers for use in the manufacture of new vehicles. In general, the automotive sector is capital and labor intensive, operates under highly competitive conditions, experiences slow growth and is cyclical in nature. Accordingly, the financial performance of the industry is highly sensitive to changes in overall economic conditions.

Global economic instability and the lack of available credit negatively impacted the automotive sector on a global basis during 2009, resulting in decreased sales and significant production cuts. Although global automobile production during 2009 was lower than 2008, the true severity of the decline was masked by numerous government stimulus programs and significant growth in certain emerging automotive markets, such as China, where light vehicle sales increased to all-time record high levels surpassing the U.S. for the first time. The brunt of the 2009 decline was felt in developed markets such as the U.S. where light vehicle production levels were the lowest since the 1940s, U.S. domiciled OEM s General Motors and Chrysler filed for chapter 11 bankruptcy protection and manufacturing capacity and headcount were drastically cut by virtually all OEMs and suppliers with a presence in the U.S.

ITEM 1. BUSINESS (Continued)

The after affects of the economic downturn and related credit crisis are driving new perspectives on historical industry norms and are expected to continue to drive significant change in the landscape of the global automotive industry. Such changes include shifting OEM market shares, industry consolidation, reducing production capacity and restructuring in developed markets and continued expansion in developing automotive markets. Automotive suppliers will continue to be challenged by the need to rapidly adapt accordingly, necessitating changes to operating structures and market approaches, capacity reductions and restructuring activities, business exits and divestitures, elimination of global complexity, new and/or expanded strategic alliances and partnerships, and improved financial stability. Other significant trends and developments in the automotive industry include:

Growth in emerging economies Developing automotive markets including Brazil, Russia, China and India, represent significant growth opportunities attributable to the increasing income levels of the large middle class in these countries and their need to achieve basic mobility. However, vehicle affordability remains a challenge for OEMs and consumers in these markets, which has resulted in collaborative low cost vehicle development efforts between suppliers and OEMs. The low-cost car presents an opportunity for suppliers to participate with OEMs in a collaborative design-to-cost approach leveraging technology available in current products and applying innovative solutions to adapt the functionality to a much simpler variant with lower cost, while ensuring safety and performance. Supporting OEM low cost car development also presents suppliers with the opportunity to participate in the reinvention of how vehicles will be designed and assembled in the future.

Fuel efficiency and green initiatives In the wake of the increased cost of petroleum-based fuel, global regulatory momentum to reduce emissions, and consumer demand for more environmentally friendly products, OEMs have turned to alternative fuel combustion engines, electric vehicles and other environmentally conscious technologies. Gas-electric hybrid vehicles, as well as, all-electric and hydrogen vehicles are increasing in popularity with consumers. Additionally, OEMs are designing their vehicles with more renewable materials and are reducing the level of volatile organic compounds in their vehicles. Successful suppliers must enable the green initiatives of their customers and maintain their own environmentally conscious approach to manufacturing on a global basis.

Vehicle safety, comfort and convenience Consumers are increasingly interested in products that make them feel safer and more secure. Accordingly, OEMs are incorporating more safety oriented technologies into their vehicles such as air bags, anti-lock brakes, traction control, adaptive and driver visibility enhancing lighting and driver awareness capabilities. 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. To achieve sustainable profitable growth, automotive suppliers must effectively support their customers in developing and delivering integrated products and innovative technologies at competitive prices that provide for differentiation and that address consumer preferences for vehicle safety, comfort and convenience. Suppliers that are able to generate new products and add a greater intrinsic value to the end consumer will have a significant competitive advantage.

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ITEM 1. BUSINESS (Continued)

Customer price pressures and raw material cost inflation Virtually all OEMs have aggressive price reduction initiatives and objectives each year with their suppliers. Additionally, in recent years 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. Generally, the increased costs of raw materials and components used in the manufacture of the Company s products have been difficult to pass on to customers and the need to maintain a continued supply of raw materials has made it difficult to resist price increases and surcharges imposed by suppliers. Accordingly, successful suppliers must be able to reduce their operating costs in order to maintain profitability. The Company has taken steps to reduce its operating costs to offset customer price reductions through operating efficiencies, new manufacturing processes, sourcing alternatives and other cost reduction initiatives.

Financial Information about Segments

The Company s operations are organized in global product groups, including Climate, Electronics and Interiors. Additionally, the Company operates a centralized administrative function to monitor and facilitate the delivery of transition services in support of divestiture transactions primarily related to the ACH Transactions. 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 22, Segment Information, to the Company s consolidated financial statements).

The Company s Products and Services

The following discussion provides an overview description of the products associated with major design systems within each of the Company s global product groups and a summary of services provided by the Company.

Climate Product Group

The Company is one of the leading global suppliers in the design and manufacturing of 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.
Powertrain Cooling 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 contained in this area include: radiators, oil coolers, charge air coolers, exhaust gas coolers, battery and power electronics coolers and systems and fluid transport systems.

ITEM 1. BUSINESS (Continued)

Electronics Product Group

The Company is one of the leading global suppliers of advanced in-vehicle entertainment, driver information, wireless communication, climate control, body and security electronics and lighting technologies and products.

Electronics Products	Description
Audio / Infotainment Systems	The Company produces a wide range of audio/infotainment systems and components to provide in-vehicle information and entertainment, including base radio/CD head units, infotainment head units with integrated DVD/navigation, premium audiophile systems and amplifiers, and rear seat family entertainment systems. Examples of the Company s latest audio/infotainment products include digital and satellite radios, HD™ and DAB™ broadcast tuners, MACH® Voice Link technology and a range of connectivity solutions for portable devices.
Driver Information Systems	The Company designs and manufacturers a wide range of instrument clusters and displays to assist driving, ranging from standard analog-electronic clusters to high resolution, fully-configurable, large-format digital LCD devices for the luxury vehicle segment.
Electronic Climate Controls and Integrated Control Panels	The Company designs and manufactures a complete line of climate control modules with capability to provide full system integration. The array of modules available varies from single zone manual electronic modules to fully automatic multiple zone modules. The Company also provides integrated control panel assemblies which incorporate audio, climate and other feature controls to allow customers to deliver unique interior styling options and electrical architecture flexibility.
Powertrain and Feature Control Modules	The Company designs and manufactures a wide range of powertrain and feature control modules. Powertrain control modules cover a range of applications from single-cylinder small engine control systems to fully-integrated V8/V10 engine and transmission controllers. Feature control modules typically manage a variety of powertrain and other vehicle functions, including controllers for fuel pumps, 4x4 transfer cases, intake manifold tuning valves, security and voltage regulation systems and various customer convenience features.
Lighting	The Company designs and builds a wide variety of headlamps (projector, reflector or advanced front lighting systems), rear combination lamps, center high-mounted stop lamps and fog lamps.

The Company utilizes a variety of light-generating sources including light emitting diode, high intensity discharge and halogen-based systems.

Interiors Product Group

The Company is one of the leading global suppliers of cockpit modules, instrument panels, door and console modules and interior trim components.

Interiors Products	**Description**
Cockpit Modules	The Company s cockpit modules incorporate structural, electronic, climate control, mechanical and safety components. Customers are provided with a complete array of services including advanced engineering and computer-aided design, styling concepts and modeling and in-sequence delivery of manufactured parts. The Company s cockpit modules are built around its 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 wide range of door panels / modules as well as a variety of interior trim products.
Console Modules	The Company s consoles deliver flexible and versatile storage options to the consumer. The modules are interchangeable units and offer consumers a wide range of storage options that can be tailored to their individual needs.

ITEM 1. BUSINESS (Continued)

Services

The Company s Services operations provide various transition services in support of divestiture transactions, principally related to the ACH Transactions. Services to ACH are provided at a rate approximately equal to the Company s cost until such time the services are no longer required by ACH or the expiration of the related agreement. In addition to services provided to ACH, the Company has also agreed to provide certain transition services related to other divestiture transactions.

The Company s Customers

The Company sells its products primarily to global vehicle manufacturers as well as to other suppliers and assemblers. In addition, it sells products for use as aftermarket and service parts to automotive original equipment manufacturers and others for resale through independent distribution networks. 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.

Vehicle Manufacturers

The Company sells to all of the world s largest vehicle manufacturers including BMW, Chrysler Group LLC, Daimler AG, 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. The Company s largest customers include Ford and Hyundai Kia Automotive Group, accounting for 28% and 27%, respectively, of 2009 product sales.

Price reductions are typically negotiated on an annual basis between suppliers and vehicle manufacturers. 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 overall increases in manufacturing productivity, 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 such cost reduction efforts will be sufficient to fully offset such price reductions. The Company records price reductions when specific facts and circumstances indicate that a price reduction is probable and the amounts are reasonably estimable.

Other Customers

The Company sells products to various customers in the worldwide aftermarket as replacement or enhancement parts, such as body appearance packages and in-car entertainment systems, for current production and older vehicles. The Company s services revenues relate primarily to the supply of leased personnel and transition services to ACH in connection with various agreements pursuant to the ACH Transactions and amended in 2008. The Company has also agreed to provide transition services to other customers in connection with certain other divestitures.

The Company s Competition

The Company conducts its business in a complex and highly competitive industry. The global automotive parts industry principally involves the supply of systems, modules and components to vehicle manufacturers for the manufacture of new vehicles. Additionally, suppliers provide components to other suppliers for use in their product offerings and to the aftermarket for use as replacement or enhancement parts. As the supplier industry consolidates, the number of competitors decreases fostering extremely competitive conditions. Vehicle manufacturers rigorously

evaluate suppliers on the basis of 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.

ITEM 1. BUSINESS (Continued)

The Company s primary independent competitors include Alpine Electronics, Inc., Automotive Lighting Reutlingen GmbH, Behr GmbH & Co. KG, Continental AG, Delphi Corporation, Denso Corporation, Faurecia Group, Harman International AKG, Hella KGaA, International Automotive Components Group, Johnson Controls, Inc., Koito Manufacturing Co., Ltd., Magna International Inc., Robert Bosch GmbH and Valéo S.A.

The Company s Product Sales Backlog

Anticipated net product sales for 2010 through 2012 from new and replacement programs, less net sales from phased-out and canceled programs are approximately $496 million. The Company s estimate of anticipated net sales may be impacted by various assumptions, including vehicle production levels on new and replacement 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. Therefore, this anticipated net sales information does not represent firm orders or firm commitments.

The Company s International Operations

Financial information about sales and net property by major geographic region can be found in Note 22, Segment Information, 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 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 net sales, including product sales and services revenues, and net property and equipment by geographic region as a percentage of total consolidated net sales and total consolidated net property and equipment, respectively.

	Net Sales Year Ended December 31			Net Property and Equipment December 31	
	2009	2008	2007	2009	2008
Geographic region:					
United States	38%	34%	36%	28%	33%
Mexico		1%		3%	3%
Canada	1%	1%	1%	1%	1%
Intra-region eliminations		(1)%			
Total North America	39%	35%	37%	32%	37%
Germany	2%	3%	4%	2%	2%
France	9%	8%	8%	8%	7%
United Kingdom	1%	4%	5%		1%
Portugal	5%	5%	5%	6%	5%
Spain	4%	6%	6%	4%	4%
Czech Republic	6%	6%	5%	11%	10%
Hungary	5%	5%	4%	4%	4%
Other Europe	4%	2%	1%	3%	3%
Intra-region eliminations	(1)%	(1)%	(2)%		

Total Europe	35%	38%	36%	38%	36%
Korea	24%	22%	20%	17%	14%
China	6%	3%	2%	4%	4%
India	3%	2%	2%	3%	3%
Japan	2%	2%	2%	1%	1%
Other Asia	2%	2%	2%	2%	2%
Intra-region eliminations	(2)%	(1)%	(1)%		
Total Asia	35%	30%	27%	27%	24%
South America	6%	5%	5%	3%	3%
Inter-region eliminations	(15)%	(8)%	(5)%		
	100%	100%	100%	100%	100%

ITEM 1. BUSINESS (Continued)

Seasonality and Cyclicality 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 2008 and 2009, the automotive sector was negatively impacted by global economic instability and the lack of available credit. Although global automobile production during 2009 was lower than 2008, the true severity of the decline 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, 2009 included approximately 29,500 persons, of which approximately 9,500 were salaried employees and 20,000 were hourly workers. As of December 31, 2009, the Company leased approximately 1,000 salaried employees to ACH under the terms of the Amended Salaried Employee Lease Agreement.

A substantial number of the Company s hourly workforce in the U.S. are represented by unions and operate under collective bargaining agreements. In connection with the ACH Transactions, the Company terminated its lease from Ford of its UAW Master Agreement hourly workforce. Many of the Company s European and Mexican employees are members of industrial trade unions and confederations within their respective countries. Many of these organizations 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. There have been no significant work stoppages in the past five years, except for brief work stoppages by employees at several climate manufacturing facilities located in India and South Korea during June, July and August of 2008.

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 $328 million in 2009, decreasing from $434 million in 2008 and $510 million in 2007. The decreases are attributable to divestitures, shifting engineering headcount from high-cost to low-cost countries as well as right-sizing efforts.

The Company s Intellectual Property

The Company owns significant intellectual property, including a large 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.

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ITEM 1. BUSINESS (Continued)

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. To date, the Company has not experienced any significant shortages of raw materials nor does it anticipate significant interruption in the supply of raw materials. However, the possibilities of such shortages exist, especially in light of unstable global economic conditions and the fragile state of the automotive sector.

Over the past few years the automotive supply industry has experienced significant inflationary pressures with respect to raw materials, which have placed operational and financial burdens on the entire supply chain. During 2008 and 2009 those inflationary pressures decreased due to the overall reduction in demand resulting from weakened economic conditions and the global credit crisis. While the costs of raw materials have receded from recent high levels, 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 in the future.

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 2009, capital expenditures associated with environmental compliance were not material nor did such expenditures have a materially adverse effect on the Company s earning or competitive position. The Company does not anticipate that its environmental compliance costs will be material in 2010.

At the time of spin-off, the Company and Ford agreed on a division of liability for, and responsibility for management and remediation of environmental claims existing at that time and, further, that the Company would assume all liabilities for existing and future claims relating to sites that were transferred to it and its operation of those sites, including off-site disposal, except as otherwise specifically retained by Ford in the Master Transfer Agreement. In connection with the ACH Transactions, Ford agreed to re-assume these liabilities to the extent they arise from the ownership or operation prior to the spin-off of the locations transferred to ACH (excluding any increase in costs attributable to the exacerbation of such liability by the Company or its affiliates).

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ITEM 1. BUSINESS (Continued)

The Company is aware of contamination at some of its properties and relating to various third-party Superfund sites at which the Company or its predecessor has been named as a potentially responsible party. The Company is in various stages of investigation and cleanup at these sites and at December 31, 2009, 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 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 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 (800) 847-8366; or via email at investor@visteon.com.

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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 subject to the risks and uncertainties associated with the Chapter 11 Proceedings.

For the duration of the Chapter 11 Proceedings, the Company s operations and the Company s ability to execute its business strategy will be subject to the risks and uncertainties associated with bankruptcy. These risks include:

the Debtor s ability to obtain approval of the Court with respect to motions filed in the Chapter 11 Proceedings from time to time;

the Company s ability to obtain and maintain normal trade terms with suppliers and service providers and maintain contracts that are critical to its operations;

the Company s ability to attract, motivate, and retain key employees;

the Company s ability to attract and retain customers;

the Company s ability to fund and execute its business plan; and

the Debtor s ability to obtain creditor and Court approval for, and then to consummate, a plan of reorganization to emerge from bankruptcy.

The Company will also be subject to risks and uncertainties with respect to the actions and decisions of the creditors and other third parties who have interests in the Chapter 11 Proceedings that may be inconsistent with the Company s restructuring and business goals.

These risks and uncertainties could affect the Company s business and operations in various ways. For example, negative events or publicity associated with the Chapter 11 Proceedings could adversely affect the Company s sales and relationships with its customers, as well as with its suppliers and employees, which in turn could adversely affect the Company s operations and financial condition. In addition, pursuant to the Bankruptcy Code, the Debtors need approval of the Court for transactions outside the ordinary course of business, which may limit its ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Proceedings, the Company cannot predict or quantify the ultimate impact that events occurring during the reorganization process will have on its business, financial condition and results of operations.

As a result of the Chapter 11 Proceedings, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors in possession, and subject to approval of the Court, or otherwise as permitted in the normal course of business or Court order, the Company may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements included in this Annual Report on Form 10-K. Further, a confirmed plan of reorganization could materially change the amounts and classifications of assets and liabilities reported in the Company s consolidated financial statements included in this Annual Report on Form 10-K. The historical consolidated financial statements do not include any adjustments to the reported amounts of assets or liabilities that might be necessary as a result of confirmation of a plan of reorganization.

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ITEM 1A. RISK FACTORS (Continued)

Continued 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, fierce competition and rapidly declining sales. In Europe, the market structure is more fragmented with significant overcapacity and declining sales. The Company s business in 2008 and 2009 has been severely affected by the turmoil in the global credit markets, significant reductions in new housing construction, volatile fuel prices and recessionary trends in the U.S. and global economies. These conditions had a dramatic impact on consumer vehicle demand in 2008, resulting in the lowest per capita sales rates in the United States in half a century and lower global automotive production following six years of steady growth.

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

During 2009, automotive OEMs, particularly those with substantial sales in the United States, experienced decreased demand for their products, which resulted in lower production levels on several of the Company s key platforms, particularly light truck platforms. In addition, these customers have experienced declining market shares in North America and are continuing to restructure their North American operations in an effort to improve profitability. The domestic automotive manufacturers are also burdened with substantial structural costs, such as pension and healthcare costs that have impacted their profitability and labor relations. Several other global automotive manufacturers are also experiencing operating and profitability issues and labor concerns. 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.

Given the difficult environment in the automotive industry, there is an increased risk of bankruptcies or similar events among the Company s customers. Both General Motors Corporation (GM) and Chrysler LLC have sought bankruptcy protection and obtained funding support from the U.S. federal government. While the operations of Chrysler LLC and GM have been sold to a third-party, the financial prospects of certain of the Company s significant customers remain highly uncertain.

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 during 2009 have resulted in severe financial distress among many companies within the automotive supply base. 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.

ITEM 1A. RISK FACTORS (Continued)

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

Ford is the Company s largest customer and accounted for approximately 28% of total product sales in 2009, 34% of total product sales in 2008 and 39% of total product sales in 2007. Additionally, Hyundai Kia Automotive Group (Hyundai Kia) has rapidly become another one of the Company s largest customers accounting for 27% of the Company s total product sales in 2009, and such percentage is expected to increase in the future. Any change in Ford s and/or Hyundai Kia s vehicle production volumes will have a significant impact on the Company s sales volume and reorganization efforts.

Furthermore, the Company currently leases approximately 1,000 salaried employees to ACH, a company controlled by Ford, and Ford reimburses the Company for certain costs related to separating any of the leased employees should ACH no longer request its services. In the event that Ford is unable or unwilling to fulfill its obligations to reimburse the Company for these costs, the Company could be adversely affected.

Lastly, the creditors committee, in connection with the investigatory period provided under the ABL cash collateral order, is investigating potential claims against Ford and/or ACH in connection with, among other events, the Company s spin-off from Ford in 2000 and the ACH Transactions in 2005. The Company believes that Ford s continued support as a key customer is critical to the Company s business plan and the Company s emergence from bankruptcy. Protracted litigation against Ford, including litigation by the committee seeking derivative standing to pursue claims of uncertain merit, could delay or prevent the Company s emergence from bankruptcy and put at risk future revenue from the Company s relationship with Ford.

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:

- exposure to 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.

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ITEM 1A. RISK FACTORS (Continued)

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 its 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.

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.

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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ITEM 1A. RISK FACTORS (Continued)

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. 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.

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.

Impairment charges relating to the Company s assets and possible increases to their valuation allowances may have a material adverse effect on its earnings and results of operations.

The Company recorded asset impairment charges of $9 million, $234 million and $95 million in 2009, 2008 and 2007, respectively, to adjust the carrying value of certain assets to their estimated fair value. Additional asset impairment charges in the future may result in the Company s failure to achieve its internal financial plans, and such charges could materially affect the Company s results of operations and financial condition in the period(s) recognized. 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.

ITEM 1A. RISK FACTORS (Continued)

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 equal to 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.

The Company may not be able to fully utilize its U.S. net operating loss carryforwards.

If the Company were to have a change of ownership within the meaning of Section 382 of the Internal Revenue Code, under current conditions, its annual federal net operating loss (NOL) utilization could be limited to an amount equal to its market capitalization at the time of the 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 substantial NOL carryforward and other federal income tax attributes would be significantly limited or possibly eliminated.

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. 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.

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.

ITEM 1A. RISK FACTORS (Continued)

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.

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 large 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.

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.

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 affect on the Company s ability to operate its business or access sources of liquidity.

ITEM 1A. RISK FACTORS (Continued)

The Company s pension and other postretirement employee benefits 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 and other postretirement employee benefit obligations.

Substantially all of the Company s employees participate in defined benefit pension plans or retirement/termination indemnity plans. The Company also sponsors other postretirement employee benefit (OPEB) plans in the United States and Canada. The Company s worldwide pension and OPEB obligations exposed the Company to approximately $574 million in unfunded liabilities as of December 31, 2009, of which approximately $388 million and $120 million was attributable to unfunded U.S. and Non-U.S. pension obligations, respectively and $66 million was attributable to unfunded OPEB obligations.

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 2010 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 funds its OPEB obligations on a pay-as-you-go basis; accordingly, the related plans have no assets. The Company is subject to increased OPEB cash outlays and costs due to, among other factors, rising health care costs. Increases in the expected cost of health care in excess of current assumptions could increase actuarially determined liabilities and related OPEB expenses along with future cash outlays.

The Company s assumptions used to calculate pension and OPEB 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 and OPEB 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 14 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The Company s principal executive offices are located in Van Buren Township, Michigan. Set forth below is a listing of the Company s most significant manufacturing and/or assembly facilities that are owned or leased by the Company and its consolidated subsidiaries as of December 31, 2009.

Interiors		Climate		Electronics	
Michigan	Benton Harbor(O)	Alabama	Shorter(L)	Pennsylvania	Lansdale(L)
Michigan	Benton Harbor(L)	Argentina	General Pacheco, Buenos Aires(O)	Brazil	Guarulhos, Sao Paulo(O)
Michigan	Highland Park(L)	Argentina	Quilmes, Buenos Aires(O)	Brazil	Manaus, Amazonas(L)
Belgium	Genk(L)	Argentina	Rio Grande, Tierra del Fuego(O)	Czech Republic	Hluk(O)
Brazil	Camacari, Bahia(L)	Canada	Belleville, Ontario(O)	Czech Republic	Novy Jicin(O)
France	Aubergenville(L)	China	Nanchang City(L)	Czech Republic	Rychvald(O)
France	Blainville(L)	China	Dalian, Lianoning(O)	Hungary	Szekesfehervar(O)
France	Carvin(O)	China	Chongqing(L)	Japan	Higashi Hiroshima(O)
France	Gondecourt(O)	China	Beijing(L)	Mexico	Apodaca, Nuevo Leon(O)
France	Noyal-Chatillon-sur-Seiche (L)	France	Charleville, Mezieres Cedex(O)	Mexico	Apodaca, Nuevo Leon(O)
France	Rougegoutte(O)	India	Chennai(L)	Mexico	Chihuahua, Chihuahua(L)
Germany	Berlin(L)	India	Bhiwadi(L)	Mexico	Chihuahua, Chihuahua(L)
Mexico	Saltillo(L)	India	Maharashtra(L)	Portugal	Palmela(O)
Philippines	Santa Rosa, Laguna(L)	Mexico	Juarez, Chihuahua(O)	Spain	Cadiz(O)
Poland	Swarzedz(L)	Mexico	Juarez, Chihuahua(L)		
Slovakia	Nitra(L)	Mexico	Juarez, Chihuahua(L)		
South Korea	Choongnam, Asan(O)	Portugal	Palmela(O)		
South Korea	Kangse-gu, Busan-si(L)	Portugal	Palmela(O)		
South Korea	Kangse-gu, Busan-si(L)	Slovakia	Llava(O)		
South Korea	Shinam-myon, Yesan-gun, Choongnam(O)	Slovakia	Llava(L)		
South Korea	Ulsan-si, Ulsan(O)	Slovakia	Dubnica(L)		
Spain	Barcelona(L)	South Africa	Port Elizabeth(L)		
Spain	Igualada(O)	South Korea	Pyungtaek(O)		
Spain	Medina de Rioseco, Valladolid(O)	South Korea	Namgo, Ulsan(O)		
Spain	Pontevedra(O)	South Korea	Taedok-Gu, Taejon(O)		
Thailand	Amphur Pluakdaeng, Rayong(O)	Thailand	Amphur Pluakdaeng, Rayong(O)		
Thailand	Bangsaothoong, Samutprakam(L)	Turkey	Gebze, Kocaeli(L)		

(O) indicates owned facilities; (L) indicates leased facilities

As of December 31, 2009, the Company also owned or leased 33 corporate offices, technical and engineering centers and customer service centers in fourteen countries around the world, 29 of which were leased and 4 of which were

owned. The Company considers its facilities to be adequate for its current uses. In addition, the Company s non-consolidated affiliates operate approximately 30 manufacturing and/or assembly locations, primarily in the Asia Pacific region.

ITEM 3. LEGAL PROCEEDINGS

On March 31, 2009, Visteon UK Limited, a company organized under the laws of England and Wales and an indirect, wholly-owned subsidiary of the Company (the UK Debtor), filed for administration (the UK Administration) under the United Kingdom Insolvency Act of 1986 with the High Court of Justice, Chancery division in London, England. The UK Administration does not include the Company or any of the Company s other subsidiaries. The UK Administration is discussed in Note 1, Description of Business and Basis of Presentation as included in Item 8 Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

On May 28, 2009, the Debtors filed voluntary petitions in the Court seeking reorganization relief under the provisions of chapter 11 of the Bankruptcy Code. The Debtors chapter 11 cases have been assigned to the Honorable Christopher S. Sontchi and are being jointly administered as Case No. 09-11786. The Debtors continue to operate their business as debtors-in-possession under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Court. Refer to Note 4, Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code, as included in Item 8 Financial Statements and Supplementary Data of this Annual Report on Form 10-K, for details on the chapter 11 cases.

Various legal actions, governmental investigations and proceedings and claims are pending or may be instituted or asserted in the future against the Company, including those arising out of alleged defects in the Company s products; governmental regulations relating to safety; employment-related matters; customer, supplier and other contractual relationships; intellectual property rights; product warranties; product recalls; and environmental matters. Some of the foregoing matters may involve compensatory, punitive or antitrust or other treble damage claims in very large amounts, or demands for recall campaigns, environmental remediation programs, sanctions, or other relief which, if granted, would require very large expenditures.

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Reserves have been established by the Company for matters discussed in the immediately foregoing paragraph where losses are deemed probable and reasonably estimable. It is possible, however, that some of the matters discussed in the foregoing paragraph could be decided unfavorably to the Company and could require the Company to pay damages or make other expenditures in amounts, or a range of amounts, that cannot be estimated at December 31, 2009 and that are in excess of established reserves. The Company does not reasonably expect, except as otherwise described herein, based on its analysis, that any adverse outcome from such matters would have a material effect on the Company s financial condition, results of operations or cash flows, although such an outcome is possible.

Under section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against a debtor, including most actions to collect pre-petition indebtedness or to exercise control over the property of the debtor s estate. Absent an order of the Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization.

Under section 365 of the Bankruptcy Code, the Debtors may assume, assume and assign or reject certain executory contracts and unexpired leases, subject to the approval of the Court and certain other conditions. In general, if the Debtors reject an executory contract or unexpired lease, it is treated as a pre-petition breach of the lease or contract in question and, subject to certain exceptions, relieves the Debtors of performing any future obligations. However, such a rejection entitles the lessor or contract counterparty to a pre-petition general unsecured claim for damages caused by such deemed breach and accordingly, the counterparty may file a claim against the Debtors for such damages. In addition, the Debtor s plan of reorganization will determine the rights and satisfaction of claims of various creditors and security holders, but the ultimate settlement of those claims will continue to be subject to the uncertain outcome of litigation, negotiations and Court decisions up to and for a period of time after a plan of reorganization is confirmed. At this time, it is not possible to predict with certainty the effect of the Chapter 11 Proceedings on the

Company s business.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 4A. EXECUTIVE OFFICERS OF VISTEON

The following table shows information about the executive officers of the Company. Ages are as of February 22, 2010:

Name	Age	Position
Donald J. Stebbins	52	Chairman, President and Chief Executive Officer
William G. Quigley III	48	Executive Vice President and Chief Financial Officer
Robert Pallash	58	Senior Vice President and President, Global Customer Group
Dorothy L. Stephenson	60	Senior Vice President, Human Resources
Julie A. Fream	46	Vice President, North American Customer Group, Strategy and Global Communications
Joy M. Greenway	49	Vice President and President, Climate Product Group
Steve Meszaros	46	Vice President and President, Electronics Product Group
Michael K. Sharnas	38	Vice President and General Counsel
James F. Sistek	45	Vice President and Chief Information Officer
Michael J. Widgren	41	Vice President, Corporate Controller and Chief Accounting Officer

Donald J. Stebbins has been Visteon s Chairman, President and Chief Executive Officer since December 1, 2008 and a member of the Board of Directors since December 2006. Prior to that, he was President and Chief Executive Officer since June 2008 and President and Chief Operating Officer since joining the Company in May 2005. Before joining Visteon, Mr. Stebbins served as President and Chief Operating Officer of operations in Europe, Asia and Africa for Lear Corporation since August 2004, prior to that he was President and Chief Operating Officer of Lear s operations in the Americas since September 2001, and prior to that as Lear s Chief Financial Officer. Mr. Stebbins is also a director of WABCO Holdings.

William G. Quigley III has been Visteon s Executive Vice President and Chief Financial Officer since November 2007. Prior to that he was Senior Vice President and Chief Financial Officer since March 2007 and Vice President, Corporate Controller and Chief Accounting Officer since joining the company in December 2004. Before joining Visteon, he was Vice President and Controller Chief Accounting Officer of Federal-Mogul Corporation since June 2001.

Robert C. Pallash has been Visteon s Senior Vice President and President, Global Customer Group since January 2008 and Senior Vice President, Asia Customer Group since August 2005. Prior to that, he was Vice President and President, Asia Pacific since July 2004, and Vice President, Asia Pacific since joining the Company in September 2001. Before joining Visteon, Mr. Pallash served as president of TRW Automotive Japan since 1999, and president of Lucas Varity Japan prior thereto. Mr. Pallash is also a director of FMC Corporation.

Dorothy L. Stephenson has been Visteon s Senior Vice President, Human Resources since joining the Company in May 2006. Prior to that, she was a human resources consultant since May 2003, and Vice President, Human Resources for Bethlehem Steel prior thereto.

Julie A. Fream has been Visteon s Vice President, North American Customer Group, Strategy and Global Communications since August 2009. Prior to that, she was Vice President, North American Customer Group and Global Communications since January 2008. From August 2003 through December 2007, Ms. Fream was Vice President and General Manager for various North American customers, including DaimlerChrysler, Nissan NA, General Motors and Honda NA. She joined the Company in January 1998 as Associate Director, Global Marketing, Sales and Service for the Ford account.

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ITEM 4A. EXECUTIVE OFFICERS OF VISTEON (Continued)

Joy M. Greenway has been Visteon s Vice President and President, Climate Product Group since October 2008. Prior to that, she was Vice President, Climate Product Group since August 2005, Director, Powertrain since March 2002, and Director of Visteon s Ford truck customer business group since April 2001. She joined Visteon in 2000 as Director of Fuel Storage and Delivery Strategic Business Unit.

Steve Meszaros has been Visteon s Vice President and President, Electronics Product Group since October 2008. Prior to that, he was Vice President, Electronics Product Group since August 2005, and Managing Director, China Operations and General Manager, Yanfeng Visteon since February 2001. Prior to that, he was based in Europe, where he was responsible for Visteon s interior systems business in the United Kingdom and Germany since 1999.

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

James F. Sistek has been Visteon s Vice President and Chief Information Officer since April 2007. Prior to that, he was Director, Global Business Practices since joining the Company in October 2005. Before joining Visteon, Mr. Sistek served as Vice President, Global Business Practices at Lear Corporation.

Michael J. Widgren has been Visteon s Vice President, Corporate Controller and Chief Accounting Officer since May 2007. Prior to that, he 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.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Prior to March 6, 2009, the Company s common stock was listed on the New York Stock Exchange (NYSE) under the trading symbol VC. On March 6, 2009, the Company s common stock was suspended from trading on the NYSE and began trading over-the-counter under the symbol VSTN. The Company s common stock currently trades under the symbol VSTNQ.

On May 28, 2009, the Debtors filed voluntary petitions in the Court seeking reorganization relief under the provisions of chapter 11 of the Bankruptcy Code. The Company s plan of reorganization will determine the rights and satisfaction of claims of various creditors and security holders, but the ultimate settlement of those claims are subject to various uncertainties. The Company believes that its presently outstanding equity securities will have no value and will be canceled under any plan of reorganization and it urges that caution be exercised with respect to existing and future investments in any security of the Company.

As of February 22, 2010, the Company had 130,324,581 shares of its common stock $1.00 par value outstanding, which were owned by 95,202 shareholders of record. The table below shows the high and low sales prices for the Company s common stock as reported by the NYSE or the Pink Sheets over-the-counter trading market, as applicable, for each quarterly period for the last two years.

	2009			
	First	**Second**	**Third**	**Fourth**

	Quarter	Quarter	Quarter	Quarter
Common stock price per share				
High	$ 0.52	$ 0.48	$ 0.29	$ 0.19
Low	$ 0.02	$ 0.05	$ 0.08	$ 0.01

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ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES (Continued)

	2008			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Common stock price per share				
High	$ 4.39	$ 5.03	$ 3.78	$ 2.31
Low	$ 3.02	$ 2.63	$ 1.93	$ 0.27

On February 9, 2005, the Company s Board of Directors suspended the Company s quarterly cash dividend on its common stock. Accordingly, no dividends were paid by the Company during the years ended December 31, 2009 or 2008. The Board evaluates the Company s dividend policy based on all relevant factors. The Company s credit agreements prohibit or 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 11, 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 2009.

Issuer Purchases of Equity Securities

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	Maximum number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2009 to October 31, 2009		$		
November 1, 2009 to November 30, 2009				
December 1, 2009 to December 31, 2009	7,700	0.06		
Total	7,700	$ 0.06		

(1) This column includes only shares surrendered to the Company by employees to satisfy tax withholding obligations in connection with the vesting of restricted share awards made pursuant to the Visteon Corporation 2004 Incentive Plan and/or the Visteon Corporation Employees Equity Incentive Plan.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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.

Description of the Business

Visteon is a leading global supplier of climate, interiors and electronics systems, modules and components to automotive original equipment manufacturers (OEMs) including BMW, Chrysler Group LLC, Daimler AG, Ford, General Motors, Honda, Hyundai, Kia, Nissan, PSA Peugeot Citroën, Renault, Toyota and Volkswagen. The Company has a broad network of manufacturing operations, technical centers, service centers and joint venture operations throughout the world, supported by approximately 29,500 employees dedicated to the design, development, manufacture and support of its product offering and its global customers. The Company conducts its business in the automotive sector, which is a labor and capital intensive industry that is characterized by highly competitive conditions, low growth and cyclicality. Accordingly, the financial performance of the industry is highly sensitive to changes in overall economic conditions.

During 2008, weakened economic conditions, largely attributable to the global credit crisis, and erosion of consumer confidence, negatively impacted the automotive sector on a global basis. Significant factors including the deterioration of housing values, rising fuel prices, equity market volatility, and rising unemployment levels resulted in consumers delaying purchases of durable goods, particularly highly deliberated purchases such as automobiles. Additionally, the absence of available credit hindered vehicle affordability, forcing consumers out of the market globally. Together these factors combined to drive a severe decline in demand for automobiles across substantially all geographies.

During 2009, global economic instability and the lack of available credit continued to negatively impact the automotive sector. Although global automobile production during 2009 was lower than 2008, the true severity of the decline was masked by numerous government stimulus programs and significant growth in certain emerging automotive markets, such as China, where light vehicle sales increased to all-time record high levels surpassing the U.S. for the first time. The brunt of the 2009 decline was felt in developed markets such as the U.S. where light vehicle production levels were the lowest since the 1940s, U.S. domiciled OEM s General Motors and Chrysler filed for chapter 11 bankruptcy protection and manufacturing capacity and headcount were drastically cut by virtually all OEMs and suppliers with a presence in the U.S. Despite actions taken by the Company to reduce its operating costs, the rate of such reductions did not keep pace with that of the rapidly deteriorating market conditions and related decline in OEM production volumes, which resulted in significant operating losses and cash flow usage by the Company.

Reorganization under Chapter 11 of the U.S. Bankruptcy Code

On May 28, 2009 (the Petition Date), 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 reorganization cases are being jointly administered as Case No. 09-11786 under the caption In re Visteon Corporation, et al (hereinafter referred to as the Chapter 11 Proceedings). The Debtors continue to operate their businesses as debtors-in-possession (DIP) under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court. The Company s other subsidiaries, primarily non-U.S. subsidiaries, have been excluded from the Chapter 11 Proceedings and continue to operate their businesses without supervision from the Court and are not subject to the

requirements of the Bankruptcy Code.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Chapter 11 Proceedings were initiated in response to sudden and severe declines in global automotive production and the adverse impact on the Company s cash flows and liquidity. Under the Chapter 11 Proceedings, the Debtors expect to develop and implement a plan to restructure their capital structure to reflect the current automotive industry demand. Under section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against a debtor, including most actions to collect pre-petition indebtedness or to exercise control over the property of the debtor s estate. Absent an order of the Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization. Subsequent to the Petition Date, the Debtors received approval from the Court to pay or otherwise honor certain pre-petition obligations generally designed to stabilize the Debtors operations including employee obligations, tax matters and from limited available funds, pre-petition claims of certain critical vendors, certain customer programs, limited foreign business operations, adequate protection payments and certain other pre-petition claims. Additionally, the Debtors have been paying and intend to continue to pay undisputed post-petition claims in the ordinary course of business.

Chapter 11 Financing

The Debtors are currently funding post-petition operations under a temporary cash collateral order from the Court and a $150 million Senior Secured Super Priority Priming Debtor in Possession Credit and Guaranty Agreement (DIP Credit Agreement), under which the Company has borrowed $75 million and may borrow the remaining $75 million in one additional advance prior to maturity, subject to certain conditions. The Company s non-debtor subsidiaries, primarily non-U.S. subsidiaries, have been excluded from the Chapter 11 Proceedings and are funding their operations through cash generated from operating activities supplemented by customer support agreements and local financing arrangements or through cash transfers from the Debtors subject to specific authorization from the Court. There can be no assurance that cash on hand and other available funds will be sufficient to meet the Company s reorganization or ongoing cash needs or that the Company will be successful in extending the duration of the temporary cash collateral order with the Court or that the Company will remain in compliance with all necessary terms and conditions of the DIP Credit Agreement or that the lending commitments under the DIP Credit Agreement will not be terminated by the lenders.

Customer Accommodation Agreements

In connection with the Chapter 11 Proceedings, the Company has entered into accommodation and other support agreements with certain North American and European customers that provide for additional liquidity through cash surcharge payments, payments for research and engineering costs, accelerated payment terms, asset sales and other commercial arrangements. During July 2009, the Company executed support agreements with certain European customers that provide for lump sum settlement payments for invested research and engineering costs and other unrecovered amounts, as well as, accelerated payment terms and other commercial arrangements. Additionally, during July 2009, the Debtors sold their 80% interest in Halla Climate Systems Alabama Corp. to the Debtors 70% owned joint venture, Halla Climate Control Corporation under Bankruptcy Code Section 363 for cash proceeds of $37 million.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

With effect from October 7, 2009, the date of the final Court order, the Debtors entered into a customer accommodation agreement and related access and security agreement (together, the GM Accommodation Agreement) with General Motors Company (GM). Pursuant to the GM Accommodation Agreement, GM agreed to, among other things, pay approximately $8 million in cash surcharge payments above the purchase order price for GM component parts produced; reimburse up to $10 million for restructuring costs associated with the consolidation of certain of the Company s Mexican facilities; reimburse $4 million in up-front engineering, design and development support costs; accelerate payment terms; reimburse the Company for costs associated with the wind-down of operations related to the production of interior and fuel tank GM component parts; and pay approximately $8 million in cure payments in connection with the assumption and assignment of purchase orders with the Company in the Motors Liquidation Company (f/k/a General Motors Corporation) chapter 11 case. In general, the rights and benefits inuring to the Company and GM pursuant to the GM Accommodation Agreement expire on the earlier of the date that resourcing of production is completed or March 31, 2010.

With effect from November 12, 2009, the date of the final Court order, the Debtors entered into a customer accommodation agreement and related access and security agreement (together, the Chrysler Accommodation Agreement) with Chrysler Group LLC (Chrysler). Pursuant to the Chrysler Accommodation Agreement, Chrysler agreed to, among other things, pay surcharge payments to the Company above the purchase order price for Chrysler component parts produced by the Company in an aggregate amount of $13 million; pay approximately $5 million for the purchase of certain tooling used at the Company s Saltillo, Mexico facility to manufacture Chrysler component parts; purchase certain designated equipment and tooling exclusively used to manufacture Chrysler component parts at the Company s Highland Park, Michigan and Saltillo, Mexico facilities; reimburse the Company for certain costs associated with the wind-down of certain lines of Chrysler component part production; accelerate payment terms; and pay approximately $13 million to the Company as cure payments in connection with the assumption and assignment of purchase orders with the Company in the Old Carco LLC (f/k/a Chrysler LLC) chapter 11 case. In general, the rights and benefits inuring to the Company and Chrysler pursuant to the Chrysler Accommodation Agreement expire on the earlier of the date that resourcing of production is completed or March 31, 2010.

With effect from November 12, 2009, the date of the final Court order, the Company entered into (i) a customer accommodation agreement and related access and security agreement (together, the Nissan Accommodation Agreement) with Nissan North America, Inc. (Nissan), and (ii) an asset purchase agreement (the Nissan Purchase Agreement) among the Company, GCM-Visteon Automotive Systems, LLC, GCM-Visteon Automotive Leasing Systems, LLC, MIG-Visteon Automotive Systems, LLC, and VC Regional Assembly & Manufacturing, LLC (collectively, the Sellers), Haru Holdings, LLC (the Buyer) and Nissan. Pursuant to the Nissan Accommodation and Purchase Agreements, the Buyer agreed to pay approximately $31 million in cash plus the (a) value of certain off-site tooling and inventory dedicated to Nissan production, (b) approximately $2.5 million in wind-down costs; and (c) the amount of certain receivables from Nissan being acquired under the purchase agreement less the amount of certain payables to Nissan and Nissan affiliates assumed by Nissan. The assets sold to the Buyer, pursuant to the November 30, 2009 asset purchase transaction closing date, were primarily used for the production and assembly of automobile cockpit module, front end module and interior parts for Nissan. The majority of these assets were located at facilities in LaVergne, Tennessee; Smyrna, Tennessee; Tuscaloosa, Alabama; and Canton, Mississippi. In general, the rights and benefits inuring to the Company and Nissan pursuant to the Nissan Accommodation Agreement expire on the date six months from the effective date of a confirmed plan of reorganization.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

With effect from December 10, 2009, the date of the final Court order, the Company entered into a customer accommodation agreement and related access and security agreement with Ford and ACH (the Ford Accommodation Agreement). Pursuant to the Ford Accommodation Agreement, Ford and ACH agreed to provide an exit fee of $8 million, payable in two equal installments. Additionally, the majority of Ford electronic component parts currently manufactured at the Company s Lansdale, Pennsylvania (North Penn) facility will be re-sourced to Cadiz Electronica S.A. and the Company will discontinue Ford production at the Springfield, Ohio facility. In connection with the resourcing or transitioning of these product lines, Ford and ACH agreed to purchase certain inventory at cost and have been granted the option to purchase dedicated equipment and tooling. Ford and ACH agreed to fund certain costs associated with resourcing production lines at the Company s North Penn and Springfield facilities. The rights and benefits inuring to the Company, Ford and ACH pursuant to the Ford Accommodation Agreement expire on March 31, 2010, unless otherwise extended by the parties.

Generally, in exchange for benefits under these agreements, the Company has agreed to continue producing and delivering component parts to these customers during the term of the respective agreements; to provide assistance in re-sourcing production to other suppliers; to build inventory banks, as necessary to support transition; to grant customers the option to purchase dedicated equipment and tooling owned by the Company; to grant a right of access to the Company s facilities if the Company ceases production; to grant a security interest in certain operating assets that would be necessary for component part production; and, to provide limited release of certain commercial and other claims and causes of actions, subject to exceptions.

Termination of Other Postretirement Employee Benefits

In December 2009 and in connection with a ruling of the Court, the Company announced its intent to eliminate certain other postretirement employee benefits (OPEB) including Company-paid medical, prescription drug, dental and life insurance coverage, effective April 1, 2010, for current and future U.S. retirees, their spouses, surviving spouses, domestic partners and dependents, with the exception of participants covered by the current collective bargaining agreement (CBA) at the North Penn facility. OPEB plans for which the Company-paid benefits are to be terminated, include the Visteon Corporation Health and Welfare Program for Salaried Employees; Visteon Systems, LLC Health and Welfare Benefit Plan for Hourly Employees-Connersville and Bedford Locations; and the Visteon Caribbean Employee Group Insurance Plan. Additionally, Company-paid OPEB benefits under the Visteon Systems, LLC Health and Welfare Plan for Hourly Employees North Penn Location for North Penn hourly retirees who retired prior to April 2, 2005 (the effective date of the current North Penn CBA) will also be eliminated.

Pre-petition Claims

On August 26, 2009, pursuant to the Bankruptcy Code, the Debtors filed statements and schedules with the Court setting forth the assets and liabilities of the Debtors as of the Petition Date. In September 2009, the Debtors issued approximately 57,000 proof of claim forms to their current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. To the extent that recipients disagree with the claims as quantified on these forms, the recipient may file discrepancies with the Court. Differences between amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the Chapter 11 Proceedings. However, the Court will ultimately determine liability amounts, if any, that will be allowed for these claims. An October 15, 2009 bar date was set for the filing of proofs of claim against the Debtors.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Approximately 3,250 proofs of claim totaling approximately $7.9 billion in claims against the Debtors were filed in connection with the bar date as follows:

Approximately 55 claims, totaling approximately $5.9 billion, represent term loan and bond debt claims, for which the Company has recorded approximately $2.5 billion as of December 31, 2009, which is included in the Company s consolidated balance sheet as Liabilities subject to compromise. The Company believes claim amounts in excess of those reflected in the financial statements at December 31, 2009 are duplicative and will ultimately be resolved through the plan of reorganization.

Approximately 940 claims, totaling approximately $570 million, which the Company believes should be disallowed by the Court primarily because these claims appear to be duplicative or unsubstantiated claims.

The Company has not completed its evaluation of the approximate remaining 2,255 claims, totaling approximately $1.4 billion, alleging rights to payment for financing, trade accounts payable and other matters. The Company continues to investigate these unresolved proofs of claim, and intends to file objections to the claims that are inconsistent with its books and records. The Debtors continue to review and analyze the proofs of claim filed to date. In addition, the Debtors continue to file objections and seek stipulations to certain claims. Additional claims may be filed after the October 15, 2009 bar date, which could be allowed by the Court. Accordingly, the ultimate number and allowed amount of such claims are not presently known and cannot be reasonably estimated at this time. The resolution of such claims could result in a material adjustment to the Company s financial statements.

Plan of Reorganization

To successfully emerge from chapter 11, in addition to obtaining exit financing, the Court must confirm a plan of reorganization, which determines the rights and satisfaction of claims of various creditors and security holders. On December 17, 2009, the Debtors filed a plan of reorganization (the Plan) and related disclosure statement (the Disclosure Statement) with the Court. The Plan and Disclosure Statement as filed with the Court outline a proposal for the settlement of claims against the estate of the Debtors based on an estimate of the overall enterprise value. As set forth in the Disclosure Statement, the Plan is predicated on the termination of certain pension plans to ensure the equitization of secured term lender interests. The Plan calls for settlement of the Debtors estate through the split of equity interests in the reorganized Debtors between the secured interests (96%) and the Pension Benefit Guaranty Corporation (4%) on account of its controlled group underfunding claim, which is structurally superior to the claims of other unsecured interests. Disclosure Statement hearings associated with the Plan scheduled for January and February 2010 were postponed to allow more time to consider alternatives to the Plan.

Because a Court confirmed plan of reorganization will determine the rights and satisfaction of claims of various creditors and security holders, the ultimate settlement of such claims are subject to various uncertainties. Accordingly, no assurance can be provided as to what values, if any, will be ascribed in the Chapter 11 Proceedings to these or any other constituencies in regards to what types or amounts of distributions, if any, will be received. If certain requirements of the Bankruptcy Code are met, a plan of reorganization can be confirmed without acceptance by all constituents and without the receipt or retention of any property on account of all interests under the plan. The Company believes that its presently outstanding equity securities will have no value and will be canceled under any plan of reorganization and it urges that caution be exercised with respect to existing and future investments in any security of the Company. For a discussion of certain risks and uncertainties related to the Debtors chapter 11 cases and reorganization objectives refer to Item 1A. Risk Factors in this Annual Report on Form 10-K.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Visteon UK Limited Administration

On March 31, 2009, in accordance with the provisions of the United Kingdom Insolvency Act of 1986 and pursuant to a resolution of the board of directors of Visteon UK Limited, a company organized under the laws of England and Wales (the UK Debtor) and an indirect, wholly-owned subsidiary of the Company, representatives from KPMG (the Administrators) were appointed as administrators in respect of the UK Debtor (the UK Administration). The UK Administration was initiated in response to continuing operating losses of the UK Debtor and mounting labor costs and their related demand on the Company s cash flows, and does not include the Company or any of the Company s other subsidiaries. The effect of the UK Debtor s entry into administration was to place the management, affairs, business and property of the UK Debtor under the direct control of the Administrators. Since their appointment, the Administrators have wound down the business of the UK Debtor and closed its operations in Enfield, UK, Basildon, UK and Belfast, UK, and made the employees redundant. The Administrators continue to realize the UK Debtor s assets, primarily comprised of receivables.

The UK Debtor recorded sales, negative gross margin and net loss of $32 million, $7 million and $10 million, respectively for the three months ended March 31, 2009. As of March 31, 2009, total assets of $64 million, total liabilities of $132 million and related amounts deferred as Accumulated other comprehensive income of $84 million, were deconsolidated from the Company s balance sheet resulting in a deconsolidation gain of $152 million. The Company also recorded $57 million for contingent liabilities related to the UK Administration, including $45 million of costs associated with former employees of the UK Debtor, for which the Company was reimbursed from the escrow account on a 100% basis.

Additional amounts related to these items or other contingent liabilities for potential claims under the UK Administration, which may result from (i) negotiations; (ii) actions of the Administrators; (iii) resolution of contractual arrangements, including unexpired leases; (iv) assertions by the UK Pensions Regulator; and, (v) material adverse developments; or other events, may be recorded in future periods. No assurance can be provided that the Company will not be subject to future litigation and/or liabilities related to the UK Administration. Additional liabilities, if any, will be recorded when they become probable and estimable and could materially affect the Company s results of operations and financial condition in future periods.

Results of Operations

2009 Compared with 2008

	Sales			Gross Margin		
	2009	2008	Change	2009	2008	Change
	(Dollars in Millions)					
Climate	$ 2,535	$ 3,135	$ (600)	$ 315	$ 209	$ 106
Electronics	2,171	3,276	(1,105)	158	198	(40)
Interiors	1,920	2,797	(877)	120	27	93
Other		271	(271)		22	(22)
Eliminations	(206)	(402)	196			
Total products	6,420	9,077	(2,657)	593	456	137

Services	265	467	(202)	4	3	1
Total	$ 6,685	$ 9,544	$ (2,859)	$ 597	$ 459	$ 138

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Net Sales

Net sales decreased $2.86 billion during the year ended December 31, 2009 when compared to the same period of 2008, consisting of a $2.66 billion decrease in product sales and a $202 million decrease in services revenues. The decrease in product sales included a $1.7 billion decline associated with lower production volumes and customer sourcing actions in all regions and for all major customers, $610 million associated with facility divestitures and closures, $300 million of unfavorable currency primarily related to the Euro and Korean Won, and net customer price reductions. The decrease in services revenue represents lower utilization of the Company s services in connection with the terms of various service and transition support agreements, primarily related to the ACH Transactions.

Net sales for Climate were $2.54 billion for the year ended December 31, 2009, compared with $3.14 billion for the same period of 2008, representing a decrease of $600 million. Lower vehicle production volumes and unfavorable product mix were experienced in all regions resulting in a decrease of $260 million. Additionally, facility divestitures and closures, including the March 2009 UK Administration and the closure of the Company s Connersville, Indiana facility, decreased sales by $57 million. Unfavorable currency, primarily driven by the Korean Won and the Euro, further decreased sales by $153 million, while net customer pricing also contributed to the decrease.

Net sales for Electronics were $2.17 billion for the year ended December 31, 2009, compared to $3.28 billion for the same period of 2008, representing a decrease of $1.11 billion. Lower vehicle production volumes, unfavorable product mix and customer sourcing actions combined to decrease sales $1.04 billion, primarily in Europe and North America. Unfavorable currency, largely related to the Euro and the Brazilian Real, resulted in a reduction of $50 million, while net customer pricing further reduced sales.

Net sales for Interiors were $1.92 billion and $2.80 billion for the years ended December 31, 2009 and 2008, respectively, representing a decrease of $877 million. Lower vehicle production volumes and unfavorable product mix in all regions resulted in a decrease in sales of $519 million, while facility divestitures and closures in the UK and Spain reduced sales $311 million. Unfavorable currency, primarily related to the Euro and Korean Won, reduced sales $97 million. Net customer pricing was favorable $50 million, primarily related to customer accommodation and support agreements in North America and Europe.

All remaining manufacturing facilities in the Other segment have either been divested, closed or reclassified consistent with the Company s current management reporting structure.

Services revenues primarily relate to information technology, engineering, administrative and other business support services provided by the Company to ACH, under the terms of various agreements with ACH. Such services are generally provided at an amount that approximates cost. Total services revenues were $265 million for the year ended December 31, 2009, compared with $467 million for the same period of 2008. The decrease in services revenue represents lower ACH utilization of the Company s services in connection with the terms of various agreements.

Gross Margin

The Company s gross margin was $597 million for the year ended December 31, 2009, compared with $459 million for the same period in 2008, representing an increase of $138 million. The increase reflects $599 million in savings associated with the Company s cost reduction efforts and restructuring programs and $96 million of favorable foreign currency, partially offset by $615 million related to lower production volumes, divestitures and closures. Gross margin was also favorably impacted by recognition of a $133 million benefit associated with the termination of

Company-paid benefits under certain U.S. OPEB plans, partially offset by the non-recurrence of $63 million of OPEB and pension curtailment and settlement gains in 2008.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Gross margin for Climate was $315 million for the year ended December 31, 2009, compared with $209 million for the same period in 2008, representing an increase of $106 million. Net cost efficiencies achieved through manufacturing performance, purchasing improvement efforts and restructuring activities of $162 million improved gross margin along with benefits associated with the termination of Company-paid benefits under certain U.S. OPEB plans. Customer production volume declines and facility divestitures and closures reduced gross margin $118 million and the non-recurrence of a $13 million gain on the sale of a UK manufacturing facility in the first quarter of 2008 resulted in a further reduction.

Gross margin for Electronics was $158 million for the year ended December 31, 2009, compared with $198 million for the same period in 2008, representing a decrease of $40 million. Declines in customer production volumes and unfavorable sourcing actions reduced gross margin $312 million. This decrease was partially offset by $207 million related to net cost efficiencies achieved through manufacturing performance, purchasing improvement efforts and restructuring activities as well as benefits associated with the termination of Company-paid benefits under certain U.S. OPEB plans.

Gross margin for Interiors was $120 million for the year ended December 31, 2009, compared with $27 million for the same period in 2008, representing an increase of $93 million. Net cost efficiencies achieved through manufacturing performance, purchasing improvement efforts, restructuring activities and customer accommodation and support agreements increased gross margin by $139 million, while benefits related to the termination of Company-paid benefits under certain U.S. OPEB plans further increased gross margin. These increases were partially offset by $105 million related to lower customer production volumes, sourcing and plant divestitures and closures.

During 2008 all facilities associated with the Company s Other segment were divested, closed or reclassified consistent with the Company s current management reporting structure.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $331 million for the year ended December 31, 2009, compared with $553 million for the same period in 2008, representing a decrease of $222 million. The decrease is primarily attributable to $138 million of cost efficiencies resulting from the Company s restructuring and cost reduction actions, the non-recurrence of $25 million of 2008 expenses incurred to implement those restructuring and cost reduction actions, $62 million related to the termination of Company-paid benefits under certain U.S. OPEB plans and $18 million of favorable currency. These reductions were partially offset by $19 million of pre-petition professional fees.

Restructuring Expenses

The Company recorded restructuring expenses of $84 million for the year ended December 31, 2009, compared to $147 million for the same period in 2008. The following is a summary of the Company s consolidated restructuring reserves and related activity for the year ended December 31, 2009. Substantially all of the Company s restructuring expenses are related to employee severance and termination benefit costs.

	Interiors	Climate	Electronics	Other/ Central	Total
			(Dollars in Millions)		

December 31, 2008	$ 49	$ 3	$ 4	$ 8	$ 64
Expenses	22	5	17	40	84
Utilization	(50)	(8)	(5)	(46)	(109)
December 31, 2009	$ 21	$	$ 16	$ 2	$ 39

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Company recorded restructuring expenses of $84 million during the twelve months ended December 31, 2009 including amounts related to administrative cost reductions to fundamentally re-align corporate support functions with underlying operations in connection with the Company s reorganization efforts and in response to recessionary economic conditions and related negative impact on the automotive sector and the Company s results of operations and cash flows.

During the first half of 2009, the Company continued to fundamentally realign, consolidate and rationalize its administrative organization structure, including the following actions:

- $34 million of employee severance and termination benefit costs related to approximately 300 salaried employees in the United States and 180 salaried employees in other countries, primarily in Europe.

- $4 million related to approximately 200 employees associated with the consolidation of the Company s Electronics operations in South America.

In connection with the Chapter 11 Proceedings, the Company entered into various support and accommodation agreements with its customers as more fully described above. These actions included:

- $13 million of employee severance and termination benefit costs associated with approximately 170 employees at two European Interiors facilities.

- $11 million of employee severance and termination benefit costs associated with approximately 300 employees related to the announced closure of a North American Electronics facility.

- $10 million of employee severance and termination benefit costs related to approximately 120 salaried employees who were located primarily at the Company s North American headquarters.

- $4 million of employee severance and termination benefit costs associated with approximately 550 employees related to the consolidation of the Company s North American Lighting operations.

Utilization for 2009 includes $81 million of payments for severance and other employee termination benefits and $28 million of special termination benefits reclassified to pension and other postretirement employee benefit liabilities, where such payments are made from the Company s benefit plans.

Reimbursement from Escrow Account

The Company recorded reimbursement for qualifying restructuring costs of $62 million and $113 million for the years ended December 31, 2009 and 2008, respectively, pursuant to the terms of the Amended Escrow Agreement. All remaining funds available under the Amended Escrow Agreement were fully utilized during 2009.

Deconsolidation Gain

On March 31, 2009, in accordance with the provisions of the United Kingdom Insolvency Act of 1986 and pursuant to a resolution of the board of directors of Visteon UK Limited, a company organized under the laws of England and Wales and an indirect, wholly-owned subsidiary of the Company, representatives from KPMG were appointed as administrators in respect of the UK Debtor. The effect of the UK Debtor s entry into administration was to place the

management, affairs, business and property of the UK Debtor under the direct control of the Administrators. As of March 31, 2009, total assets of $64 million, total liabilities of $132 million and related amounts deferred as Accumulated other comprehensive income of $84 million, were deconsolidated from the Company s balance sheet resulting in a deconsolidation gain of $152 million. The Company also recorded $57 million for contingent liabilities related to the UK Administration, including $45 million of costs associated with former employees of the UK Debtor, for which the Company was reimbursed from the escrow account on a 100% basis.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Asset Impairments and Other Gains and Losses

Section 365 of the Bankruptcy Code permits the Debtors to assume, assume and assign or reject certain pre-petition executory contracts subject to the approval of the Court and certain other conditions. Rejection constitutes a Court-authorized breach of the contract in question and, subject to certain exceptions, relieves the Debtors of their future obligations under such contract but creates a deemed pre-petition claim for damages caused by such breach or rejection. Parties whose contracts are rejected may file claims against the rejecting Debtor for damages. On December 24, 2009, the Company terminated a lease arrangement that was subject to a previous sale-leaseback transaction, ceasing the Company s continuing involvement and triggering the recognition of $30 million of previously deferred gains on the sale-leaseback transaction. This amount was partially offset by a loss of $10 million associated with the remaining net book value of leasehold improvements associated with the facility and other losses and impairments related to asset disposals.

Reorganization Items

Financial reporting applicable to companies in chapter 11 of the Bankruptcy Code generally does not change the manner in which financial statements are prepared. However, it does require that the financial statements for periods subsequent to the chapter 11 petition filing date distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Reorganization items of $60 million for the year ended December 31, 2009 are primarily related to professional service fees.

Interest

Interest expense was $117 million for the year ended December 31, 2009 compared to $215 million for the year ended December 31, 2008. The decrease is primarily due to the Company ceasing to record interest expense in connection with the Chapter 11 Proceedings. Interest income was $11 million for the year ended December 31, 2009 compared to $46 million for the year ended December 31, 2008. The decrease of $35 million was primarily due to lower market interest rates.

Income Taxes

The company s 2009 provision for income taxes of $80 million reflects the inability to record a tax benefit for pre-tax losses in the U.S. and certain foreign countries and includes $118 million related to those countries where the Company is profitable and records income and withholding tax, $12 million related to the establishment of a deferred tax asset valuation allowance associated with the Company s operations in Spain and $2 million related to the net impact of tax law changes, partially offset by benefits of $52 million related to a net decrease in reserves, including interest and penalties, associated with unrecognized tax benefits based upon results of completed tax audits and expiration of various legal statutes of limitations.

The company s 2009 provision for income tax decreased by $36 million when compared with 2008, as follows:

- $67 million decrease in tax expense associated with releasing reserves, including interest and penalties, as a result of closing audits in Portugal related to the 2006 and 2007 tax years, completing transfer pricing studies in Asia and reflecting the expiration of various legal statutes of limitations.

$33 million increase in tax expense attributable to changes in earnings between jurisdictions where the Company is profitable and accrues income and withholding tax.

$10 million decrease in tax expense attributable to establishing deferred tax asset valuation allowances as the $12 million charge recorded in 2009 associated with the Company s operations in Spain was less than the $22 million non-cash charge recorded in 2008 related to the Company s operations in Brazil.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Tax law changes resulted in an increase in tax expense of $8 million, which includes the impact of Mexico tax reform enacted in 2009.

2008 Compared with 2007

	Sales			Gross Margin		
	2008	2007	Change	2008	2007	Change
	(Dollars in Millions)					
Climate	$ 3,135	$ 3,561	$ (426)	$ 209	$ 246	$ (37)
Electronics	3,276	3,703	(427)	198	287	(89)
Interiors	2,797	3,251	(454)	27	82	(55)
Other	271	862	(591)	22	(28)	50
Eliminations	(402)	(656)	254			
Total products	9,077	10,721	(1,644)	456	587	(131)
Services	467	554	(87)	3	6	(3)
Total segments	9,544	11,275	(1,731)	459	593	(134)
Reconciling Items						
Corporate					(20)	20
Total consolidated	$ 9,544	$ 11,275	$ (1,731)	$ 459	$ 573	$ (114)

Net Sales

The Company s consolidated Net Sales during the year ended December 31, 2008 decreased $1.7 billion or 15% when compared to the same period of 2007. Plant divestitures and closures accounted for $1.0 billion of the decline while production volume and mix further reduced sales by $0.8 billion, primarily in North America and Europe across all key customers. Favorable currency offset net customer pricing changes.

Net sales for Climate were $3.14 billion in 2008, compared with $3.56 billion in 2007, representing a decrease of $426 million or 12%. This decrease included $147 million related to the closure of the Company s Connersville, Indiana facility, unfavorable production volumes related to key customers in North America of $95 million and net customer price reductions. Additionally, unfavorable currency of $153 million in Asia Pacific, primarily related to the Korean Won, resulted in a sales reduction. These decreases were partially offset by net new business and vehicle production volume and mix in Asia of $148 million, primarily related to Hyundai and favorable currency in Europe of $48 million, primarily due to the strengthening of the Euro.

Net sales for Electronics were $3.28 billion in 2008, compared with $3.70 billion in 2007, representing a decrease of $427 million or 12%. This decrease included a $565 decline related to production volumes and mix and the impact of past customer sourcing decisions, across all regions and key customers, and net customer price reductions. Favorable currency of $213 million, primarily related to the strengthening of the Euro, was a partial offset.

Net sales for Interiors were $2.80 billion in 2008, compared with $3.25 billion in 2007, representing a decrease of $454 million or 14%. This decrease included lower customer production volumes and mix of $411 million primarily related to Nissan in North America and Nissan/Renault and PSA in Europe, $91 million related to divestitures and closures, $76 million due to unfavorable currency in Asia and net customer price reductions. These decreases were partially offset by favorable currency of $121 million in Europe and revenue associated with customer agreements at certain of the Company s UK operations.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Net sales for Other were $271 million in 2008, compared with $862 million in 2007, representing a decrease of $591 million or 69%. The decrease was primarily attributable to divestitures and plant closures of $635 million, including the divestiture of the Company s chassis operations, the Bedford, Indiana plant closure, the Visteon Powertrain Control Systems India divestiture and the North America Aftermarket divestiture. Customer production volumes and mix and the impact of past sourcing decisions further reduced sales. This reduction was partially offset by revenue associated with customer agreements at certain of the Company s UK operations.

Services revenues primarily relate to information technology, engineering, administrative and other business support services provided by the Company to ACH, under the terms of various agreements with ACH. Such services are generally provided at an amount that approximates cost. Total services revenues were $467 in 2008, compared with $554 million in 2007. Services revenues and related costs included approximately $33 million related to contractual reimbursement from Ford under the Amended Reimbursement Agreement for costs associated with the separation of ACH leased employees no longer required to provide such services. The decrease in services revenue represented lower ACH utilization of the Company s services in connection with the terms of various agreements.

Gross Margin

The Company s gross margin was $459 million in 2008 compared with $573 million in 2007, representing a decrease of $114 million. Lower production volume and unfavorable product mix, primarily in North America and Europe, resulted in a $299 million gross margin reduction. Gross margin declines also included $135 million related to plant closures, divestitures and past customer sourcing decisions and $14 million of net commercial and other settlements. These reductions were partially offset by net cost performance of $240 million reflecting efficiencies achieved through restructuring actions, cost reduction efforts and commercial agreements. Additional partial offsets include $46 million of favorable currency, $34 million of gains associated with pension and OPEB curtailments and settlements and a $13 million reduction in accelerated depreciation year-over-year.

Gross margin for Climate was $209 million in 2008 compared with $246 million in 2007, representing a decrease of $37 million. This decrease included the non-recurrence of $51 million of 2007 OPEB curtailment gains, $34 million related to lower customer production volumes primarily in North America and Europe and $17 million related to the closure of the Connersville, Indiana facility. These decreases were partially offset by $31 million related to net cost efficiencies achieved through manufacturing performance, purchasing improvement efforts and restructuring activities; $17 million related to the non-recurrence of 2007 accelerated depreciation and amortization; $17 million of 2008 building sales; and $8 million of 2008 pension and OPEB curtailments.

Gross margin for Electronics was $198 million in 2008 compared with $287 million in 2007, representing a decrease of $89 million. This decrease includes $169 million related to lower production volumes across all regions and past customer sourcing decisions. These reductions were partially offset by $36 million related to net cost efficiencies achieved through manufacturing performance and restructuring efforts, $27 million related to 2008 OPEB curtailments and $24 million related to favorable currency.

Gross margin for Interiors was $27 million in 2008 compared with $82 million in 2007, for a reduction of $55 million. This reduction included $103 million from lower customer production volumes, primarily in North America and Europe and $43 million for the non-recurrence of 2007 favorable customer settlements and building sales. These reductions were partially offset by $70 million of net cost efficiencies achieved through manufacturing performance, restructuring savings and purchasing improvement efforts; $11 million related to a 2008 customer settlement; $10 million related to favorable currency; $11 million related to lower accelerated depreciation and other costs and

revenue associated with customer agreements at certain of the Company s UK operations.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Gross margin for Other was $22 million in 2008 compared with a loss of $28 million in 2007, for an increase of $50 million. The effect of divestitures, plant closures and lower production volumes was more than offset by the restructuring savings resulting from those actions and revenue associated with customer agreements at certain of the Company s UK operations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $553 million in 2008 compared with $636 million in 2007, representing a reduction of $83 million. The improvement is primarily attributable to $77 million of cost efficiencies resulting from the Company s ongoing restructuring activities, net of economics and the implementation costs associated with those restructuring activities. Additional decreases in selling, general and administrative expenses included a $20 million decrease in compensation expense related to incentive compensation programs and lower costs associated with the European Securitization facility. These improvements were partially offset by the non-recurrence of a $15 million favorable customer bad debt recovery in 2007.

Restructuring Expenses

The Company recorded restructuring expenses of $147 million for the year ended December 31, 2008, compared to $152 million for the same period in 2007. The following is a summary of the Company s consolidated restructuring reserves and related activity for the year ended December 31, 2008, including amounts related to its discontinued operations. Substantially all of the Company s restructuring expenses are related to employee severance and termination benefit costs.

	Interiors	Climate	Electronics	Other/ Central	Total
	(Dollars in Millions)				
December 31, 2007	$ 58	$ 23	$ 7	$ 24	$ 112
Expenses	42	20	3	82	147
Exchange	(3)				(3)
Utilization	(48)	(40)	(6)	(98)	(192)
December 31, 2008	$ 49	$ 3	$ 4	$ 8	$ 64

Included in the 2008 expense is $107 million for additional actions under the previously announced multi-year improvement plan. Significant actions under the multi-year improvement plan included the following:

$33 million of employee severance and termination benefit costs associated with approximately 290 employees to reduce the Company s salaried workforce in higher cost countries.

$23 million of employee severance and termination benefit costs associated with approximately 20 salaried and 250 hourly employees at a European Interiors facility.

$18 million of employee severance and termination benefit costs associated with 55 employees at the Company s Other products facility located in Swansea, UK.

$9 million of employee severance and termination benefit costs related to approximately 100 hourly and salaried employees at certain manufacturing facilities located in the UK.

$6 million of employee severance and termination benefit costs associated with approximately 40 employees at a European Interiors facility.

$5 million of contract termination charges related to the closure of a European Other facility.

$5 million of employee severance and termination benefit costs related to the closure of a European Interiors facility.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Utilization for 2008 included $131 million of payments for severance and other employee termination benefits, $46 million of special termination benefits reclassified to pension and other postretirement employee benefit liabilities, where such payments are made from the Company s benefit plans and $15 million in payments related to contract termination and equipment relocation costs.

The Company had incurred $382 million in cumulative restructuring costs related to the multi-year improvement plan including $156 million, $129 million, $66 million and $31 million for the Other, Interiors, Climate and Electronics product groups respectively. Substantially all restructuring expenses recorded to date relate to employee severance and termination benefit costs and are classified as Restructuring expenses on the consolidated statements of operations. As of December 31, 2008, restructuring reserves related to the multi-year improvement plan were approximately $54 million, including $35 million and $19 million classified as other current liabilities and other non-current liabilities, respectively.

In September 2008, the Company commenced a program designed to fundamentally realign, consolidate and rationalize the Company s administrative organization structure on a global basis through various voluntary and involuntary employee separation actions. Related employee severance and termination benefit costs of $26 million were recorded during 2008 associated with approximately 320 salaried employees in the United States and 100 salaried employees in other countries, for which severance and termination benefits were deemed probable and estimable. The Company also recorded $9 million of employee severance and termination benefit costs associated with approximately 850 hourly and 60 salaried employees at a North American Climate facility. As of December 31, 2008, restructuring reserves related to these programs were approximately $10 million.

Reimbursement from Escrow Account

The Company recorded reimbursement for qualifying restructuring costs of $113 million and $142 million for the years ended December 31, 2008 and 2007, respectively, pursuant to the terms of the Amended Escrow Agreement.

Asset Impairments and Other Gains and Losses

The Company concluded that significant operating losses resulting from the deterioration of market conditions and related production volumes in the fourth quarter of 2008 represented an indicator that the carrying amount of the Company s long-lived assets may not be recoverable. Based on the results of the Company s assessment, which was based upon the fair value of the affected assets using third party appraisals, management estimates and discounted cash flow calculations, the Company recorded an impairment charge of approximately $200 million to reduce the net book value of Interiors long-lived assets considered to be held for use to their estimated fair value.

On June 30, 2008, Visteon UK Limited, an indirect, wholly-owned subsidiary of the Company, transferred certain assets related to its chassis manufacturing operation located in Swansea, United Kingdom to Visteon Swansea Limited, a company incorporated in England and a wholly-owned subsidiary of Visteon UK Limited. Effective July 7, 2008, Visteon UK Limited sold the entire share capital of Visteon Swansea Limited to Linamar UK Holdings Inc., a wholly-owned subsidiary of Linamar Corporation for nominal cash consideration. The Swansea operation, which was included within the Other product group, generated negative gross margin of approximately $40 million on sales of approximately $80 million during 2007. The Company recorded asset impairment and loss on divestiture of approximately $23 million in connection with the transaction, including $16 million of losses on the Visteon Swansea Limited share capital sale and $7 million of asset impairment charges.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

During the first quarter of 2008, the Company announced the sale of its North American-based aftermarket underhood and remanufacturing operations (NA Aftermarket) including facilities located in Sparta, Tennessee and Reynosa, Mexico (together the NA Aftermarket Divestiture). The NA Aftermarket manufactured starters and alternators, radiators, compressors and condensers and also remanufactured steering pumps and gears. These operations recorded sales for the year ended December 31, 2007 of approximately $133 million and generated a negative gross margin of approximately $16 million. The Company recorded total losses of $46 million on the NA Aftermarket Divestiture, including an asset impairment charge of $21 million and losses on disposition of $25 million. The Company also recorded asset impairments and loss on divestitures of $6 million during 2008 in connection with other divestiture activities, including the sale of its Interiors operation located in Halewood, UK.

Interest

Interest expense was $215 million for the year ended December 31, 2008 compared to $225 million for the year ended December 31, 2007. Interest expense decreased $10 million due to lower borrowing rates partially offset by higher debt levels when compared to 2007. Interest income was $46 million for the year ended December 31, 2008 compared to $61 million for the year ended December 31, 2007. Interest income decreased $15 million due to lower investment rates partially offset by higher average cash balances in 2008.

Income Taxes

The income tax provisions for the years ended December 31, 2008 and 2007 reflect income tax expense related to those countries where the Company is profitable, accrued withholding taxes, certain non-recurring and other discrete items and the inability to record a tax benefit for pre-tax losses in the U.S. and certain foreign countries to the extent not offset by other categories of income in those jurisdictions. The Company s 2008 provision for income taxes of $116 million represents a net increase of $96 million when compared with 2007, as follows:

Non-recurrence of $91 million tax benefit recorded in 2007 related to offsetting pre-tax operating losses against current year net pre-tax income from other categories of income or loss, in particular pre-tax other comprehensive income attributable to pension and OPEB obligations and foreign currency translation.

$38 million attributable to changes in earnings between jurisdictions where the Company is profitable and accrues income and withholding tax, and, beginning in 2008, includes withholding tax related to the Company s undistributed earnings not considered permanently reinvested from its non-U.S. unconsolidated affiliates.

$22 million attributable to a deferred tax asset valuation allowance related to the Company s operations in Brazil recorded in consideration of negative evidence associated with the Company s ability to generate the necessary taxable earnings to recover such deferred tax assets.

Non-recurrence of $18 million net tax benefit recorded in 2007 resulting from the Company s redemption of its ownership interest in a newly formed Korean company as part of a legal restructuring of its climate control operations in Asia. In connection with this redemption, the Company concluded that a portion of its earnings in Halla Climate Control Korea, a 70% owned affiliate of the Company, were permanently reinvested resulting in a $30 million reduction of previously accrued withholding taxes. This benefit was partially offset by $12 million of income tax expense related to a taxable gain from the restructuring.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

These 2008 year-over-year increases in tax expense items were partially offset by decreases attributable to the following items:

$60 million decrease in unrecognized tax benefits, including interest and penalties, reflects ongoing process improvements in connection with the Company s transfer pricing initiatives, as well the receipt of an advance pricing agreement from Hungary during the fourth quarter of 2008, both of which contributed to the overall decrease in unrecognized tax benefits year-over-year.

Favorable tax law changes in 2008 resulted in tax benefits of $6 million, which includes U.S. legislation enacted in July 2008 allowing the Company to record certain U.S. research tax credits previously subject to limitation as refundable. In 2007, favorable tax law changes in Portugal which resulted in an $11 million tax benefit were more than offset by unfavorable tax law changes in Mexico which resulted in $18 million of additional tax expense.

Liquidity

Over the long-term, the Company expects to fund its working capital, restructuring and capital expenditure needs with cash flows from operations. To the extent that the Company s liquidity needs exceed cash from operations, the Company would look to its cash balances and availability for borrowings to satisfy those needs, as well as the need to raise additional capital. However, the Company s ability to fund its working capital, restructuring and capital expenditure needs may be adversely affected by many factors including, but not limited to, general economic conditions, specific industry conditions, financial markets, competitive factors and legislative and regulatory changes.

In general, the Company s cash and liquidity needs are impacted by the level, variability and timing of its customers worldwide vehicle production, which varies based on economic conditions and market shares in major markets. The Company s intra-year needs are impacted by seasonal effects in the industry, such as mid-year shutdowns, the subsequent ramp-up of new model production and the additional year-end shutdowns by its primary customers. These seasonal effects normally require use of liquidity resources during the first and third quarters.

As of December 31, 2009, the Company had total cash of $1.1 billion, including restricted cash of $133 million. As of December 31, 2009, the Debtors total cash was $558 million, of which $128 million was restricted.

The Debtors are currently funding post-petition operations under a temporary cash collateral order from the Court and loans pursuant to the DIP Credit Agreement. There can be no assurance that such cash collateral funds will be sufficient to meet the Company s reorganization or ongoing cash needs or that the Company will be successful in extending the duration of the temporary cash collateral order with the Court to continue operating as debtors-in-possession, or that the Company will remain in compliance with all necessary terms and conditions of the DIP Credit Agreement or that the lending commitments under the DIP Credit Agreement will not be terminated by the lenders.

The Company s non-debtor subsidiaries, primarily non-U.S. subsidiaries, have been excluded from the Chapter 11 Proceedings and are funding their operations through cash generated from operating activities supplemented by customer support agreements and local financing arrangements or through cash transfers from the Debtors subject to specific authorization from the Court.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

DIP Credit Agreement

On November 18, 2009, the Company entered into a $150 million Senior Secured Super Priority Priming Debtor in Possession Credit and Guaranty Agreement, with certain subsidiaries of the Company, a syndicate of lenders, and Wilmington Trust FSB, as administrative agent. The Company s domestic subsidiaries that are also debtors and debtors-in-possession are guarantors under the DIP Credit Agreement. Borrowings under the DIP Credit Agreement are secured by, among other things, a first priority perfected security interest in assets that constitute first priority collateral under pre-petition secured term loans, as well as a second priority perfected security interest in assets that constitute first priority collateral under pre-petition secured asset-based revolving loans.

Also on November 18, 2009, the Company borrowed $75 million under the DIP Credit Agreement. The Company may borrow the remaining $75 million in one additional advance prior to maturity, subject to certain conditions, including a condition that the Company shall not have filed a plan of reorganization that does not provide for full payment of the obligations under the DIP Credit Agreement in cash by the effective date of such plan. Borrowings under the DIP Credit Agreement are to be used to finance working capital, capital expenditures and other general corporate purposes in accordance with an approved budget.

The DIP Credit Agreement matures and expires on the earliest of (i) May 18, 2010; provided, that the Company may extend it an additional three months, (ii) the effective date of the Company s plan of reorganization, and (iii) the date a sale or sales of all or substantially all of the Company s and guarantors assets is or are consummated under section 363 of the Bankruptcy Code. Borrowings under the DIP Credit Agreement are issued at a 2.75% discount and bear interest at variable rates equal to (i) 6.50% (or 8.50% in the event a default), plus (ii) a Eurodollar rate (subject to a floor of 3.00% per annum). The Company will also pay a fee of 1.00% per annum on the unused portion of the $150 million available, payable monthly in arrears.

Letter of Credit Reimbursement and Security Agreement

On November 16, 2009, the Company entered into a $40 million Letter of Credit (LOC) Reimbursement and Security Agreement (the LOC Agreement), with certain subsidiaries of the Company and US Bank National Association as a means of providing financial assurances to a variety of service providers that support daily operations. The agreement has an expiration date of September 30, 2010 and is under the condition that a collateral account is maintained (with US Bank) equal to 103% of the aggregated stated amount of the LOCs with reimbursement of any draws. As of December 31, 2009, the Company has $13 million of outstanding letters of credit issued under this facility and secured by restricted cash.

Cash Collateral Order and Term Loan Stipulation

On May 28, 2009, the Debtors filed a motion with the Court seeking an order authorizing the Debtors to provide Ford, the secured lender under the ABL Credit Agreement, certain forms of adequate protection in exchange for the consensual use of Ford s Cash Collateral (as defined in the ABL Credit Agreement). On May 29, 2009, the Court entered an interim order (the first in a series of such orders) authorizing the Debtors use of Ford s Cash Collateral and certain other pre-petition collateral (as defined in that order). Such order also granted adequate protection to Ford for any diminution in the value of its interests in its collateral, whether from the use of the cash collateral or the use, sale, lease, depreciation or other diminution in value of its collateral, or as a result of the imposition of the automatic stay under section 362(a) of the Bankruptcy Code. Specifically, subject to certain conditions, adequate protection provided to Ford included, but was not limited to, a first priority, senior and perfected lien on certain post-petition collateral of

the same nature as Ford s pre-petition collateral, a second priority, junior perfected lien on certain collateral subject to liens held by the Debtors term loan secured lenders, and payment of accrued and unpaid interest and fees owing Ford on pre-petition asset-backed revolving credit facility obligations.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

On June 19, 2009, the Court entered a first supplemental interim order authorizing the use of Ford s cash collateral and granting adequate protection on substantially the same terms as those set forth in the interim cash collateral order previously entered. Thereafter, the Debtors sought, and the Court approved ten supplemental interim orders extending the consensual use of Ford s Cash Collateral, generally on a monthly basis and materially consistent with the terms of preceding interim cash collateral orders. As of December 31, 2009, such cash collateral amounted to approximately $374 million, which includes restricted cash of $80 million.

On May 29, 2009, Wilmington Trust FSB, as administrative agent for the Debtors term loan secured lenders, filed a motion with the Court seeking adequate protection of these lenders collateral including, but not limited to, intellectual property, equity in foreign subsidiaries and intercompany debt owed by foreign subsidiaries, as well as certain cash flows associated with such collateral (the Motion for Adequate Protection). Contemporaneously with entering the Third Supplemental Interim Cash Collateral Order, the Court entered a final order in connection with the Motion for Adequate Protection (the Stipulation, Agreement, and Final Order). The Stipulation, Agreement, and Final Order authorizes the Debtors to use the cash collateral and certain other pre-petition collateral (as defined in the Stipulation, Agreement, and Final Order) of the term loan secured lenders and grants adequate protection to these lenders for any diminution in the value of their interests in their collateral, whether from the use of the cash collateral or the use, sale, lease, depreciation or other diminution in value of their collateral, or as a result of the imposition of the automatic stay under section 362(a) of the Bankruptcy Code. Specifically, subject to certain conditions, adequate protection provided to the term loan secured lenders included, but was not limited to, replacement liens and adequate protection payments in the form of cash payments of the reasonable and documented fees, costs and expenses of the term loan secured lenders professionals (as defined in the Stipulation, Agreement, and Final Order) employed in connection with the Debtors chapter 11 cases. As of December 31, 2009, the term loan secured lenders cash collateral amounted to approximately $34 million, which was recorded as Restricted cash on the Company s consolidated balance sheet.

Foreign Funding Order

On May 29, 2009, the Court entered an interim order authorizing the Debtors to maintain funding to, and the guarantee of, cash pooling arrangements in Europe, or, alternatively, to fund participants of such arrangements directly, and to continue to honor pre-petition obligations owing to certain non-Debtor subsidiaries in Mexico and Europe up to an aggregate amount of $92 million. On July 16, 2009, such interim order was replaced with a final order. On July 28, 2009, the Court entered a final order increasing the amount which the Debtors are authorized to pay to honor pre-petition obligations owing to certain non-Debtor subsidiaries in Mexico and Europe up to an aggregate amount of $138 million (which amount includes the $92 million previously authorized by the Court).

Customer Accommodation Agreements

The Company has entered into accommodation and other support agreements with certain North American and European customers that provide for additional liquidity through cash surcharge payments, payments for research and engineering costs, accelerated payment terms, asset sales and other commercial arrangements.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Cash Flows

Operating Activities

Cash provided from operating activities during 2009 totaled $141 million, compared with a use of $116 million for the same period in 2008. The increase is primarily due to higher net income, as adjusted for non-cash items, the impact of the automatic stay on accounts payable and interest, customer accommodation and support agreement payments, lower annual incentive compensation payments and a decrease in recoverable tax assets, partially offset by trade payable term contraction and lower restructuring charges as compared to cash payments.

Investing Activities

Cash used in investing activities was $123 million during 2009, compared with $208 million for the same period in 2008. The decrease in cash usage resulted from lower capital expenditures, which decreased to $151 million in 2009 compared with $294 million in the same period of 2008, partially offset by investments in joint ventures, a decrease in proceeds from divestitures and asset sales and $11 million of cash associated with the deconsolidation of the UK Debtor. The proceeds from divestitures and asset sales for 2009 totaled $69 million, which included proceeds from the Nissan divestiture compared to $83 million for the same period of 2008, which included proceeds from the divestiture of the North America aftermarket business. The Company s credit agreements limit the amount of capital expenditures the Company may make.

Financing Activities

Cash used by financing activities totaled $259 million in 2009, compared with $193 million in the same period of 2008. Cash used by financing activities during 2009 primarily resulted from the requirement for $133 million to be classified as restricted cash, primarily pursuant to the Company s Credit Agreement and cash collateral orders of the Court, repayment of the borrowings under the European Securitization, pay down of the Halla Climate Control Corporation bonds due in November 2009, a decrease in book overdrafts and dividends to minority shareholders, partially offset by additional borrowing under the U.S. ABL facility and DIP Credit Agreement. Cash used by financing activities decreased by $66 million when compared to $193 million used by financing activities during 2008, which included the purchase of $344 million in aggregate principal amount of the Company s 8.25% notes and issuance of $206.4 million in aggregate principal amount of 12.25% notes, reductions in affiliate debt, a decrease in book overdrafts and dividends to minority shareholders, partially offset by a $75 million draw on the Company s ABL Facility. The Company s credit agreements limit the amount of cash payments for dividends the Company may make.

Debt and Capital Structure

Debt

Under section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against a debtor, including most actions to collect pre-petition indebtedness or to exercise control over the property of the debtor s estate. Absent an order of the Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization. Substantially all of the Company s pre-petition debt is in default, including $1.5 billion principal amount due under the seven-year secured term loans due 2013; $862 million principal amount under various unsecured notes due 2010, 2014 and 2016; and $127 million of other secured and unsecured borrowings. Debt discounts of $8 million, deferred financing costs of $14 million and losses on terminated interest rate swaps of

$23 million are no longer being amortized and have been included as adjustments to the net carrying value of the related pre-petition debt.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Information related to the Company s debt and related agreements is set forth in Note 13 Debt to the consolidated financial statements which are included in Item 8 Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Covenants and Restrictions

The DIP Credit Agreement contains, among other things, conditions precedent, covenants, representations and warranties and events of default customary for facilities of this type. Such covenants include the requirement to provide certain financial reports, use of the proceeds of certain sales of collateral to prepay outstanding loans, certain restrictions on the incurrence of indebtedness, guarantees, liens, acquisitions and other investments, mergers, consolidations, liquidations and dissolutions, sales of assets, dividends and other repayments in respect of capital stock, capital expenditures, transactions with affiliates, hedging arrangements, negative pledge clauses, payment of expenses and disbursements other than those reflected in an agreed upon budget, subsidiary distributions and the activities of certain holding company subsidiaries, subject to certain exceptions.

Under certain conditions the lending commitments under the DIP Credit Agreement may be terminated by the lenders and amounts outstanding under the DIP Credit Agreement may be accelerated, subject to notice and cure periods in certain cases. Such events of default include, but are not limited to, failure to pay any principal, interest or fees when due, failure to comply with covenants, breach of representations or warranties in any material respect, failure to comply with the agreed upon budget, within agreed variances, certain changes in the Company s bankruptcy case or new or existing orders of the Court, or the U.S. dollar equivalent market value of the Company s ownership interest in Halla Climate Control Corporation closing on the KOSPI below $300 million for three consecutive trading days.

The obligations under the pre-petition term loan are secured by a first-priority lien on certain assets of the Company and most of its domestic subsidiaries, including intellectual property, intercompany debt, the capital stock of nearly all direct and indirect domestic subsidiaries and at least 65% of the stock of most foreign subsidiaries and 100% of the stock of certain foreign subsidiaries that are guarantors, as well as a second-priority lien on substantially all other material tangible and intangible assets of the Company and most of its domestic subsidiaries.

The obligations under the pre-petition ABL Facility are secured by a first-priority lien on certain assets of the Company and most of its domestic subsidiaries, including real property, accounts receivable, inventory, equipment and other tangible and intangible property, including the capital stock of nearly all direct and indirect domestic subsidiaries (other than those domestic subsidiaries the sole assets of which are capital stock of foreign subsidiaries), as well as a second-priority lien on substantially all other material tangible and intangible assets of the Company and most of its domestic subsidiaries which secure the Company s term loan credit agreement.

The terms relating to both pre-petition credit agreements specifically limit the obligations to be secured by a security interest in certain U.S. manufacturing properties and intercompany indebtedness and capital stock of U.S. manufacturing subsidiaries in order to ensure that, at the time of any borrowing under the Credit Agreement and other credit lines, the amount of the applicable borrowing which is secured by such assets (together with other borrowings which are secured by such assets and obligations in respect of certain sale-leaseback transactions) do not exceed 15% of Consolidated Net Tangible Assets (as defined in the indenture applicable to the Company s outstanding bonds and debentures).

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The credit agreements contain, among other things, mandatory prepayment provisions for certain asset sales, recovery events, equity issuances and debt incurrence, covenants, representations and warranties and events of default customary for facilities of this type. Such covenants include certain restrictions on the incurrence of additional indebtedness, liens, acquisitions and other investments, mergers, consolidations, liquidations and dissolutions, sales of assets, dividends and other repurchases in respect of capital stock, voluntary prepayments of certain other indebtedness, capital expenditures, transactions with affiliates, changes in fiscal periods, hedging arrangements, lines of business, negative pledge clauses, subsidiary distributions and the activities of certain holding company subsidiaries, subject to certain exceptions. The ability of the Company s subsidiaries to transfer assets is subject to various restrictions, including regulatory, governmental and contractual restraints.

Under certain conditions amounts outstanding under the credit agreements may be accelerated. Bankruptcy and insolvency events with respect to the Company or certain of its subsidiaries will result in an automatic acceleration of the indebtedness under the credit agreements. Subject to notice and cure periods in certain cases, other events of default under the credit agreements will result in acceleration of indebtedness under the credit agreements at the option of the lenders. Such other events of default include failure to pay any principal, interest or other amounts when due, failure to comply with covenants, breach of representations or warranties in any material respect, non-payment or acceleration of other material debt, entry of material judgments not covered by insurance or a change of control of the Company.

Off-Balance Sheet Arrangements

The Company has guaranteed approximately $34 million for lease payments related to its subsidiaries. During January 2009, the Company reached an agreement with the Pension Benefit Guaranty Corporation (PBGC) pursuant to U.S. federal pension law provisions that permit the agency to seek protection when a plant closing results in termination of employment for more than 20 percent of employees covered by a pension plan. In connection with this agreement, the Company agreed to provide a guarantee by certain affiliates of certain contingent pension obligations of up to $30 million.

These guarantees have not, nor does the Company expect they are reasonably likely to have, a material current or future effect on the Company s financial position, results of operations or cash flows.

Fair Value Measurements

The Company uses fair value measurements in the preparation of its financial statements, which utilize various inputs including those that can be readily observable, corroborated or are generally unobservable. The Company utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Company applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. The primary financial instruments that are recorded at fair value in the Company s financial statements are derivative instruments.

Financial assets and liabilities are categorized, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs.

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Company s use of derivative instruments creates exposure to credit loss in the event of nonperformance by the counterparty to the derivative financial instruments. The Company limits this exposure by entering into agreements directly with a variety of major financial institutions with high credit standards and that are expected to fully satisfy their obligations under the contracts. Fair value measurements related to derivative assets take into account the non-performance risk of the respective counterparty, while derivative liabilities take into account the non-performance risk of the Company and its foreign affiliates.

The fair values of derivative instruments are determined under an income approach using industry-standard models that consider various assumptions, including time value, volatility factors, current market and contractual prices for the underlying and counterparty non-performance risk. Substantially all of which are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace, therefore are categorized as Level 2 assets or liabilities in the fair value hierarchy. The hypothetical gain or loss from a 100 basis point change in non-performance risk would be less than $1 million for the fair value of foreign currency derivatives and net interest rate swaps as of December 31, 2009.

Critical Accounting Estimates

The Company s consolidated financial statements and accompanying notes as included in Item 8 Financial Statements and Supplementary Data of this Annual Report on Form 10-K have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). Accordingly, the Company s significant accounting policies have been disclosed in the consolidated financial statements and accompanying notes under Note 2 Summary of Significant Accounting Policies. The Company provides enhanced information that supplements such disclosures for accounting estimates when:

- The estimate involves matters that are highly uncertain at the time the accounting estimate is made; and
- Different estimates or changes to an estimate could have a material impact on the reported financial position, changes in financial condition or results of operations.

When more than one accounting principle, or the method of its application, is generally accepted, management selects the principle or method that it considers to be the most appropriate given the specific circumstances. Application of these accounting principles requires the Company s management to make estimates about the future resolution of existing uncertainties. Estimates are typically based upon historical experience, current trends, contractual documentation and other information, as appropriate. Due to the inherent uncertainty involving estimates, actual results reported in the future may differ from those estimates. In preparing these financial statements, management has made its best estimates and judgments of the amounts and disclosures in the financial statements.

Pension Plans and Other Postretirement Employee Benefit Plans

The determination of the Company s obligation and expense for its pension and other postretirement employee benefits, such as retiree health care and life insurance, is dependent on the Company s selection of certain assumptions used by actuaries in calculating such amounts. Selected assumptions are described in Note 14 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, which are incorporated herein by reference, including the

discount rate, expected long-term rate of return on plan assets and rates of increase in compensation and health care costs.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In accordance with accounting principles generally accepted in the United States, actual results that differ from assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense in future periods. Therefore, assumptions used to calculate benefit obligations as of the annual measurement date directly impact the expense to be recognized in future periods. The primary assumptions affecting the Company s accounting for employee benefits as of December 31, 2009 are as follows:

Long-term rate of return on plan assets: The expected long-term rate of return is used to calculate net periodic pension cost. The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. The expected long-term rate of return for pension assets has been chosen based on various inputs, including historical returns for the different asset classes held by the Company s trusts and its asset allocation, as well as inputs from internal and external sources regarding expected capital market returns, inflation and other variables. In determining its pension expense for 2009, the Company used long-term rates of return on plan assets ranging from 4.5% to 10.25% outside the U.S. and 8.1% in the U.S.

Actual returns on U.S. pension assets for 2009, 2008 and 2007 were 7.5%, (7.9%) and 8%, respectively, compared to the expected rate of return assumption of 8.1%, 8.25% and 8% respectively, for each of those years. The Company s market-related value of pension assets reflects changes in the fair value of assets over a five-year period, with a one-third weighting to the most recent year.

Discount rate: The discount rate is used to calculate pension and postretirement employee benefit obligations. The discount rate assumption is based on market rates for a hypothetical portfolio of high-quality corporate bonds rated Aa or better with maturities closely matched to the timing of projected benefit payments for each plan at its annual measurement date. The Company used discount rates ranging from 1.8% to 10.4% to determine its pension and other benefit obligations as of December 31, 2009, including weighted average discount rates of 5.95% for U.S. pension plans, 6.1% for non-U.S. pension plans, and 5.7% for postretirement employee health care and life insurance plans.

Health care cost trend: For postretirement employee health care plan accounting, the Company reviews external data and Company specific historical trends for health care costs to determine the health care cost trend rate assumptions. In determining the accumulated postretirement benefit obligations for postretirement employee health care plans as of December 31, 2009, the Company used weighted average health care cost trend rates of 8.3%, declining to an ultimate trend rate of 5.25% in 2015.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

While the Company believes that these assumptions are appropriate, significant differences in actual experience or significant changes in these assumptions may materially affect the Company s pension and other postretirement employee benefit obligations and its future expense. The following table illustrates the sensitivity to a change in certain assumptions for Company sponsored U.S. and non-U.S. pension plans on its 2009 funded status and 2010 pre-tax pension expense (excludes certain salaried employees that are covered by a Ford sponsored plan):

	Impact on U.S. 2010 Pre-tax Pension Expense	Impact on U.S. Plan 2009 Funded Status	Impact on Non-U.S. 2010 Pre-tax Pension Expense	Impact on Non-U.S. Plan 2009 Funded Status
25 basis point decrease in discount rate(a)	+$1 million	−$46 million	+less than $1 million	−$18 million
25 basis point increase in discount rate(a)	−$1 million	+$43 million	−less than $1 million	+$17 million
25 basis point decrease in expected return on assets(a)	+$2 million		+$1 million	
25 basis point increase in expected return on assets(a)	−$2 million		−$1 million	

(a) Assumes all other assumptions are held constant.

The following table illustrates the sensitivity to a change in the discount rate assumption related to Visteon sponsored postretirement employee health care and life insurance plans expense (excludes certain salaried employees that are covered by a Ford sponsored plan):

	Impact on 2010 Pre-tax OPEB Expense	Impact on Visteon Sponsored Plan 2009 Funded Status
25 basis point decrease in discount rate(a)	+less than $ 1 million	−$ 1 million
25 basis point increase in discount rate(a)	−less than $ 1 million	+$ 1 million

(a) Assumes all other assumptions are held constant.

The following table illustrates the sensitivity to a change in the assumed health care trend rate related to Visteon sponsored postretirement employee health expense (excludes certain salaried employees that are covered by a Ford sponsored plan):

	Total Service and Interest Cost	**APBO**
100 basis point increase in health care trend rate(a)	+$ 1 million	+$ 6 million
100 basis point decrease in health care trend rate(a)	−$ 1 million	−$ 5 million

(a) Assumes all other assumptions are held constant.

Impairment of Long-Lived Assets and Certain Identifiable Intangibles

Long-lived assets and intangible assets subject to amortization are required to be reviewed for impairment when certain indicators of impairment are present. Impairment exists if estimated future undiscounted cash flows associated with long-lived assets are not sufficient to recover the carrying value of such assets. Generally, when impairment exists the long-lived assets are adjusted to their respective fair values.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In assessing long-lived assets for an impairment loss, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Asset grouping requires a significant amount of judgment. Accordingly, facts and circumstances will influence how asset groups are determined for impairment testing. In assessing long-lived assets for impairment, management considered the Company s product line portfolio, customers and related commercial agreements, labor agreements and other factors in grouping assets and liabilities at the lowest level for which identifiable cash flows are largely independent. Additionally, in determining fair value of long-lived assets, management uses appraisals, management estimates or discounted cash flow calculations.

Product Warranty and Recall

The Company accrues for warranty obligations for products sold based on management estimates, with support from the Company s sales, engineering, quality and legal functions, of the amount that eventually will be required to settle such obligations. This accrual is based on several factors, including contractual arrangements, past experience, current claims, production changes, industry developments and various other considerations.

The Company accrues for product recall claims related to potential financial participation in customers actions to provide remedies related primarily to safety concerns as a result of actual or threatened regulatory or court actions or the Company s determination of the potential for such actions. The Company accrues for recall claims for products sold based on management estimates, with support from the Company s engineering, quality and legal functions. Amounts accrued are based upon management s best estimate of the amount that will ultimately be required to settle such claims.

Environmental Matters

The Company is subject to the requirements of federal, state, local and international 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 is aware of contamination at some of its properties and relating to various third-party Superfund sites at which the Company or its predecessor has been named as a potentially responsible party. The Company is in various stages of investigation and cleanup at these sites. At December 31, 2009, the Company 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.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Income Taxes

The Company is subject to income taxes in the U.S. and numerous non-U.S. jurisdictions. Significant judgment is required in determining the Company s worldwide provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against the Company s net deferred tax assets. Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance to reduce deferred tax assets when, based on all available evidence, both positive and negative, it is more likely than not that such assets will not be realized. This assessment, which is completed on a jurisdiction-by-jurisdiction basis, requires significant judgment, and in making this evaluation, the evidence considered by the Company includes, historical and projected financial performance, as well as the nature, frequency and severity of recent losses along with any other pertinent information.

In the ordinary course of the Company s business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. Accruals for tax contingencies are provided for as it relates to income tax risks and non-income tax risks, where appropriate.

Recent Accounting Pronouncements

See Note 3 Recent Accounting Pronouncements to the accompanying consolidated financial statements under Item 8 Financial Statements and Supplementary Data of this Annual Report on Form 10-K for a discussion of recent accounting pronouncements.

FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated in this Annual Report on Form 10-K which are not statements of historical fact constitute Forward-Looking Statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Reform Act). Forward-looking statements give current expectations or forecasts of future events. Words such as anticipate , expect , intend , plan , believe , seek , estimate and other words and terms of simila connection with discussions of future operating or financial performance signify forward-looking statements. These statements reflect the Company s current views with respect to future events and are based on assumptions and estimates, which are subject to risks and uncertainties including those discussed in Item 1A under the heading Risk Factors and elsewhere in this report. Accordingly, undue reliance should not be placed on these forward-looking statements. Also, these forward-looking statements represent the Company s estimates and assumptions only as of the date of this report. The Company does not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statement is made and qualifies all of its forward-looking statements by these cautionary statements.

You should understand that various factors, in addition to those discussed elsewhere in this document, could affect the Company s future results and could cause results to differ materially from those expressed in such forward-looking statements, including:

Visteon s ability to satisfy its future capital and liquidity requirements; Visteon s ability to access the credit and capital markets at the times and in the amounts needed and on terms acceptable to Visteon; Visteon s ability to

comply with covenants applicable to it; and the continuation of acceptable supplier payment terms.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The potential adverse impact of the Chapter 11 Proceedings on Visteon s business, financial condition or results of operations, including its ability to maintain contracts and other customer and vendor relationships that are critical to its business and the actions and decisions of its creditors and other third parties with interests in the Chapter 11 Proceedings.

Visteon s ability to maintain adequate liquidity to fund its operations during the Chapter 11 Proceedings and to fund a plan of reorganization and thereafter, including obtaining sufficient exit financing; maintaining normal terms with its vendors and service providers during the Chapter 11 Proceedings and complying with the covenants and other terms of its financing agreements.

Visteon s ability to obtain court approval with respect to motions in the Chapter 11 Proceedings prosecuted from time to time and to develop, prosecute, confirm and consummate one or more plans of reorganization with respect to the Chapter 11 Proceedings and to consummate all of the transactions contemplated by one or more such plans of reorganization or upon which consummation of such plans may be conditioned.

Visteon s ability to satisfy its pension and other postemployment benefit obligations, and to retire outstanding debt and satisfy other contractual commitments, all at the levels and times planned by management.

Visteon s ability to access funds generated by its foreign subsidiaries and joint ventures on a timely and cost effective basis.

Changes in the operations (including products, product planning and part sourcing), financial condition, results of operations or market share of Visteon s customers, particularly its largest customer, Ford.

Changes in vehicle production volume of Visteon s customers in the markets where it operates, and in particular changes in Ford s and Hyundai Kia s vehicle production volumes and platform mix.

Visteon s ability to profitably win new business from customers other than Ford and to maintain current business with, and win future business from, Ford, and, Visteon s ability to realize expected sales and profits from new business.

Increases in commodity costs or disruptions in the supply of commodities, including steel, resins, aluminum, copper, fuel and natural gas.

Visteon s ability to generate cost savings to offset or exceed agreed upon price reductions or price reductions to win additional business and, in general, improve its operating performance; to achieve the benefits of its restructuring actions; and to recover engineering and tooling costs and capital investments.

Visteon s ability to compete favorably with automotive parts suppliers with lower cost structures and greater ability to rationalize operations; and to exit non-performing businesses on satisfactory terms, particularly due to limited flexibility under existing labor agreements.

Restrictions in labor contracts with unions that restrict Visteon s ability to close plants, divest unprofitable, noncompetitive businesses, change local work rules and practices at a number of facilities and implement cost-saving measures.

The costs and timing of facility closures or dispositions, business or product realignments, or similar restructuring actions, including potential asset impairment or other charges related to the implementation of these actions or other adverse industry conditions and contingent liabilities.

Significant changes in the competitive environment in the major markets where Visteon procures materials, components or supplies or where its products are manufactured, distributed or sold.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Legal and administrative proceedings, investigations and claims, including shareholder class actions, inquiries by regulatory agencies, product liability, warranty, employee-related, environmental and safety claims and any recalls of products manufactured or sold by Visteon.

Changes in economic conditions, currency exchange rates, changes in foreign laws, regulations or trade policies or political stability in foreign countries where Visteon procures materials, components or supplies or where its products are manufactured, distributed or sold.

Shortages of materials or interruptions in transportation systems, labor strikes, work stoppages or other interruptions to or difficulties in the employment of labor in the major markets where Visteon purchases materials, components or supplies to manufacture its products or where its products are manufactured, distributed or sold.

Changes in laws, regulations, policies or other activities of governments, agencies and similar organizations, domestic and foreign, that may tax or otherwise increase the cost of, or otherwise affect, the manufacture, licensing, distribution, sale, ownership or use of Visteon s products or assets.

Possible terrorist attacks or acts of war, which could exacerbate other risks such as slowed vehicle production, interruptions in the transportation system or fuel prices and supply.

The cyclical and seasonal nature of the automotive industry.

Visteon s ability to comply with environmental, safety and other regulations applicable to it and any increase in the requirements, responsibilities and associated expenses and expenditures of these regulations.

Visteon s ability to protect its intellectual property rights, and to respond to changes in technology and technological risks and to claims by others that Visteon infringes their intellectual property rights.

Visteon s ability to provide various employee and transition services in accordance with the terms of existing agreements between the parties, as well as Visteon s ability to recover the costs of such services.

Visteon s ability to quickly and adequately remediate control deficiencies in its internal control over financial reporting.

Other factors, risks and uncertainties detailed from time to time in Visteon s Securities and Exchange Commission filings.

The risks and uncertainties and the terms of any reorganization plan ultimately confirmed can affect the value of Visteon s various pre-petition liabilities, common stock and/or other securities. No assurance can be given as to what values, if any, will be ascribed in the bankruptcy proceedings to each of these constituencies. A plan of reorganization could result in holders of the Company s liabilities and/or securities receiving no value for their interests. Because of such possibilities, the value of these liabilities and/or securities is highly speculative. Accordingly, the Company urges that caution be exercised with respect to existing and future investments in any of these liabilities and/or securities.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined under Rule 13a-15(f) of the Securities Exchange Act of 1934. Under the supervision and with the participation of the principal executive and financial officers of the Company, an evaluation of the effectiveness of internal control over financial reporting was conducted based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations (the COSO Framework) of the Treadway Commission. Based on the evaluation performed under the COSO Framework as of December 31, 2009, management has concluded that the Company s internal control over financial reporting is effective.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the effectiveness of the Company s internal control over financial reporting as of December 31, 2009, as stated in their report which is included herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Visteon Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders deficit and cash flows present fairly, in all material respects, the financial position of Visteon Corporation and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, Visteon Corporation and certain of its U.S. subsidiaries (the Debtors) voluntarily filed for Chapter 11 bankruptcy protection on May 28, 2009. This action, which was taken primarily as a result of liquidity issues as discussed in Note 1 to the consolidated financial statements, raises substantial doubt about the Company s ability to continue as a going concern. Management s plan in regard to this matter is described in Note 4 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for noncontrolling interests in 2009. As discussed in Notes 14 and 16 to the consolidated financial statements, the Company changed the measurement date for its defined benefit pension and other postretirement plans and its method of accounting for unrecognized tax benefits, respectively, in 2007.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Detroit, Michigan
February 26, 2010

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31		
	2009	2008	2007
	(Dollars in Millions, Except Per Share Amounts)		
Net sales			
Products	$ 6,420	$ 9,077	$ 10,721
Services	265	467	554
	6,685	9,544	11,275
Cost of sales			
Products	5,827	8,621	10,154
Services	261	464	548
	6,088	9,085	10,702
Gross margin	597	459	573
Selling, general and administrative expenses	331	553	636
Restructuring expenses	84	147	152
Reimbursement from escrow account	62	113	142
Reorganization items	60		
Deconsolidation gain	95		
Asset impairments and other gains and (losses)	11	(275)	(95)
Operating income (loss)	290	(403)	(168)
Interest expense	117	215	225
Interest income	11	46	61
Equity in net income of non-consolidated affiliates	80	41	47
Income (loss) from continuing operations before income taxes	264	(531)	(285)
Provision for income taxes	80	116	20
Net income (loss) from continuing operations	184	(647)	(305)
Loss from discontinued operations, net of tax			24
Net income (loss)	184	(647)	(329)
Net income attributable to noncontrolling interests	56	34	43
Net income (loss) attributable to Visteon Corporation	$ 128	$ (681)	$ (372)
Basic and diluted earnings (loss) per share:			
Continuing operations attributable to Visteon Corporation	$ 0.98	$ (5.26)	$ (2.69)

Discontinued operations attributable to Visteon Corporation			(0.18)
Basic and diluted earnings (loss) attributable to Visteon Corporation	$ 0.98	$ (5.26)	$ (2.87)

See accompanying notes to the consolidated financial statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

CONSOLIDATED BALANCE SHEETS

	December 31	
	2009	2008
	(Dollars in Millions)	
ASSETS		
Cash and equivalents	$ 962	$ 1,180
Restricted cash	133	
Accounts receivable, net	1,055	989
Inventories, net	319	354
Other current assets	236	239
Total current assets	2,705	2,762
Property and equipment, net	1,936	2,162
Equity in net assets of non-consolidated affiliates	294	220
Other non-current assets	84	104
Total assets	$ 5,019	$ 5,248
LIABILITIES AND SHAREHOLDERS DEFICIT		
Short-term debt, including current portion of long-term debt and debt in default	$ 225	$ 2,697
Accounts payable	977	1,058
Accrued employee liabilities	161	228
Other current liabilities	302	288
Total current liabilities	1,665	4,271
Long-term debt	6	65
Employee benefits	568	1,031
Deferred tax liabilities	159	139
Other non-current liabilities	257	365
Liabilities subject to compromise	2,819	
Shareholders deficit		
Preferred stock (par value $1.00, 50 million shares authorized, none outstanding)		
Common stock (par value $1.00, 500 million shares authorized, 131 million shares issued and 130 million shares outstanding)	131	131
Stock warrants	127	127
Additional paid-in capital	3,408	3,407
Accumulated deficit	(4,576)	(4,704)
Accumulated other comprehensive income	142	157
Other	(4)	(5)

Total Visteon Corporation shareholders deficit	(772)	(887)
Noncontrolling interests	317	264
Total shareholders deficit	(455)	(623)
Total liabilities and shareholders deficit	$ 5,019	$ 5,248

See accompanying notes to the consolidated financial statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2009	**2008**	**2007**
	(Dollars in Millions)		
Operating Activities			
Net income (loss)	$ 184	$ (647)	$ (329)
Adjustments to reconcile net income (loss) to net cash provided from (used by) operating activities:			
Depreciation and amortization	352	416	472
OPEB and pension amortization and curtailment	(215)	(72)	(29)
Deconsolidation gain	(95)		
Asset impairments and other (gains) and losses	(11)	275	107
Non-cash tax items			(91)
Equity in net income of non-consolidated affiliates, net of dividends remitted	(38)	5	20
Reorganization items	60		
Other non-cash items	8	11	(6)
Changes in assets and liabilities:			
Accounts receivable and retained interests	(127)	509	216
Inventories	33	44	6
Accounts payable	79	(504)	(123)
Postretirement benefits other than pensions	(11)	65	(19)
Income taxes deferred and payable, net	47	30	20
Other assets and other liabilities	(125)	(248)	49
Net cash provided from (used by) operating activities	141	(116)	293
Investing Activities			
Capital expenditures	(151)	(294)	(376)
Acquisitions and investments in joint ventures, net	(30)	(1)	(11)
Proceeds from divestitures and asset sales	69	83	207
Cash associated with deconsolidation and other	(11)	4	3
Net cash used by investing activities	(123)	(208)	(177)
Financing Activities			
Short-term debt, net	(19)	28	33
Cash restriction	(133)		
Proceeds from DIP facility, net of issuance costs	71		
Proceeds from issuance of debt, net of issuance costs	57	260	637
Principal payments on debt	(173)	(88)	(88)
Repurchase of unsecured debt securities		(337)	
Other, including overdrafts	(62)	(56)	(35)

Net cash (used by) provided from financing activities	(259)	(193)	547
Effect of exchange rate changes on cash	23	(61)	38
Net (decrease) increase in cash and equivalents	(218)	(578)	701
Cash and equivalents at beginning of year	1,180	1,758	1,057
Cash and equivalents at end of year	$ 962	$ 1,180	$ 1,758
Supplemental Disclosures:			
Cash paid for interest	$ 126	$ 226	$ 215
Cash paid for income taxes, net of refunds	$ 77	$ 86	$ 91

See accompanying notes to the consolidated financial statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS DEFICIT

	2009	2008	2007
	(Dollars in Millions)		
Common Stock			
Balance at January 1	$ 131	$ 131	$ 131
Balance at December 31	$ 131	$ 131	$ 131
Stock Warrants			
Balance at January 1	$ 127	$ 127	$ 127
Balance at December 31	$ 127	$ 127	$ 127
Additional Paid-In Capital			
Balance at January 1	$ 3,407	$ 3,406	$ 3,398
Stock-based compensation	1	1	8
Balance at December 31	$ 3,408	$ 3,407	$ 3,406
Accumulated Deficit			
Balance at January 1	$ (4,704)	$ (4,016)	$ (3,606)
Net income (loss) attributable to Visteon Corporation	128	(681)	(372)
Adjustment for adoption of a new accounting pronouncement			(34)
Shares issued for stock-based compensation		(7)	(4)
Balance at December 31	$ (4,576)	$ (4,704)	$ (4,016)
Accumulated Other Comprehensive Income (Loss)			
Balance at January 1	$ 157	$ 275	$ (216)
Net foreign currency translation adjustment	(119)	(89)	131
Net change in pension and OPEB obligations	92	(29)	158
Net gain (loss) on derivatives and other	12		(8)
Net other comprehensive income (loss) adjustments	(15)	(118)	281
Cumulative effect of adoption of new accounting pronouncement			210
Balance at December 31	$ 142	$ 157	$ 275
Other Treasury Stock			
Balance at January 1	$ (3)	$ (13)	$ (22)
Shares issued for stock-based compensation			10

Treasury stock activity		(1)	(1)
Restricted stock award activity		11	
Balance at December 31	$ (3)	$ (3)	$ (13)
<u>Other Restricted Stock</u>			
Balance at January 1	$ (2)	$	$
Stock-based compensation, net	1	(2)	
Balance at December 31	$ (1)	$ (2)	$
Total Visteon Corporation Shareholders Deficit	$ (772)	$ (887)	$ (90)
<u>Noncontrolling Interests</u>			
Balance at January 1	$ 264	$ 293	$ 271
Net income	56	34	43
Net foreign currency translation adjustment	11	(49)	3
Net gain (loss) on derivatives and other	(2)	3	(8)
Net other comprehensive income (loss) adjustments	9	(46)	(5)
Dividends to noncontrolling interests	(12)	(17)	(16)
Balance at December 31	$ 317	$ 264	$ 293
Total Shareholders (Deficit) Equity	$ (455)	$ (623)	$ 203
<u>Comprehensive Income (Loss)</u>			
Net income (loss)	$ 184	$ (647)	$ (329)
Net other comprehensive income (loss) adjustments	(6)	(164)	276
Total comprehensive income (loss)	$ 178	$ (811)	$ (53)

See accompanying notes to the consolidated financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Description of Business and Basis of Presentation

Description of the Business

Visteon Corporation (the Company or Visteon) is a leading global supplier of automotive systems, modules and components to global automotive original equipment manufacturers (OEMs). The Company s operations are organized by global product groups including Climate, Electronics and Interiors and are conducted through a network of manufacturing operations, technical centers, service centers and joint ventures in every major geographic region of the world.

Visteon became an independent company when Ford Motor Company and affiliates (Ford or Ford Motor Company) established the Company as a wholly-owned subsidiary in January 2000 and subsequently transferred to the Company the assets and liabilities comprising Ford s automotive components and systems business. Ford completed its spin-off of the Company on June 28, 2000. Prior to incorporation, the Company operated as Ford s automotive components and systems business.

On October 1, 2005, Visteon sold Automotive Components Holdings, LLC (ACH), an indirect, wholly-owned subsidiary of the Company to Ford for cash proceeds of approximately $300 million, as well as the forgiveness of certain other postretirement employee benefit (OPEB) liabilities and other obligations relating to hourly employees associated with ACH, and the assumption of certain other liabilities with respect to ACH (together, the ACH Transactions). The ACH Transactions also provided for the termination of the Hourly Employee Assignment Agreement and complete relief to the Company of all liabilities relating to Visteon-assigned Ford UAW hourly employees. Additionally, on October 1, 2005, Ford acquired from the Company warrants to acquire 25 million shares of the Company s common stock and agreed to provide $550 million (pursuant to the Escrow Agreement and the Reimbursement Agreement) to be used in the Company s further restructuring.

In August 2008, the Company, Ford and ACH amended certain agreements initially completed in connection with the ACH Transactions, including the Escrow Agreement, the Reimbursement Agreement, the Master Services Agreement, dated as of September 30, 2005, as amended, between the Company and ACH (the Master Services Agreement); the Visteon Salaried Employee Lease Agreement, dated as of October 1, 2005, as amended, between the Company and ACH (the Visteon Salaried Employee Lease Agreement); and the Intellectual Property Contribution Agreement, dated as of October 1, 2005, as amended, among the Company, Visteon Global Technologies, Inc., Automotive Components Holdings, Inc. and ACH (the Intellectual Property Contribution Agreement).

The Amended Escrow Agreement The Escrow Agreement was amended to, among other things, provide that Ford contribute an additional $50 million into the escrow account, and to provide that such additional funds shall be available to the Company to fund restructuring and other qualifying costs, as defined within the Escrow Agreement, on a 100% basis. The additional $50 million was funded into the escrow account in August 2008.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1. Description of Business and Basis of Presentation (Continued)

The Amended Reimbursement Agreement The Reimbursement Agreement was amended and restated to, among other things, require Ford to reimburse the Company in full for certain severance expenses and other qualifying termination benefits, as defined in such agreement, relating to the termination of salaried employees who were leased to ACH. Previously, the amount required to be reimbursed by Ford was capped at $150 million, of which the first $50 million was to be funded in total by Ford and the remaining $100 million was to be matched by the Company. Any unused portion of the $150 million as of December 31, 2009 was to be deposited into the escrow account governed by the Escrow Agreement. The Reimbursement Agreement was amended to eliminate the $150 million cap as well as the Company s obligation to match any costs during the term of the agreement. Further, Ford s obligation to deposit remaining funds into the escrow account, which was established pursuant to the Escrow Agreement, was eliminated.

The Amended Master Services Agreement The Master Services Agreement was amended to, among other things, extend the term that Visteon will provide certain services to ACH, Ford and others from December 31, 2009 to January 1, 2011.

The Amended Visteon Salaried Employee Lease Agreement The Visteon Salaried Employee Lease Agreement was amended to, among other things, extend the term that ACH may lease salaried employees of the Company from December 31, 2010 to December 31, 2014.

The Amended Intellectual Property Contribution Agreement The Intellectual Property Contribution Agreement was amended to, among other things, clarify the availability for use by ACH of certain patents, design tools and other proprietary information.

The Company continues to transact a significant amount of ongoing commercial activity with Ford. Product sales, services revenues, accounts receivable, employee benefits and liabilities subject to compromise include amounts from ongoing commercial relations with Ford and are summarized below as adjusted for discontinued operations.

	For the Year Ended December 31		
	2009	2008	2007
	(Dollars in Millions)		
Product sales	$ 1,809	$ 3,095	$ 4,131
Services revenues	$ 261	$ 451	$ 542

	December 31	
	2009	2008
	(Dollars in Millions)	

Accounts receivable, net	$	230	$	174
Employee benefits	$		$	113
Liabilities subject to compromise	$	245	$	

On May 13, 2009, the Company entered into certain transactions whereby Ford purchased, assumed and took an assignment of all of the outstanding loans, obligations and other interests of the lenders under the ABL Credit Agreement. As of December 31, 2009, the balance owed to Ford under the ABL Credit Agreement was approximately $127 million, including $38 million related to unreimbursed draws on letters of credit.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1. Description of Business and Basis of Presentation (Continued)

Reorganization under Chapter 11 of the U.S. Bankruptcy Code

On May 28, 2009 (the Petition Date), 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 reorganization cases are being jointly administered as Case No. 09-11786 under the caption In re Visteon Corporation, et al (hereinafter referred to as the Chapter 11 Proceedings). The Debtors continue to operate their businesses as debtors-in-possession (DIP) under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court. The Company s other subsidiaries, primarily non-U.S. subsidiaries, have been excluded from the Chapter 11 Proceedings and continue to operate their businesses without supervision from the Court and are not subject to the requirements of the Bankruptcy Code.

The Chapter 11 Proceedings were initiated in response to sudden and severe declines in global automotive production during the latter part of 2008 and early 2009 and the adverse impact on the Company s cash flows and liquidity. Under the Chapter 11 Proceedings, the Debtors expect to develop and implement a plan of reorganization to restructure their capital structure and operations. Confirmation of a plan of reorganization could materially change the amounts and classifications reported in the Company s consolidated financial statements, which do not give effect to any adjustments to the carrying values of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a plan of reorganization. Additional details regarding the status of the Company s Chapter 11 Proceedings are included herein under Note 4, Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code, to the consolidated financial statements.

Visteon UK Limited Administration

On March 31, 2009, in accordance with the provisions of the United Kingdom Insolvency Act of 1986 and pursuant to a resolution of the board of directors of Visteon UK Limited, a company organized under the laws of England and Wales (the UK Debtor) and an indirect, wholly-owned subsidiary of the Company, representatives from KPMG (the Administrators) were appointed as administrators in respect of the UK Debtor (the UK Administration). The UK Administration was initiated in response to continuing operating losses of the UK Debtor and mounting labor costs and their related demand on the Company s cash flows, and does not include the Company or any of the Company s other subsidiaries. The effect of the UK Debtor s entry into administration was to place the management, affairs, business and property of the UK Debtor under the direct control of the Administrators. Since their appointment, the Administrators have wound down the business of the UK Debtor and closed its operations in Enfield, UK, Basildon, UK and Belfast, UK, and made the employees redundant. The Administrators continue to realize the UK Debtor s assets, comprised mainly of receivables.

The UK Debtor recorded sales, negative gross margin and net loss of $32 million, $7 million and $10 million, respectively, for the three months ended March 31, 2009. As of March 31, 2009, total assets of $64 million, total liabilities of $132 million and related amounts deferred as Accumulated other comprehensive income of $84 million, were deconsolidated from the Company s balance sheet resulting in a deconsolidation gain of $152 million. The Company also recorded $57 million for contingent liabilities related to the UK Administration, including $45 million

of costs associated with former employees of the UK Debtor, for which the Company was reimbursed from the escrow account on a 100% basis.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1. Description of Business and Basis of Presentation (Continued)

Additional amounts related to these items or other contingent liabilities for potential claims under the UK Administration, which may result from from (i) negotiations; (ii) actions of the Administrators; (iii) resolution of contractual arrangements, including unexpired leases; (iv) assertions by the UK Pensions Regulator; and, (v) material adverse developments; or other events, may be recorded in future periods. No assurance can be provided that the Company will not be subject to future litigation and/or liabilities related to the UK Administration. Additional liabilities, if any, will be recorded when they become probable and estimable and could materially affect the Company s results of operations and financial condition in future periods.

Basis of Presentation

The Company s financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP), consistently applied and on a going concern basis, which contemplates the continuity of operations, realization of assets and satisfaction of liabilities in the normal course of business. However, as a result of the Chapter 11 Proceedings, such realization of assets and satisfaction of liabilities, without substantial adjustments to amounts and/or changes of ownership, is highly uncertain. Given this uncertainty, there is substantial doubt about the Company s ability to continue as a going concern.

The Company s financial statements do not include any adjustments related to assets or liabilities that may be necessary should the Company not be able to continue as a going concern. The appropriateness of using the going concern basis for the Company s financial statements is dependent upon, among other things, the Company s ability to: (i) comply with terms of DIP financing; (ii) comply with various orders entered by the Court in connection with the Chapter 11 Proceedings; (iii) maintain adequate cash on hand; (iv) generate sufficient cash from operations; (v) achieve confirmation of a plan of reorganization under the Bankruptcy Code; and (vi) achieve profitability following such confirmation.

NOTE 2. Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and all subsidiaries that are more than 50% owned and over which the Company exercises control. Investments in affiliates of greater than 20% and for which the Company does not exercise control are accounted for using the equity method. The consolidated financial statements also include the accounts of certain entities in which the Company holds a controlling interest based on exposure to economic risks and potential rewards (variable interests) for which it is the primary beneficiary.

The Company consolidates the accounts of TACO Visteon Engineering Private Limited (TACO), which is a 50% owned joint venture that provides certain computer aided engineering and design services for Visteon along with other manufacturing activities conducted for TATA Autocomp Systems Limited and Visteon. Consolidation of this entity was based on an assessment of the Company s exposure to a majority of the expected losses. As of December 31, 2009, TACO had total assets of $3 million and total liabilities of $2 million. These amounts are recorded at their carrying values which approximates their fair values as of December 31, 2009.

Reclassifications: Certain prior year amounts have been reclassified to conform to current year presentation.

Use of Estimates: The preparation of the financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect amounts reported herein. Management believes that such estimates, judgments and assumptions are reasonable and appropriate. However, due to the inherent uncertainty involved, actual results may differ from those provided in the Company s consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. Summary of Significant Accounting Policies (Continued)

Foreign Currency: Assets and liabilities of the Company s non-U.S. businesses are translated into U.S. Dollars at end-of-period exchange rates and the related translation adjustments are reported in the consolidated balance sheets under the classification of Accumulated other comprehensive income (loss). The effects of remeasurement of assets and liabilities of the Company s non-U.S. businesses that use the U.S. Dollar as their functional currency are included in the consolidated statements of operations as transaction gains and losses. Income and expense elements of the Company s non-U.S. businesses are translated into U.S. Dollars at average-period exchange rates and are reflected in the consolidated statements of operations as part of sales, costs and expenses. Additionally, gains and losses resulting from transactions denominated in a currency other than the functional currency are included in the consolidated statements of operations as transaction gains and losses. Transaction losses of $4 million in 2009, gains of $14 million in 2008 and losses of $6 million in 2007 resulted from the remeasurement of certain deferred foreign tax liabilities and are included within income taxes. Net transaction gains and losses decreased net income or increased net loss by $18 million in 2009 and $3 million in 2008 and decreased net loss by $2 million 2007.

Revenue Recognition: 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. The Company ships product and records revenue pursuant to commercial agreements with its customers generally in the form of an approved purchase order, including the effects of contractual customer price productivity. The Company does negotiate discrete price changes with its customers, which are generally the result of unique commercial issues between the Company and its customers and are generally the subject of specific negotiations between the Company and its customers. The Company records amounts associated with discrete price changes as a reduction to revenue when specific facts and circumstances indicate that a price reduction is probable and the amounts are reasonably estimable. The Company records amounts associated with discrete price changes as an increase to revenue upon execution of a legally enforceable contractual agreement and when collectibility is reasonably assured.

Services revenues are recognized as services are rendered and associated costs of providing such services are recorded as incurred. Services revenues and related costs included approximately $30 million in both 2009 and 2008 and $9 million in 2007 of contractual reimbursement from Ford under the Amended Reimbursement Agreement for costs associated with the separation of ACH leased employees no longer required to provide such services.

Fair Value Measurements: The Company uses fair value measurements in the preparation of its financial statements, which utilize various inputs including those that can be readily observable, corroborated or are generally unobservable. The Company utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Company applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

Cash Equivalents: The Company considers all highly liquid investments purchased with a maturity of three months or less, including short-term time deposits, commercial paper, repurchase agreements and money market funds to be cash equivalents.

Restricted Cash: Restricted cash represents cash designated for uses other than current operations and includes approximately $80 million under the terms of the ABL Credit Agreement, $34 million pursuant to a cash collateral

order of the Court, $13 million related to the Letter of Credit Reimbursement and Security Agreement and $6 million related to cash collateral for other corporate purposes at December 31, 2009.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable are stated at historical value, which approximates fair value. The Company does not generally require collateral from its customers. Accounts receivable are reduced by an allowance for amounts that may be uncollectible in the future. This estimated allowance is determined by considering factors such as length of time accounts are past due, historical experience of write-offs and customer financial condition. If not reserved through specific examination procedures, the Company s general policy for uncollectible accounts is to reserve based upon the aging categories of accounts receivable. Past due status is based upon the invoice date of the original amounts outstanding. Included in selling, general and administrative (SG&A) expenses are provisions for estimated uncollectible accounts receivable of $5 million and $1 million for the years ended December 31, 2009 and 2008, respectively, and recoveries in excess of provisions for estimated uncollectible accounts receivable of $19 million for the year ended December 31, 2007. The allowance for doubtful accounts balance was $23 million and $37 million at December 31, 2009 and 2008, respectively.

Inventories: Inventories are stated at the lower of cost, determined on a first-in, first-out (FIFO) basis, or market. Inventories are reduced by an allowance for excess and obsolete inventories based on management s review of on-hand inventories compared to historical and estimated future sales and usage.

Product Tooling: Product tooling includes molds, dies and other tools used in production of a specific part or parts of the same basic design. It is generally required that non-reimbursable design and development costs for products to be sold under long-term supply arrangements be expensed as incurred and costs incurred for molds, dies and other tools that will be owned by the Company or its customers and used in producing the products under long-term supply arrangements be capitalized and amortized over the shorter of the expected useful life of the assets or the term of the supply arrangement. Contractually reimbursable design and development costs that would otherwise be expensed are recorded as an asset as incurred.

Product tooling owned by the Company is capitalized as property and equipment, and amortized to cost of sales over its estimated economic life, generally not exceeding six years. The net book value of product tooling owned by the Company was $78 million and $90 million as of December 31, 2009 and 2008, respectively. The Company had the following amounts recorded related to production tools in progress, which will not be owned by the Company and for which there is a contractual agreement for reimbursement from the customer; as of December 31, 2009 a net advance payment of approximately $1 million and unbilled receivables of $21 million as of December 31, 2008.

Restructuring: The Company defines restructuring expense to include costs directly associated with exit or disposal activities as defined in GAAP. Such costs include employee severance, special termination benefits, pension and other postretirement benefit plan curtailments and/or settlements, contract termination fees and penalties, and other exit or disposal costs. In general, the Company records employee-related exit and disposal costs when such costs are probable and estimable, with the exception of one-time termination benefits and employee retention costs, which are recorded when earned. Contract termination fees and penalties and other exit and disposal costs are generally recorded when incurred.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. Summary of Significant Accounting Policies (Continued)

Long-Lived Assets and Certain Identifiable Intangibles: Long-lived assets, such as property and equipment and definite-lived intangible assets are stated at cost or fair value for impaired assets. Depreciation or amortization is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes in certain jurisdictions. Long-lived assets and intangible assets subject to amortization are depreciated or amortized over the estimated useful life of the asset.

Asset impairment charges are recorded for long-lived assets and intangible assets subject to amortization when events and circumstances indicate that such assets may be impaired and the undiscounted net cash flows estimated to be generated by those assets are less than their carrying amounts. If estimated future undiscounted cash flows are not sufficient to recover the carrying value of the assets, an impairment charge is recorded for the amount by which the carrying value of the assets exceeds its fair value. The Company classifies assets and liabilities as held for sale when management approves and commits to a formal plan of sale and it is probable that the sale will be completed. The carrying value of the assets and liabilities held for sale are recorded at the lower of carrying value or fair value less cost to sell, and the recording of depreciation is ceased. Fair value is determined using appraisals, management estimates or discounted cash flow calculations.

Capitalized Software Costs: Certain costs incurred in the acquisition or development of software for internal use are capitalized. Capitalized software costs are amortized using the straight-line method over estimated useful lives generally ranging from three to eight years. The net book value of capitalized software costs was approximately $31 million and $57 million at December 31, 2009 and 2008, respectively. Related amortization expense was approximately $27 million, $41 million and $46 million for the years ended December 31, 2009, 2008 and 2007, respectively. Amortization expense of approximately $19 million is expected for 2010 and is expected to decrease to $9 million, $2 million and $1 million for 2011, 2012 and 2013, respectively.

Pensions and Other Postretirement Employee Benefits: Pensions and other postretirement employee benefit costs and related liabilities and assets are dependent upon assumptions used in calculating such amounts. These assumptions include discount rates, expected returns on plan assets, health care cost trends, compensation and other factors. In accordance with GAAP, actual results that differ from the assumptions used are accumulated and amortized over future periods, and accordingly, generally affect recognized expense in future periods.

Product Warranty: The Company accrues for warranty obligations for products sold based on management estimates, with support from its sales, engineering, quality and legal functions, of the amount that eventually will be required to settle such obligations. This accrual is based on several factors, including contractual arrangements, past experience, current claims, production changes, industry developments and various other considerations.

Product Recall: The Company accrues for product recall claims related to probable financial participation in customers actions to provide remedies related primarily to safety concerns as a result of actual or threatened regulatory or court actions or the Company s determination of the potential for such actions. The Company accrues for recall claims for products sold based on management estimates, with support from the Company s engineering, quality and legal functions. Amounts accrued are based upon management s best estimate of the amount that will ultimately be required to settle such claims.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. Summary of Significant Accounting Policies (Continued)

Environmental Costs: Costs related to environmental assessments and remediation efforts at operating facilities, previously owned or operated facilities, and Superfund or other waste site locations are accrued when it is probable that a liability has been incurred and the amount of that liability can be reasonably estimated. Estimated costs are recorded at undiscounted amounts, based on experience and assessments and are regularly evaluated. The liabilities are recorded in other current liabilities and other non-current liabilities in the Company s consolidated balance sheets.

Income Taxes: Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance to reduce deferred tax assets when it is more likely than not that such assets will not be realized. This assessment requires significant judgment, and must be done on a jurisdiction-by-jurisdiction basis. In determining the need for a valuation allowance, all available positive and negative evidence, including historical and projected financial performance, is considered along with any other pertinent information. Additionally, deferred taxes have been provided for the net effect of repatriating earnings from consolidated and unconsolidated foreign affiliates, except for approximately $276 million of the Company s share of Korean earnings considered permanently reinvested. If these earnings were repatriated, additional withholding tax expense of approximately $30 million would have been incurred.

Debt Issuance Costs: The costs related to the issuance or modification of long-term debt are deferred and amortized into interest expense over the life of each debt issue. Deferred amounts associated with debt extinguished prior to maturity are expensed.

Other Costs: Advertising and sales promotion costs, repair and maintenance costs, research and development costs, and pre-production operating costs are expensed as incurred. Research and development expenses include salary and related employee benefits, contractor fees, information technology, occupancy, telecommunications and depreciation. Advertising costs were approximately $1 million in 2009, $2 million in 2008 and $3 million in 2007. Research and development costs were $328 million in 2009, $434 million in 2008 and $510 million in 2007. Shipping and handling costs are recorded in the Company s consolidated statements of operations as Cost of sales.

Financial Instruments: The Company uses derivative financial instruments, including forward contracts, swaps and options, to manage exposures to changes in currency exchange rates and interest rates. All derivative financial instruments are classified as held for purposes other than trading. The Company s policy specifically prohibits the use of derivatives for speculative purposes.

NOTE 3. Recent Accounting Pronouncements

In July 2009, the Financial Accounting Standards Board (FASB) issued the FASB Accounting Standards Codification (ASC) as the only authoritative source of generally accepted accounting principles. The ASC is effective for interim and annual reporting periods ending after September 15, 2009. The Company implemented use of the ASC without a significant impact on its consolidated financial statements.

In June 2009, the FASB issued guidance which amends the consolidation provisions that apply to Variable Interest Entities (VIEs). This guidance is effective for fiscal years that begin after November 15, 2009 and the Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3. Recent Accounting Pronouncements (Continued)

In June 2009, the FASB issued guidance which revised the accounting for transfers and servicing of financial assets. This guidance is effective for fiscal years that begin after November 15, 2009 and the Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

In May 2009 the FASB issued guidance requiring disclosures on management s assessment of subsequent events, the Company adopted this guidance on a prospective basis as of April 1, 2009 without material impact on its consolidated financial statements.

In connection with ASC Topic 820, Fair Value Measurements and Disclosures, (ASC 820) which defines fair value, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurements, the Company provided expanded disclosures as of January 1, 2008 without a material impact on its consolidated financial statements. The application of ASC 820 to the Company s nonfinancial assets and liabilities did not impact the Company s consolidated financial statements. The Company also adopted guidance on estimating fair value when the volume and level of activity have significantly decreased and on identifying circumstances that indicate a transaction is not orderly as of June 30, 2009 without material impact on its consolidated financial statements.

In April 2009, the FASB issued guidance requiring disclosures around the fair value of financial instruments for interim reporting periods, including (a) the fair value at the period end and (b) the methods and assumptions used to calculate the fair value. The Company adopted this guidance without a material impact on its consolidated financial statements.

In December 2008, the FASB issued guidance requiring disclosure of (a) how pension plan asset investment allocation decisions are made, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets and (e) significant concentrations of risk within plan assets. These disclosures have been provided by the Company, as more fully described in Note 19, Fair Value Measurements to the consolidated financial statements.

In March 2008, the FASB issued guidance requiring disclosure of (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for and (c) how derivative instruments and related hedged items affect an entity s financial position, results of operations and cash flows. These disclosures were provided by the Company on a prospective basis with effect from January 1, 2009, as more fully described in Note 20 Financial Instruments to the consolidated financial statements.

Effective January 1, 2009, the Company adopted new FASB guidance on the accounting and reporting for business combination transactions and noncontrolling interests. In adopting the new FASB guidance on noncontrolling interests, the Company adjusted its previously reported Net loss on the consolidated statements of operations for the years ended December 31, 2008 and 2007 to include net income attributable to noncontrolling interests (previously Minority interests in consolidated subsidiaries) and reclassified amounts attributable to noncontrolling interests on the consolidated balance sheets (previously Minority interests in consolidated subsidiaries) to Shareholders Deficit.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code

On May 28, 2009, the Debtors filed voluntary petitions for reorganization relief under the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The reorganization cases are being jointly administered as Case No. 09-11786 under the caption In re Visteon Corporation, et al. The Debtors continue to operate their businesses as debtors-in-possession under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court. The Company s other subsidiaries, primarily non-U.S. subsidiaries, have been excluded from the Chapter 11 Proceedings and continue to operate their businesses without supervision from the Court and are not subject to the requirements of the Bankruptcy Code.

Implications of Chapter 11 Proceedings

Under section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against a debtor, including most actions to collect pre-petition indebtedness or to exercise control over the property of the debtor s estate. Absent an order of the Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization. While operating as debtors-in-possession under the Bankruptcy Code and subject to approval of the Court or otherwise as permitted in the ordinary course of business, the Debtors, or some of them, may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements. Further, a confirmed plan of reorganization or other arrangement could materially change the amounts and classifications in the historical consolidated financial statements.

Subsequent to the petition date, the Debtors received approval from the Court to pay or otherwise honor certain pre-petition obligations generally designed to stabilize the Debtors operations including employee obligations, tax matters and from limited available funds, pre-petition claims of certain critical vendors, certain customer programs, limited foreign business operations, adequate protection payments and certain other pre-petition claims. Additionally, the Debtors have been paying and intend to continue to pay undisputed post-petition claims in the ordinary course of business.

Section 365 of the Bankruptcy Code permits the Debtors to assume, assume and assign or reject certain pre-petition executory contracts subject to the approval of the Court and certain other conditions. Rejection constitutes a Court-authorized breach of the contract in question and, subject to certain exceptions, relieves the Debtors of their future obligations under such contract but creates a deemed pre-petition claim for damages caused by such breach or rejection. Parties whose contracts are rejected may file claims against the rejecting Debtor for damages. Generally, the assumption, or assumption and assignment, of an executory contract requires a debtor to cure all prior defaults under such executory contract and to provide adequate assurance of future performance. Additional liabilities subject to compromise and resolution in the chapter 11 cases have been asserted as a result of damage claims created by the Debtors rejection of executory contracts.

To successfully emerge from chapter 11, in addition to obtaining exit financing, the Court must confirm a plan of reorganization, the filing of which will depend upon the timing and outcome of numerous ongoing matters in the Chapter 11 Proceedings. A plan of reorganization determines the rights and satisfaction of claims of various creditors and security holders, but the ultimate settlement of those claims will be subject to the uncertain outcome of litigation,

negotiations and Court decisions up to and for a period of time after a plan of reorganization is confirmed. At this time, it is not possible to predict with certainty the effect of the Chapter 11 Proceedings on the Company s business.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code (Continued)

On December 17, 2009, the Debtors filed a plan of reorganization (the Plan) and related disclosure statement (the Disclosure Statement) with the Court. The Plan and Disclosure Statement as filed with the Court outline a proposal for the settlement of claims against the estate of the Debtors based on an estimate of the overall enterprise value. As set forth in the Disclosure Statement, the Plan is predicated on the termination of certain pension plans to ensure the equitization of secured term lender interests. The Plan calls for settlement of the Debtors estate through the split of equity interests in the reorganized Debtors between the secured interests (96%) and the Pension Benefit Guaranty Corporation (4%) on account of its controlled group underfunding claim, which is structurally superior to the claims of other unsecured interests. Disclosure Statement hearings associated with the Plan scheduled for January and February 2010 were postponed to allow more time to consider alternatives to the Plan.

Chapter 11 Financing

The Debtors are currently funding post-petition operations under a temporary cash collateral order from the Court and a $150 million Senior Secured Super Priority Priming Debtor in Possession Credit and Guaranty Agreement (DIP Credit Agreement), under which the Company has borrowed $75 million and may borrow the remaining $75 million in one additional advance prior to maturity, subject to certain conditions. Additional details related to the DIP Credit Agreement are included herein under Note 13, Debt to the consolidated financial statements. The Company s non-debtor subsidiaries, primarily non-U.S. subsidiaries, have been excluded from the Chapter 11 Proceedings and are funding their operations through cash generated from operating activities supplemented by customer support agreements and local financing arrangements or through cash transfers from the Debtors subject to specific authorization from the Court.

There can be no assurance that cash on hand and other available funds will be sufficient to meet the Company s reorganization or ongoing cash needs or that the Company will be successful in extending the duration of the temporary cash collateral order with the Court or that the Company will remain in compliance with all necessary terms and conditions of the DIP Credit Agreement or that the lending commitments under the DIP Credit Agreement will not be terminated by the lenders. Additionally, the Company believes that its presently outstanding equity securities will have no value and will be canceled under any plan of reorganization. For this reason, the Company urges that caution be exercised with respect to existing and future investments in any security of the Company.

Customer Agreements

In connection with the Chapter 11 Proceedings, the Company has entered into various accommodation, support and other agreements with certain North American and European customers that provide for additional liquidity through cash surcharge payments, payments for research and engineering costs, accelerated payment terms, asset sales and other commercial arrangements. Specific customer agreements are as follows:

During July 2009, the Company executed support agreements with certain European customers that provide for, among other things, accelerated payment terms, price increases, restructuring cost reimbursements and settlement payments for invested research and engineering costs and other unrecovered amounts. During 2009 the Company received non-refundable settlement payments of approximately $40 million in connection with these agreements

and anticipates receipt of additional non-refundable settlement payments of approximately $30 million on or before each of June 30, 2010 and June 30, 2011, subject to the terms and conditions of these agreements.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code (Continued)

With effect from October 7, 2009, the date of the final Court order, the Debtors entered into a customer accommodation agreement and related access and security agreement (together, the GM Accommodation Agreement) with General Motors Company (GM). Pursuant to the GM Accommodation Agreement, GM agreed to, among other things, pay approximately $8 million in cash surcharge payments above the purchase order price for GM component parts produced; reimburse up to $10 million for restructuring costs associated with the consolidation of certain of the Company s Mexican facilities; reimburse $4 million in up-front engineering, design and development support costs; accelerate payment terms; reimburse the Company for costs associated with the wind-down of operations related to the production of interior and fuel tank GM component parts; and pay approximately $8 million in cure payments in connection with the assumption and assignment of purchase orders with the Company in the Motors Liquidation Company (f/k/a General Motors Corporation) chapter 11 case. The rights and benefits inuring to the Company and GM pursuant to the GM Accommodation Agreement expire on the earlier of the date that resourcing of production is completed or March 31, 2010.

With effect from November 12, 2009, the date of the final Court order, the Debtors entered into a customer accommodation agreement and related access and security agreement (together, the Chrysler Accommodation Agreement) with Chrysler Group LLC (Chrysler). Pursuant to the Chrysler Accommodation Agreement, Chrysler agreed to, among other things, pay surcharge payments to the Company above the purchase order price for Chrysler component parts produced by the Company in an aggregate amount of $13 million; pay approximately $5 million for the purchase of certain tooling used at the Company s Saltillo, Mexico facility to manufacture Chrysler component parts; purchase certain designated equipment and tooling exclusively used to manufacture Chrysler component parts at the Company s Highland Park, Michigan and Saltillo, Mexico facilities; reimburse the Company for certain costs associated with the wind-down of certain lines of Chrysler component part production; accelerate payment terms; and pay approximately $13 million to the Company as cure payments in connection with the assumption and assignment of purchase orders with the Company in the Old Carco LLC (f/k/a Chrysler LLC) chapter 11 case. The rights and benefits inuring to the Company and Chrysler pursuant to the Chrysler Accommodation Agreement expire on the earlier of the date that resourcing of production is completed or March 31, 2010.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code (Continued)

With effect from November 12, 2009, the date of the final Court order, the Company entered into (i) a customer accommodation agreement and related access and security agreement (together, the Nissan Accommodation Agreement) with Nissan North America, Inc. (Nissan), and (ii) an asset purchase agreement (the Nissan Purchase Agreement) among the Company, GCM-Visteon Automotive Systems, LLC, GCM-Visteon Automotive Leasing Systems, LLC, MIG-Visteon Automotive Systems, LLC, and VC Regional Assembly & Manufacturing, LLC (collectively, the Sellers), Haru Holdings, LLC (the Buyer) and Nissan. Pursuant to the Nissan Accommodation and Purchase Agreements, the Buyer agreed to pay approximately $31 million in cash plus the (a) value of certain off-site tooling and inventory dedicated to Nissan production, (b) approximately $2.5 million in wind-down costs; and (c) the amount of certain receivables from Nissan being acquired under the purchase agreement less the amount of certain payables to Nissan and Nissan affiliates assumed by Nissan. The assets sold to the Buyer, pursuant to the November 30, 2009 asset purchase transaction closing date, were primarily used for the production and assembly of automobile cockpit module, front end module and interior parts for Nissan. The majority of these assets were located at facilities in LaVergne, Tennessee; Smyrna, Tennessee; Tuscaloosa, Alabama; and, Canton, Mississippi. In general, the rights and benefits inuring to the Company and Nissan pursuant to the Nissan Accommodation Agreement expire on the date six months from the effective date of a confirmed plan of reorganization.

With effect from December 10, 2009, the date of the final Court order, the Company entered into a customer accommodation agreement and related access and security agreement with Ford and ACH (the Ford Accommodation Agreement). Pursuant to the Ford Accommodation Agreement, Ford and ACH agreed to provide an exit fee of $8 million, payable in two equal installments. Additionally, the majority of Ford electronic component parts currently manufactured at the Company s Lansdale, Pennsylvania (North Penn) facility will be re-sourced to Cadiz Electronica S.A. and the Company discontinued Ford production at the Springfield, Ohio facility. In connection with the resourcing or transitioning of these product lines, Ford and ACH agreed to purchase certain inventory at cost and have been granted the option to purchase dedicated equipment and tooling. Ford and ACH agreed to fund certain costs associated with resourcing production lines at the Company s North Penn and Springfield facilities. The rights and benefits inuring to the Company, Ford and ACH pursuant to the Ford Accommodation Agreement expire on March 31, 2010, unless otherwise extended by the parties.

Generally, in exchange for benefits under these agreements, the Company has agreed to continue producing and delivering component parts to these customers during the term of the respective agreements; to provide assistance in re-sourcing production to other suppliers; to build inventory banks, as necessary to support transition; to grant customers the option to purchase dedicated equipment and tooling owned by the Company; to grant a right of access to the Company s facilities if the Company ceases production; to grant a security interest in certain operating assets that would be necessary for component part production; and, to provide limited release of certain commercial and other claims and causes of actions, subject to exceptions.

Revenue associated with payments from customers pursuant to these agreements is being recorded in relation to the delivery of associated products, assets and/or services in accordance with the terms of the underlying agreement, or over the estimated duration of the respective benefit to the customer, generally representing the average duration of remaining production on current vehicle platforms. The Company recorded $24 million of revenue associated with

these settlement payments during 2009, with $70 million deferred on the balance sheet at December 31, 2009.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code (Continued)

Financial Statement Classification

Financial reporting applicable to companies in chapter 11 of the Bankruptcy Code generally does not change the manner in which financial statements are prepared. However, it does require, among other disclosures, that the financial statements for periods subsequent to the filing of the chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, revenues, expenses, realized gains and losses and provisions for losses that can be directly associated with the reorganization of the business have been reported separately as Reorganization items in the Company s statement of operations. Reorganization items included in the consolidated statement of operations include costs directly related to the Chapter 11 Proceedings, as follows:

	Year Ended December 31, 2009 (Dollars in Millions)	
Professional fees	$	54
Other direct costs, net		6
	$	60

Cash payments for reorganization costs during the year ended December 31, 2009 were approximately $26 million.

Additionally, pre-petition liabilities subject to compromise under a plan of reorganization have been reported separately from both pre-petition liabilities that are not subject to compromise and from liabilities arising subsequent to the petition date. Liabilities expected to be affected by a plan of reorganization are reported at amounts expected to be allowed, even if they may be settled for lesser amounts. Liabilities subject to compromise as of December 31, 2009 are set forth below and represent the Company s estimate of pre-petition claims to be resolved in connection with the Chapter 11 Proceedings. Such claims remain subject to future adjustments, which may result from (i) negotiations; (ii) actions of the Court; (iii) disputed claims; (iv) rejection of executory contracts and unexpired leases; (v) the determination as to the value of any collateral securing claims; (vi) proofs of claim; or (vii) other events. Liabilities subject to compromise include the following:

	December 31 2009 (Dollars in Millions)	
Debt	$	2,490
Employee liabilities		170

Accounts payable		115
Interest payable		31
Other accrued liabilities		13
	$	2,819

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code (Continued)

Liabilities subject to compromise at June 30, 2009 were $3,142 million. The decrease primarily includes $273 million related to the termination of Company-paid benefits under certain U.S. OPEB plans and the reclassification of $62 million of such benefits from liabilities subject to compromise associated with participants covered by the current collective bargaining agreement at the North Penn facility in Lansdale, Pennsylvania, as such benefits were determined not to be subject to compromise pursuant to a December 2009 Court order. Further details are discussed in Note 14 Employee Retirement Benefits to the consolidated financial statements.

Substantially all of the Company s pre-petition debt is in default, including $1.5 billion principal amount under the seven-year secured term loans due 2013; $862 million principal amount under various unsecured notes due 2010, 2014 and 2016; and $127 million of other secured and unsecured borrowings. Debt discounts of $8 million, deferred financing costs of $14 million and terminated interest rate swaps of $23 million are no longer being amortized and have been included as a valuation adjustment to the related pre-petition debt. Effective May 28, 2009, the Company ceased recording interest expense on outstanding pre-petition debt instruments classified as liabilities subject to compromise. Adequate protection amounts pursuant to the cash collateral order of the Court, and as related to the ABL Credit Agreement have been classified as Interest expense on the Company s consolidated statement of operations. Interest expense on a contractual basis would have been $226 million for the year ended December 31, 2009.

Pre-petition Claims

On August 26, 2009, pursuant to the Bankruptcy Code, the Debtors filed statements and schedules with the Court setting forth the assets and liabilities of the Debtors as of the Petition Date. In September 2009, the Debtors issued approximately 57,000 proof of claim forms to their current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. To the extent that recipients disagree with the claims as quantified on these forms, the recipient may file discrepancies with the Court. Differences between amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the Chapter 11 Proceedings. However, the Court will ultimately determine liability amounts, if any, that will be allowed for these claims. An October 15, 2009 bar date was set for the filing of proofs of claim against the Debtors. Approximately 3,250 proofs of claim totaling approximately $7.9 billion in claims against the Debtors were filed in connection with the October 15, 2009 bar date as follows:

Approximately 55 claims, totaling approximately $5.9 billion, represent term loan and bond debt claims, for which the Company has recorded approximately $2.5 billion as of December 31, 2009, which is included in the Company s consolidated balance sheet as Liabilities subject to compromise. The Company believes claim amounts in excess of those reflected in the financial statements at December 31, 2009 are duplicative and will ultimately be resolved through the plan of reorganization.

Approximately 940 claims, totaling approximately $570 million, which the Company believes should be disallowed by the Court primarily because these claims appear to be duplicative or unsubstantiated claims.

The Debtors have not completed their evaluation of the approximately 2,255 claims remaining, totaling approximately $1.4 billion, alleging rights to payment for financing, trade accounts payable and other matters. The Company continues to investigate these unresolved proofs of claim, and intends to file objections to the claims that are inconsistent with its books and records.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code (Continued)

Additional claims may be filed after the October 15, 2009 bar date, which could be allowed by the Court. Accordingly, the ultimate number and allowed amount of such claims are not presently known and cannot be reasonably estimated at this time. The resolution of such claims could result in a material adjustment to the Company s financial statements. Additionally, a confirmed plan of reorganization could also materially change the amounts and classifications reported in the consolidated financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a plan of reorganization.

Debtors Financial Statements

The financial statements included below represent the condensed combined financial statements of the Debtors and exclude the Company s other subsidiaries, primarily non-U.S. subsidiaries. These statements reflect the results of operations, financial position and cash flows of the combined Debtor subsidiaries, including certain amounts and activities between Debtor and non-Debtor subsidiaries of the Company, which are eliminated in the consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code (Continued)

CONDENSED COMBINED DEBTORS-IN-POSSESSION

STATEMENT OF OPERATIONS

		May 28, 2009 to December 31, 2009 (Dollars in Millions)
Net sales	$	1,593
Cost of sales		1,386
Gross margin		207
Selling, general and administrative expenses		55
Restructuring expenses		22
Reorganization items		60
Other income, net		11
Operating income		81
Interest expense, net		4
Equity in net income of non-consolidated affiliates		60
Income before income taxes and earnings of non-Debtor subsidiaries		137
Provision for income taxes		8
Income before earnings of non-Debtor subsidiaries		129
Earnings of non-Debtor subsidiaries		89
Net income	$	218

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code (Continued)

CONDENSED COMBINED DEBTORS-IN-POSSESSION

BALANCE SHEET

	December 31, 2009 (Dollars in Millions)	
ASSETS		
Cash and equivalents	$	430
Restricted cash		128
Accounts receivable, net		236
Accounts receivable, non-Debtor subsidiaries		513
Inventories, net		65
Other current assets		90
Total current assets		1,462
Notes receivable, non-Debtor subsidiaries		575
Investments in non-Debtor subsidiaries		554
Property and equipment, net		313
Equity in net assets of non-consolidated affiliates		277
Other non-current assets		11
Total assets	$	3,192
LIABILITIES AND SHAREHOLDERS DEFICIT		
Short-term debt, including current portion of long-term debt	$	78
Accounts payable		128
Accounts payable, non-Debtor subsidiaries		195
Accrued employee liabilities		58
Other current liabilities		78
Total current liabilities		537
Long-term debt		1
Employee benefits		405
Deferred income taxes		63
Other non-current liabilities		54
Liabilities subject to compromise		2,819
Liabilities subject to compromise, non-Debtor subsidiaries		85
Shareholders deficit		(772)

Total liabilities and shareholders deficit	$	3,192

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code (Continued)

CONDENSED COMBINED DEBTORS-IN-POSSESSION

STATEMENT OF CASH FLOWS

	May 28, 2009 to December 31, 2009 (Dollars in Millions)
Net cash provided from operating activities	$ 138
Investing activities	
Capital expenditures	(10)
Acquisitions and investments in joint ventures, net	(30)
Proceeds from divestitures and asset sales	92
Net cash provided from investing activities	52
Financing activities	
Increase in restricted cash, net	(48)
Proceeds from DIP Facility, net of issuance costs	71
Other, including overdrafts	2
Net cash provided from financing activities	25
Net increase in cash and equivalents	215
Cash and equivalents at beginning of period	215
Cash and equivalents at end of period	$ 430

NOTE 5. Restructuring Activities

The Company has undertaken various restructuring activities to achieve its strategic and financial objectives. Restructuring activities include, but are not limited to, plant closures, production relocation, administrative cost structure realignment and consolidation of available capacity and resources. The Company expects to finance restructuring programs through cash on hand, cash generated from its ongoing operations, reimbursements pursuant to customer accommodation and support agreements or through cash available under its existing debt agreements, subject to the terms of applicable covenants.

Amended Escrow Agreement

Pursuant to the Escrow Agreement, dated as of October 1, 2005, among the Company, Ford and Deutsche Bank Trust Company Americas, Ford paid $400 million into the escrow account for use by the Company to restructure its businesses. The Escrow Agreement provided that the Company would be reimbursed from the escrow account for the first $250 million of reimbursable restructuring costs, as defined in the Escrow Agreement, and up to one half of the next $300 million of such costs. In August 2008 and pursuant to the Amended Escrow Agreement, Ford contributed an additional $50 million into the escrow account. The Amended Escrow Agreement provided that such additional funds were available to fund restructuring and other qualified costs on a 100% basis.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. Restructuring Activities (Continued)

Cash in the escrow account was invested, at the direction of the Company, in high quality, short-term investments and related investment earnings were credited to the account as earned. Investment earnings of $28 million became available to reimburse the Company s restructuring costs following the use of the first $250 million of available funds. Investment earnings on the remaining $200 million became available for reimbursement after full utilization of those funds. The following table provides a reconciliation of amounts available in the escrow account.

	Year Ended December 31, 2009	Inception through December 31, 2009
	(Dollars in Millions)	
Beginning escrow account available	$ 68	$ 400
Add: Amended Escrow Agreement Funding		50
Add: Investment earnings		35
Deduct: Disbursements for restructuring costs	(68)	(485)
Ending escrow account available	$	$

As of December 31, 2009, all of the funds under the Amended Escrow Agreement have been utilized. Approximately $7 million of amounts receivable from the escrow account were classified in Other current assets in the Company s consolidated balance sheets as of December 31, 2008.

Restructuring Reserves

The following is a summary of the Company s consolidated restructuring reserves and related activity for the years ended December 31, 2009, 2008 and 2007, respectively. Substantially all of the Company s restructuring expenses are related to employee severance and termination benefit costs. Information in the table below includes amounts associated with the Company s discontinued operations.

	Interiors	Climate	Electronics	Other/Central	Total
			(Dollars in Millions)		
December 31, 2006	$ 18	$ 21	$ 2	$ 12	$ 53
Expenses	66	27	9	60	162
Utilization	(26)	(25)	(4)	(48)	(103)
December 31, 2007	58	23	7	24	112
Expenses	42	20	3	82	147

Exchange	(3)				(3)
Utilization	(48)	(40)	(6)	(98)	(192)
December 31, 2008	49	3	4	8	64
Expenses	22	5	17	40	84
Utilization	(50)	(8)	(5)	(46)	(109)
December 31, 2009	$ 21	$	$ 16	$ 2	$ 39

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. Restructuring Activities (Continued)

Restructuring reserve balances of $39 million and $45 million at December 31, 2009 and 2008, respectively, are classified as Other current liabilities on the consolidated balance sheets. The Company anticipates that the activities associated with the restructuring reserve balance as of December 31, 2009 will be substantially completed by the end of 2010. Other restructuring reserves of $19 million were classified as Other non-current liabilities on the consolidated balance sheet as of December 31, 2008 and related to employee benefits that were probable and estimable but for which associated activities were not to be completed within one year.

Utilization includes $81 million, $131 million and $79 million of payments for severance and other employee termination benefits for the years ended December 31, 2009, 2008 and 2007, respectively. Utilization also includes $28 million, $46 million and $16 million in 2009, 2008 and 2007, respectively, of special termination benefits reclassified to pension and other postretirement employee benefit liabilities, where such payments are made from the Company s benefit plans. For the year ended December 31, 2008, utilization also includes $15 million in payments related to contract termination and equipment relocation costs.

Estimates of restructuring costs are based on information available at the time such charges are recorded. In general, management anticipates that restructuring activities will be completed within a timeframe such that significant changes to the plan are not likely. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially estimated, resulting in unexpected costs in future periods. Generally, charges are recorded as elements of the plan are finalized and the timing of activities and the amount of related costs are not likely to change.

2009 Restructuring Actions

The Company recorded restructuring expenses of $84 million during the twelve months ended December 31, 2009 including amounts related to administrative cost reductions to fundamentally re-align corporate support functions with underlying operations in connection with the Company s reorganization efforts and in response to recessionary economic conditions and related negative impact on the automotive sector and the Company s results of operations and cash flows.

During the first half of 2009, the Company continued to fundamentally realign, consolidate and rationalize its administrative organization structure, including the following actions:

- $34 million of employee severance and termination benefit costs related to approximately 300 salaried employees in the United States and 180 salaried employees in other countries, primarily in Europe.
- $4 million related to approximately 200 employees associated with the consolidation of the Company s Electronics operations in South America.

In connection with the Chapter 11 Proceedings, the Company entered into various support and accommodation agreements with its customers as more fully described in Note 4 Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code. These actions included:

$13 million of employee severance and termination benefit costs associated with approximately 170 employees at two European Interiors facilities.

$11 million of employee severance and termination benefit costs associated with approximately 300 employees related to the announced closure of a North American Electronics facility.

$10 million of employee severance and termination benefit costs related to approximately 120 salaried employees who were located primarily at the Company s North American headquarters.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. Restructuring Activities (Continued)

$4 million of employee severance and termination benefit costs associated with approximately 550 employees related to the consolidation of the Company s North American Lighting operations.

2008 Restructuring Actions

During 2008 the Company recorded restructuring charges of $147 million, including $107 million under the previously announced multi-year improvement plan. Significant actions under the multi-year improvement plan include the following:

$33 million of employee severance and termination benefit costs associated with approximately 290 employees to reduce the Company s salaried workforce in higher cost countries.

$23 million of employee severance and termination benefit costs associated with approximately 20 salaried and 250 hourly employees at a European Interiors facility.

$18 million of employee severance and termination benefit costs associated with 55 employees at the Company s Other products facility located in Swansea, UK. In connection with the divestiture of that facility, Visteon UK Limited agreed to reduce the number of employees to be transferred, which resulted in $5 million of employee severance benefits and $13 million of special termination benefits.

$9 million of employee severance and termination benefit costs related to approximately 100 hourly and salaried employees at certain manufacturing facilities located in the UK.

$6 million of employee severance and termination benefit costs associated with approximately 40 employees at a European Interiors facility.

$5 million of contract termination charges related to the closure of a European Other facility.

$5 million of employee severance and termination benefit costs for the closure of a European Interiors facility.

In addition to the multi-year improvement plan, the Company commenced a program during September 2008 designed to fundamentally realign, consolidate and rationalize the Company s administrative organization structure on a global basis through various voluntary and involuntary employee separation actions. Related employee severance and termination benefit costs of $26 million were recorded during 2008 associated with approximately 320 salaried employees in the United States and 100 salaried employees in other countries, for which severance and termination benefits were deemed probable and estimable. The Company expects to record additional costs related to this global program in future periods when elements of the plan are finalized and the timing of activities and the amount of related costs are not likely to change. The Company also recorded $9 million of employee severance and termination benefit costs associated with approximately 850 hourly and 60 salaried employees at a North American Climate facility. As of December 31, 2008, restructuring reserves related to these programs were approximately $10 million.

VISTEON CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. Restructuring Activities (Continued)

2007 Restructuring Actions

During 2007 the Company incurred restructuring expenses of $162 million under the multi-year improvement plan, including the following significant actions:

$31 million of employee severance and termination benefit costs associated with the elimination of approximately 300 salaried positions.

$27 million of employee severance and termination benefit costs for approximately 300 employees at a European Interiors facility related to the announced 2008 closure of that facility.

$21 million of employee severance and termination benefit costs for approximately 600 hourly and 100 salaried employees related to the announced 2008 closure of a North American Other facility.

$14 million was recorded related to the December 2007 closure of a North American Climate facility for employee severance and termination benefits, contract termination and equipment move costs.

$12 million of expected employee severance and termination benefit costs associated with approximately 100 hourly employees under a plant efficiency action at a European Climate facility.

$10 million of employee severance and termination benefit costs associated with the exit of brake manufacturing operations at a European Other facility. Approximately 160 hourly and 20 salaried positions were eliminated as a result of this action.

$10 million of employee severance and termination benefit costs were recorded for approximately 40 hourly and 20 salaried employees at various European facilities.

In addition to the above announced actions the Company recorded an estimate of expected employee severance and termination benefit costs of approximately $34 million for the probable payment of such post-employment benefit costs in connection with the multi-year improvement plan.

NOTE 6. Asset Impairments and Other Gains and Losses

2009 Asset Impairments and Other Gains

Section 365 of the Bankruptcy Code permits the Debtors to assume, assume and assign or reject certain pre-petition executory contracts subject to the approval of the Court and certain other conditions. During 2009, the Company rejected a lease arrangement that was subject to a previous sale-leaseback transaction for which the recognition of transaction gains was deferred due to the Company s continuing involvement with the associated property. The Company s continuing involvement was effectively ceased in connection with the December 24, 2009 lease termination resulting in recognition of the deferred gain of $30 million, which was partially offset by a loss of

$10 million associated with the remaining net book value of leasehold improvements associated with the facility and $9 million of other losses and impairments related to asset disposals.

**VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6. Asset Impairments and Other Gains and Losses (Continued)

2008 Asset Impairments and Other Losses

The Company concluded that significant operating losses resulting from the deterioration of market conditions and related production volumes in the fourth quarter of 2008 represented an indicator that the carrying amount of the Company s long-lived assets may not be recoverable. Based on the results of the Company s assessment, which was based upon the fair value of the affected assets using appraisals, management estimates and discounted cash flow calculations, the Company recorded an impairment charge of approximately $200 million to reduce the net book value of Interiors long-lived assets considered to be held for use to their estimated fair value.

On June 30, 2008, Visteon UK Limited, an indirect, wholly-owned subsidiary of the Company, transferred certain assets related to its chassis manufacturing operation located in Swansea, United Kingdom to Visteon Swansea Limited, a company incorporated in England and a wholly-owned subsidiary of Visteon UK Limited. Effective July 7, 2008, Visteon UK Limited sold the entire share capital of Visteon Swansea Limited to Linamar UK Holdings Inc., a wholly-owned subsidiary of Linamar Corporation for nominal cash consideration (together, the Swansea Divestiture). The Swansea operation, which manufactured driveline products, generated negative gross margin of approximately $40 million on sales of approximately $80 million during 2007. The Company recorded asset impairment and loss on divestiture of approximately $23 million in connection with the Swansea Divestiture, including $16 million of losses on the Visteon Swansea Limited share capital sale and $7 million of asset impairment charges.

During the first quarter of 2008, the Company announced the sale of its North American-based aftermarket underhood and remanufacturing operations (NA Aftermarket) including facilities located in Sparta, Tennessee and Reynosa, Mexico (together, the NA Aftermarket Divestiture). The NA Aftermarket manufactured starters and alternators, radiators, compressors and condensers and also remanufactured steering pumps and gears. These operations recorded sales for the year ended December 31, 2007 of approximately $133 million and generated a negative gross margin of approximately $16 million. The Company recorded total losses of $46 million on the NA Aftermarket Divestiture, including an asset impairment charge of $21 million and losses on disposition of $25 million.

The Company also recorded asset impairments of $6 million during 2008 in connection with other divestiture activities, including the sale of its Interiors operation located in Halewood, UK.

2007 Impairment Charges

During the fourth quarter of 2007, the Company recorded impairment charges of $16 million to reduce the net book value of long-lived assets associated with the Company s fuel products to their estimated fair value. This amount was recorded pursuant to impairment indicators including lower than anticipated current and near term future customer volumes and the related impact on the Company s current and projected operating results and cash flows resulting from a change in product technology.

During the third quarter of 2007, the Company completed the sale of its Visteon Powertrain Control Systems India (VPCSI) operation located in Chennai, India. The Company determined that assets subject to the VPCSI divestiture including inventory, intellectual property and real and personal property met the held for sale criteria under GAAP.

Accordingly, these assets were valued at the lower of carrying amount or fair value less cost to sell, which resulted in asset impairment charges of approximately $14 million.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6. Asset Impairments and Other Gains and Losses (Continued)

In March 2007, the Company entered into a Master Asset and Share Purchase Agreement (MASPA) to sell certain assets and liabilities associated with the Company s chassis operations (the Chassis Divestiture). The Company s chassis operations were primarily comprised of suspension, driveline and steering product lines and included facilities located in Dueren and Wuelfrath, Germany, Praszka, Poland and Sao Paulo, Brazil. Collectively, these operations recorded sales for the year ended December 31, 2006 of approximately $600 million. During the first quarter of 2007, the Company determined that assets subject to the Chassis Divestiture including inventory, intellectual property and real and personal property met the held for sale criteria under GAAP. Accordingly, these assets were valued at the lower of carrying amount or fair value less cost to sell, which resulted in asset impairment charges of approximately $28 million.

In consideration of the MASPA and the Company s announced exit of the brake manufacturing business at its Swansea, UK facility, an asset impairment charge of $16 million was recorded to reduce the net book value of certain long-lived assets at the facility to their estimated fair value in the first quarter of 2007. The Company s estimate of fair value was based on market prices, prices of similar assets and other available information.

During 2007 the Company entered into agreements to sell two Electronics buildings located in Japan. The Company determined that these buildings met the held for sale criteria under GAAP and were recorded at the lower of carrying value or fair value less cost to sell, which resulted in asset impairment charges of approximately $15 million.

NOTE 7. Discontinued Operations

In March 2007, the Company entered into the MASPA for the sale of certain assets and liabilities associated with the Company s chassis operations. The Chassis Divestiture, while representing a significant portion of the Company s chassis operations, did not result in the complete exit of any of the affected product lines. Effective May 31, 2007, the Company ceased to produce brake components at its Swansea, UK facility, which resulted in the complete exit of the Company s global suspension product line. Accordingly, the results of operations of the Company s global suspension product line have been reclassified to Loss from discontinued operations, net of tax in the consolidated statement of operations for the year ended December 31, 2007. A summary of the results of discontinued operations is provided in the table below.

	Year Ended December 31, 2007 (Dollars in Millions)	
Net product sales	$	50
Cost of sales		63
Gross margin		(13)
Selling, general and administrative expenses		1
Asset impairments		12

Restructuring expenses		10
Reimbursement from Escrow Account		12
Loss from discontinued operations, net of tax	$	(24)

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8. Inventories

Inventories consist of the following components:

	December 31 2009	December 31 2008
	(Dollars in Millions)	
Raw materials	$ 125	$ 145
Work-in-process	159	184
Finished products	78	67
	362	396
Valuation reserves	(43)	(42)
	$ 319	$ 354

NOTE 9. Other Assets

Other current assets are summarized as follows:

	December 31 2009	December 31 2008
	(Dollars in Millions)	
Recoverable taxes	$ 86	$ 109
Deposits	55	24
Current deferred tax assets	32	29
Prepaid assets	22	18
Pledged accounts receivable	19	
Unamortized debt costs		20
Other	22	39
	$ 236	$ 239

Other non-current assets are summarized as follows:

	December 31	
	2009	2008
	(Dollars in Millions)	
Non-current deferred tax assets	$ 17	$ 34
Assets held for sale	16	7
Notes and other receivables	10	4
Other intangible assets	6	7
Other	35	52
	$ 84	$ 104

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10. Property and Equipment

Property and equipment, net consists of the following:

	December 31	
	2009	2008
	(Dollars in Millions)	
Land	$ 74	$ 73
Buildings and improvements	817	809
Machinery, equipment and other	2,752	2,985
Construction in progress	75	112
Total property and equipment	3,718	3,979
Accumulated depreciation	(1,860)	(1,907)
	1,858	2,072
Product tooling, net of amortization	78	90
Property and equipment, net	$ 1,936	$ 2,162

Property and equipment is depreciated principally using the straight-line method of depreciation over the estimated useful life of the asset. Generally, buildings and improvements are depreciated over a 30-year estimated useful life and machinery, equipment and other assets are depreciated over estimated useful lives ranging from 5 to 15 years. Product tooling is amortized using the straight-line method over the estimated life of the tool, generally not exceeding six years.

Depreciation and amortization expenses are summarized as follows:

	Year Ended December 31		
	2009	2008	2007
	(Dollars in Millions)		
Depreciation	$ 326	$ 380	$ 425
Amortization	26	36	47
	$ 352	$ 416	$ 472

The Company recorded approximately $53 million, $37 million and $50 million of accelerated depreciation expense for the years ended December 31, 2009, 2008 and 2007, respectively, representing the shortening of estimated useful lives of certain assets (primarily machinery and equipment) in connection with the Company s restructuring activities.

NOTE 11. Non-Consolidated Affiliates

The Company had $294 million and $220 million of equity in the net assets of non-consolidated affiliates at December 31, 2009 and 2008, respectively. The Company recorded equity in net income of non-consolidated affiliates of $80 million, $41 million and $47 million at December 31, 2009, 2008 and 2007, respectively. The following table presents summarized financial data for such non-consolidated affiliates. The amounts included in the table below represent 100% of the results of operations of the Company s non-consolidated affiliates accounted for under the equity method. Yanfeng Visteon Automotive Trim Systems Co., Ltd (Yanfeng), of which the Company owns a 50% interest, is considered a significant non-consolidated affiliate and is shown separately below.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11. Non-Consolidated Affiliates (Continued)

Summarized balance sheet data as of December 31 is as follows:

	Yanfeng		All Others	
	(Dollars in Millions)			
	2009	2008	2009	2008
Current assets	$ 667	$ 386	$ 306	$ 216
Other assets	412	375	202	205
Total assets	$ 1,079	$ 761	$ 508	$ 421
Current liabilities	$ 662	$ 453	$ 275	$ 227
Other liabilities	11	14	30	16
Shareholders equity	406	294	203	178
Total liabilities and shareholders equity	$ 1,079	$ 761	$ 508	$ 421

Summarized statement of operations data for the years ended December 31 is as follows:

	Net Sales			Gross Margin			Net Income		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
	(Dollars in Millions)								
Yanfeng	$ 1,452	$ 1,059	$ 929	$ 217	$ 190	$ 162	$ 118	$ 71	$ 68
All other	711	805	707	109	119	106	42	14	26
	$ 2,163	$ 1,864	$ 1,636	$ 326	$ 309	$ 268	$ 160	$ 85	$ 94

The Company s share of net assets and net income is reported in the consolidated financial statements as Equity in net assets of non-consolidated affiliates on the consolidated balance sheets and Equity in net income of non-consolidated affiliates on the consolidated statements of operations. Included in the Company s accumulated deficit is undistributed income of non-consolidated affiliates accounted for under the equity method of approximately $143 million and $104 million at December 31, 2009 and 2008, respectively.

Restricted net assets related to the Company s consolidated subsidiaries were approximately $100 million and $91 million, respectively as of December 31, 2009 and 2008. Restricted net assets related to the Company s non-consolidated affiliates were approximately $294 million and $220 million, respectively as of December 31, 2009

and 2008. Restricted net assets of consolidated subsidiaries are attributable to the Company s operations in China, where certain regulatory requirements and governmental restraints result in significant restrictions on the Company s consolidated subsidiaries ability to transfer funds to the Company.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. Other Liabilities

Other current liabilities are summarized as follows:

	December 31 2009	December 31 2008
	(Dollars in Millions)	
Deferred income	$ 51	$ 8
Non-income taxes payable	47	38
Product warranty and recall reserves	40	50
Restructuring reserves	39	45
Income taxes payable	27	16
Accrued reorganization items	22	
Accrued interest payable	3	45
Other accrued liabilities	73	86
	$ 302	$ 288

Other non-current liabilities are summarized as follows:

	December 31 2009	December 31 2008
	(Dollars in Millions)	
Income tax reserves	$ 101	$ 155
Non-income taxes payable	62	57
Product warranty and recall reserves	39	50
Deferred income	27	46
Restructuring reserves		19
Other accrued liabilities	28	38
	$ 257	$ 365

Current and non-current deferred income of $43 million and $27 million, respectively, relate to various customer accommodation, support and other agreements completed during 2009. Revenue associated with these agreements is

being recorded in relation to the delivery of associated products, assets and/or services in accordance with the terms of the underlying agreement, or over the estimated duration of the respective benefit to the customer, generally representing the duration of remaining production on current vehicle platforms. The Company expects to record approximately $43 million, $14 million, $8 million and $5 million of these deferred amounts in 2010, 2011, 2012 and 2013, respectively.

In connection with the ACH Transactions, the Company sold to and leased-back from Ford certain land and buildings under two separate lease arrangements both for six-year terms with rental payments at below market rates, which represents continuing involvement. Accordingly, recognition of the gain associated with these sale-leasebacks was deferred. During 2009, the Debtors rejected the remaining lease agreement under Section 365 of the Bankruptcy Code, ceasing the Company s continuing involvement and resulting in recognition of the related deferred gain of $30 million, which is included in Asset impairments and other gains and (losses) on the consolidated statement of operations for the year ended December 31, 2009.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. Other Liabilities (Continued)

The Company also carried deferred gains associated with other sale-leaseback transactions of $12 million as of December 31, 2008, of which, approximately $10 million was recognized during 2009 in connection with the UK Administration and is included in the Deconsolidation gain on the consolidated statement of operations for the year ended December 31, 2009.

NOTE 13. Debt

Pre-Petition Debt

As discussed in Note 4 Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code, due to the Chapter 11 Proceedings, substantially all of the Company s pre-petition debt is in default and has been reclassified to Liabilities subject to compromise on the consolidated balance sheet, including the following:

		December 31 2009 (Dollars in Millions)
Pre-Petition Debt Classified as Liabilities Subject to Compromise		
Senior Credit Agreements:		
Term loan due June 13, 2013	$	1,000
Term loan due December 13, 2013		500
U.S. asset backed lending facility		89
Letters of credit		38
8.25% notes due August 1, 2010		206
7.00% notes due March 10, 2014		450
12.25% notes due December 31, 2016		206
Total		2,489
Deferred charges, debt issue fees and other, net		1
Total pre-petition debt classified as Liabilities subject to compromise	$	2,490

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13. Debt (Continued)

Current Capital Structure

As of December 31, 2009, the Company had $225 million and $6 million of debt outstanding classified as short-term debt and long-term debt, respectively. The Company s short and long-term debt balances consist of the following:

	Maturity	Weighted Average Interest Rate 2009	Weighted Average Interest Rate 2008	Carrying Value 2009	Carrying Value 2008
				(Dollars in Millions)	
Short-term debt					
DIP credit facility		9.5%		$ 75	$
Debt in default			7.4%		2,554
Current portion of long-term debt		6.0%	6.3%	65	72
Other short-term		4.1%	6.1%	85	71
Total short-term debt				225	2,697
Long-term debt					
Other	2011-2017	5.0%	6.3%	6	65
Total long-term debt				6	65
Total debt				$ 231	$ 2,762

DIP Credit Facility

On November 18, 2009, the Company entered into a $150 million Senior Secured Super Priority Priming Debtor in Possession Credit and Guaranty Agreement, with certain subsidiaries of the Company, a syndicate of lenders and Wilmington Trust FSB, as administrative agent. The Company s domestic subsidiaries that are also debtors and debtors-in-possession are guarantors under the DIP Credit Agreement. Borrowings under the DIP Credit Agreement are secured by, among other things, a first priority perfected security interest in assets that constitute first priority collateral under pre-petition secured term loans, as well as a second priority perfected security interest in assets that constitute first priority collateral under pre-petition secured asset-based revolving loans.

The DIP Credit Agreement matures and expires on the earliest of (i) May 18, 2010; provided, that the Company may extend it an additional three months, (ii) the effective date of the Company s plan of reorganization, and (iii) the date a

sale or sales of all or substantially all of the Company s and guarantors assets is or are consummated under section 363 of the Bankruptcy Code. Borrowings under the DIP Credit Agreement are issued at a 2.75% discount and bear interest at variable rates equal to (i) 6.50% (or 8.50% in the event a default), plus (ii) a Eurodollar rate (subject to a floor of 3.00% per annum). The Company will also pay a fee of 1.00% per annum on the unused portion of the $150 million available, payable monthly in arrears.

**VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13. Debt (Continued)

On November 18, 2009, the Company borrowed $75 million under the DIP Credit Agreement. The Company may borrow the remaining $75 million in one additional advance prior to maturity, subject to certain conditions, including a condition that the Company shall not have filed a plan of reorganization that does not provide for full payment of the obligations under the DIP Credit Agreement in cash by the effective date of such plan. Borrowings under the DIP Credit Agreement are to be used to finance working capital, capital expenditures and other general corporate purposes in accordance with an approved budget.

On November 16, 2009, the Company entered into a $40 million Letter of Credit (LOC) Reimbursement and Security Agreement (the LOC Agreement), with certain subsidiaries of the Company and US Bank National Association as a means of providing financial assurances to a variety of service providers that support daily operations. The agreement has an expiration date of September 30, 2010 and is under the condition that a collateral account is maintained (with US Bank) equal to 103% of the aggregated stated amount of the LOCs with reimbursement of any draws. As of December 31, 2009, the Company has $13 million of outstanding letters of credit issued under this facility and secured by restricted cash.

Other Debt

On December 9, 2009, a French subsidiary of the Company entered into an agreement to sell accounts receivable on an uncommitted basis. The amount of financing available is contingent upon the amount of receivables less certain reserves. The Company pays a 30 basis point servicing fee on all receivables sold, as well as a financing fee of 3-month Euribor plus 75 basis points on the advanced portion. As of December 31, 2009, there was $9 million of outstanding borrowings under the facility and $19 million of receivables pledged as security, which are recorded as Other current assets on the consolidated balance sheet as of December 31, 2009.

On May 22, 2009, the Company terminated its European Securitization Facility. As a result, participating subsidiaries repurchased receivables previously sold and outstanding under the program. Amounts borrowed under the facility totaling $42 million were repaid.

As of December 31, 2009, the Company had affiliate and capital lease debt outstanding of $156 million, with $150 million and $6 million classified in short-term and long-term debt, respectively. Remaining availability on these affiliate credit facilities is approximately $144 million. These balances are primarily related to the Company s non-U.S. operations, and are payable in non-U.S. currencies including, but not limited to the Euro, Chinese Yuan, Brazilian Real and Korean Won.

Fair Value

The Company is unable to estimate the fair value of long-term debt of the Debtors that is subject to compromise at December 31, 2009, due to the uncertainties associated with the Chapter 11 Proceedings. The fair value of the Company s debt that is not subject to compromise has been calculated based on quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. Fair value of such debt was $230 million and $826 million as of December 31, 2009 and 2008, respectively.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits

Visteon Sponsored Employee Retirement Plans

In the U.S., the Company s hourly employees represented by certain collective bargaining groups earn noncontributory benefits based on employee service, while the Company s U.S. salaried employees earn noncontributory pay related benefits. Certain of the non-U.S. subsidiaries sponsor separate plans that provide similar types of benefits to their employees. The Company s defined benefit plans are partially funded with the exception of certain supplemental benefit plans for executives and certain non-U.S. plans, primarily in Germany, which are unfunded.

In May 2007, the Company approved changes to the U.S. salaried pension plans which reduced disability retirement benefits. These changes reduced the projected benefit obligation by approximately $20 million which is being amortized as a reduction of retirement benefit expense over the estimated average remaining service lives.

Most U.S. salaried employees and certain non-U.S. employees are eligible to participate in defined contribution plans by contributing a portion of their compensation, which is partially matched by the Company. Matching contributions were suspended for the U.S. defined contribution plan effective December 1, 2008. The expense related to matching contributions was approximately $4 million, $8 million and $8 million in 2009, 2008 and 2007, respectively.

Visteon Sponsored Postretirement Employee Health Care and Life Insurance Benefits

In the U.S., the Company has a financial obligation for the cost of providing selected postretirement health care and life insurance benefits to its employees under Company-sponsored plans. These plans generally pay for the cost of health care and life insurance for retirees and dependents, less retiree contributions and co-pays.

In connection with the Chapter 11 Proceedings, the Company reclassified approximately $300 million of liabilities associated with its U.S. OPEB plans to Liabilities subject to compromise based on a June 26, 2009 motion of the Debtors requesting the Court to enter an order authorizing the modification and/or termination of certain plans and programs giving rise to such benefits. In December 2009 and in connection with a ruling of the Court, the Company announced its intent to eliminate certain other postretirement employee benefits including Company-paid medical, prescription drug, dental and life insurance coverage, effective April 1, 2010, for current and future U.S. retirees, their spouses, surviving spouses, domestic partners and dependents, with the exception of participants covered by the current collective bargaining agreement (CBA) at the North Penn facility. OPEB plans for which the Company-paid benefits are to be terminated, include the Visteon Corporation Health and Welfare Program for Salaried Employees; Visteon Systems, LLC Health and Welfare Benefit Plan for Hourly Employees-Connersville and Bedford Locations; and the Visteon Caribbean Employee Group Insurance Plan. Additionally, Company-paid OPEB benefits under the Visteon Systems, LLC Health and Welfare Plan for Hourly Employees North Penn Location for North Penn hourly retirees who retired prior to April 2, 2005 (the effective date of the current North Penn CBA) will also be eliminated.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits (Continued)

This change resulted in curtailment gains of $153 million and a reduction in OPEB liabilities of approximately $273 million establishing a new prior service cost base. Accordingly, this reduction is being amortized as a net decrease to future postretirement employee benefit expense with $222 million related to plans for which Company-paid benefits were eliminated being amortized over the remaining period of expected benefit or through March 31, 2010 and $51 million being amortized over the remaining life expectancy of the participants covered by the North Penn CBA or 20 years. Total amortization related to this reduction in OPEB obligation resulted in a net decrease in postretirement employee benefit expense during December 2009 of $42 million and the Company expects to record additional amortization of approximately $180 million that will reduce postretirement employee benefit expense during the three-month period ended March 31, 2010.

In October 2008, the Company communicated changes to certain hourly postretirement employee health care plans to eliminate Company-sponsored prescription drug benefits for Medicare eligible retirees, spouses and dependents effective January 1, 2009, to eliminate all benefits for certain employees who are not currently eligible and to provide additional retirement plan benefits. These changes resulted in a net reduction in pension and OPEB liabilities of approximately $92 million. This amount had been amortized as a net reduction of retirement and postretirement employee benefit expense over the average remaining life expectancy of plan participants until the change announced in December 2009 at which time the amortization period was shortened. The Company recorded curtailment gains in the fourth quarter of 2008 of approximately $16 million reflecting the elimination of future service in these plans.

During January 2007, the Company communicated changes to the U.S. salaried postretirement health care plans which became effective June 1, 2007. These changes eliminate Company-sponsored prescription drug coverage for Medicare eligible salaried retirees, surviving spouses and dependents. These changes resulted in a reduction to the accumulated postretirement benefit obligation (APBO) of approximately $30 million which had been amortized as a reduction of postretirement employee benefit expense over the estimated average remaining employee service lives until the change announced in December 2009 when the unamortized portion was recognized as curtailment gain.

Ford Sponsored Postretirement Employee Health Care and Life Insurance Benefits

Ford charges the Company for the expense of postretirement health care and life insurance benefits that are provided by Ford to certain Company salaried employees who retire after May 24, 2005. The Company is required to fund the actual costs of these benefits as incurred by Ford for the salaried retirees through 2010. In addition, the Company has agreed to contribute funds to a trust to fund postretirement health care and life insurance benefits to be provided by Ford related to these salaried employees and retirees. The required funding is over a 39-year period beginning in 2011. The annual funding requirement during this period will be determined annually based upon amortization of the unfunded liabilities at year-end 2010 plus a portion of annual expense.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits (Continued)

The benefit obligations below reflect the salaried life insurance plan changes announced by Ford in 2008 and are based upon Ford s assumptions. Postretirement health care and life insurance benefits payable to Ford relating to participation by certain salaried employees were reclassified to Liabilities subject to compromise in connection with the Chapter 11 Proceedings. The total net amount recognized in the balance sheets is as follows:

	December 31	
	2009	2008
	(Dollars in Millions)	
Obligation for benefits to certain salaried employees	$ 79	$ 67
Unamortized gains associated with the obligation	26	46
Postretirement employee benefits payable to Ford	$ 105	$ 113

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits (Continued)

Benefit Expenses

The Company s expense for retirement benefits is as follows:

	Retirement Plans						Health Care and Life Insurance Benefits		
	U.S. Plans			Non-U.S. Plans					
	2009	2008	2007	2009	2008	2007	2009	2008	2007
	(Dollars in Millions, Except Percentages)								
Costs Recognized in Income									
Service cost	$ 13	$ 21	$ 23	$ 7	$ 19	$ 27	$ 1	$ 3	$ 6
Interest cost	74	73	71	31	70	72	18	31	32
Expected return on plan assets	(79)	(83)	(76)	(26)	(57)	(55)			
Amortization of:									
Plan amendments	(2)	(1)	1	2	5	5	(75)	(30)	(47)
Losses and other	1		1		2	11	18	10	15
Special termination benefits	6	6	3						
Curtailments	(2)	(1)	7	5	2	4	(161)	(79)	(58)
Settlements					20	32			
Visteon sponsored plan net pension/ postretirement expense	11	15	30	19	61	96	(199)	(65)	(52)
Expense for certain salaried employees whose pensions are partially covered by Ford	10		6				(8)	(7)	(5)
Employee retirement benefit expenses excluding restructuring	$ 21	$ 15	$ 36	$ 19	$ 61	$ 96	$ (207)	$ (72)	$ (57)

Retirement benefit related restructuring expenses									
Special termination benefits	$ 12	$ 16	$ 6	$ 9	$ 27	$ 9	$	$ 1	$
Other	7	2	1						
Total employee retirement benefit related restructuring expenses	$ 19	$ 18	$ 7	$ 9	$ 27	$ 9	$	$ 1	$
Weighted Average Assumptions Used for Expenses									
Discount rate for expense	6.35%	6.30%	5.95%	6.05%	5.70%	5.05%	6.05%	6.30%	5.85%
Rate of increase in compensation	3.25%	3.75%	3.75%	3.15%	3.30%	2.90%			
Assumed long-term rate of return on assets	8.10%	8.25%	8.00%	6.70%	6.80%	6.50%			
Initial health care cost trend rate							8.33%	9.00%	9.30%
Ultimate health care cost trend rate							5.00%	5.00%	5.00%
Year ultimate health care cost trend rate reached							2014	2013	2011

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits (Continued)

Curtailments and Settlements

Curtailment and settlement gains and losses are classified in the Company s consolidated statements of operations as Cost of sales or Selling, general and administrative expenses. Qualifying curtailment and settlement losses related to the Company s restructuring activities were reimbursable under the terms of the Amended Escrow Agreement.

During 2009 the Company recorded significant curtailments and settlements of its employee retirement benefit plans as follows:

Curtailment gains of $153 million related to the OPEB plans in connection with the elimination of Company-paid medical, prescription drug and life insurance coverage. This plan change eliminated future service for active plan participants, as such the amounts in accumulated other comprehensive income relating to prior plan changes were recognized as curtailment gains.

Curtailment gains of $10 million associated with the U.S. salaried pension and OPEB plans in connection with employee headcount reductions under previously announced restructuring actions.

Curtailment losses of $6 million related to the reduction of future service in the UK pension plans in connection with employee headcount reductions in the UK. These losses were partially offset by a $1 million curtailment gain in Mexico related to employee headcount reductions under previously announced restructuring actions. These curtailments reduced the benefit obligations by $2 million.

During 2008 the Company recorded significant curtailments and settlements of its employee retirement benefit plans as follows:

Curtailment gains of $79 million related to elimination of employee benefits associated with U.S. OPEB plans in connection with employee headcount reductions under previously announced restructuring actions. These curtailments reduced the benefit obligations by $7 million.

Curtailment losses of $7 million related to the reduction of future service in the UK pension plan for employees at the Company s Swansea, UK operation in connection with the Swansea Divestiture. These losses were partially offset by curtailment gains in Germany, Mexico and France related to employee headcount reductions under previously announced restructuring actions. These curtailments reduced the benefit obligations by $7 million in the UK and $4 million across Germany, Mexico and France.

Settlement losses of $20 million related to UK employee pension obligations of approximately $90 million transferred to Ford in October 2008 for employees that transferred from Visteon to Ford during the years 2005 through 2007 in accordance with the ACH Transactions.

During 2007 the Company recorded significant curtailments and settlements of its employee retirement benefit plans as follows:

Curtailment loss of $7 million related to employee retirement benefit obligations under certain U.S. retirement plans in connection with previously announced restructuring actions. These curtailments reduced the benefit obligations by $32 million.

Settlement loss of $13 million related to employee retirement benefit obligations under certain German retirement plans for employees of the Dueren and Wuelfrath, Germany facilities, which were included in the Chassis Divestiture. The divestiture also curtailed the future service in the German plans which reduced the benefit obligations by $28 million.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits (Continued)

Settlement losses of $20 million related to employee retirement benefit obligations under Canadian retirement plans for employees of the Markham, Ontario facility, which was closed in 2002.

Curtailment loss of $4 million related to employee retirement benefit obligations for salaried employee reductions in the UK.

Curtailment gains of $58 million related to elimination of employee benefits associated with a U.S. OPEB plan in connection with employee headcount reductions under previously announced restructuring actions. These curtailments reduced the balance sheet liability by $28 million.

Retirement Benefit Related Restructuring Expenses

In addition to normal employee retirement benefit expenses, the Company recorded $28 million, $46 million and $16 million for the years ended December 31, 2009, 2008 and 2007, respectively, for retirement benefit related restructuring charges. Such charges generally relate to special termination benefits, voluntary termination incentives and pension losses and are the result of various restructuring actions as described in Note 5 Restructuring Activities. Retirement benefit related restructuring charges are initially classified as restructuring expenses and are subsequently reclassified to retirement benefit expenses.

Assumed Health Care Trend Rate Sensitivity

The following table illustrates the sensitivity to a change in the assumed health care trend rate related to Visteon sponsored postretirement employee health care plan expense (excludes certain salaried employees that are covered by a Ford sponsored plan):

	Total Service and Interest Cost	APBO
100 basis point increase in health care cost trend rates(a)	+$ 1 million	+$ 6 million
100 basis point decrease in health care cost trend rates(a)	−$ 1 million	−$ 5 million

(a) Assumes all other assumptions are held constant.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits (Continued)

Benefit Obligations

	Retirement Plans				Health Care and Life Insurance Benefits	
	U.S. Plans		Non-U.S. Plans			
	2009	2008	2009	2008	2009	2008
	(Dollars in Millions, Except Percentages)					
Change in Benefit Obligation						
Benefit obligation beginning	$ 1,234	$ 1,179	$ 894	$ 1,248	$ 325	$ 543
Service cost	13	21	7	19	1	3
Interest cost	74	73	31	70	18	31
Participant contributions			1	6	1	2
Amendments/other		5		7	(273)	(97)
Actuarial loss/(gain)	36	8	(57)	(52)	21	(117)
Special termination benefits	18	22	9	27		1
Curtailments, net	(2)	(5)	(2)	(11)		(7)
Settlements			(3)	(95)		(4)
Foreign exchange translation			22	(265)	1	(1)
Divestitures			(443)			
Benefits paid	(72)	(69)	(24)	(60)	(28)	(29)
Benefit obligation ending	$ 1,301	$ 1,234	$ 435	$ 894	$ 66	$ 325
Change in Plan Assets						
Plan assets beginning	$ 908	$ 1,048	$ 652	$ 937	$	$
Actual return on plan assets	62	(89)	(4)	(50)		
Sponsor contributions	19	22	26	111	27	27
Participant contributions			1	6	1	2
Foreign exchange translation			18	(197)		
Settlements			(3)	(95)		
Divestitures			(351)			
Benefits paid/other	(76)	(73)	(24)	(60)	(28)	(29)
Plan assets ending	$ 913	$ 908	$ 315	$ 652	$	$
Funded Status of the Plans						
Benefit obligations in excess of plan assets	$ (388)	$ (326)	$ (120)	$ (242)	$ (66)	$ (325)

Balance Sheet Classification						
Other non-current assets	$ 1	$	$ 6	$ 10	$	$
Accrued employee liabilities		(9)	(3)	(3)	(17)	(29)
Employee benefits	(358)	(317)	(123)	(249)	(49)	(296)
Liabilities subject to compromise (non-qualified plans)	(31)					
Accumulated other comprehensive income						
Actuarial loss (gain)	173	118	28	103	42	39
Prior service (credit)/cost	(22)	(25)	8	31	(311)	(274)
Deferred taxes	(1)		30	47		
	$ 150	$ 93	$ 66	$ 181	$ (269)	$ (235)

The accumulated benefit obligation for all defined benefit pension plans was $1.65 billion and $2.01 billion at the 2009 and 2008 measurement dates. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for employee retirement plans with accumulated benefit obligations in excess of plan assets were $1.54 billion, $1.47 billion and $1.03 billion, respectively, for 2009 and $1.95 billion, $1.85 billion and $1.37 billion, respectively, for 2008.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits (Continued)

Components of the net change in Accumulated other comprehensive income (loss) related to the Company s retirement, health care and life insurance benefit plans on the Company s consolidated statements of shareholders deficit for the years ended December 31, 2009 and 2008 are as follows:

	Retirement Plans				Health Care and Life Insurance Benefits	
	U.S. Plans		Non-U.S. Plans			
	2009	2008	2009	2008	2009	2008
	(Dollars in Millions)					
Actuarial loss/(gain) arising during the period	$ 55	$ 178	$ (26)	$ 45	$ 21	$ (126)
Prior service cost/(credit) arising during the period		5		7	(273)	(97)
Reclassification to Net loss	2	2	(89)	(82)	218	97
	$ 57	$ 185	$ (115)	$ (30)	$ (34)	$ (126)

Amounts included in Accumulated other comprehensive income as of December 31, 2009 that are expected to be realized in 2010 are as follows:

	Retirement Plans		Health Care and Life Insurance
	U.S. Plans	Non-U.S. Plans	Benefits
	(Dollars in Millions)		
Actuarial (gain)/loss	$ 2	$	$ 51
Prior service cost/(credit)	(3)	1	(243)
	$ (1)	$ 1	$ (192)

Assumptions used by the Company in determining its benefit obligations as of December 31, 2009 and 2008 are summarized in the following table.

Retirement Plans	Health Care and Life Insurance

	U.S. Plans		Non-U.S. Plans		Benefits	
Weighted Average Assumptions	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Discount rate	5.95%	6.10%	6.10%	6.05%	5.70%	6.00%
Expected rate of return on assets	7.70%	8.10%	6.00%	6.65%		
Rate of increase in compensation	3.50%	3.25%	3.50%	3.15%		
Initial health care cost trend rate					8.30%	8.33%
Ultimate health care cost trend rate					5.25%	5.00%
Year ultimate health care cost trend rate reached					2015	2014

Chapter 11 Plan of Reorganization

The Plan, as filed with the Court on December 17, 2009, contemplates that the Debtors may pursue the termination of certain of the Debtors pension plans. The Plan provides for the Pension Benefit Guaranty Corporation (PBGC) to receive a 4% equity interest in the Company upon emergence from the Chapter 11 Proceedings in exchange for any termination-related claims it may have against the Debtors and their controlled group members. As of December 2009, the Company estimated that this claim could total approximately $460 million.

VISTEON CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits (Continued)

Notwithstanding the filing of the Plan, based on the Company s consideration of currently available information, including the procedural phase of the Chapter 11 Proceedings, the Debtor s pension obligations in excess of plan assets of $357 million as of December 31, 2009 continue to not be classified as Liabilities subject to compromise. However, such classification may change in the future based on ongoing developments associated with the Chapter 11 Proceedings.

Adjustments for Adoption of a New Accounting Pronouncement

The Company re-measured plan assets and obligations as of January 1, 2007 consistent with the provisions of FASB authoritative guidance, initially recording a reduction to its pension and OPEB liabilities of $100 million and $90 million, respectively, and an increase to accumulated other comprehensive income of $190 million. The Company also adjusted the January 1, 2007 retained earnings balance by approximately $34 million, representing the net periodic benefit costs for the period between September 30, 2006 and January 1, 2007 that would have been recognized on a delayed basis during the first quarter of 2007 absent the change in measurement date. The net periodic benefit costs for 2007 were based on this January 1, 2007 measurement or subsequent re-measurements. During the fourth quarter of 2007 the Company further reduced its pension liability by $20 million with a corresponding increase to accumulated other comprehensive income based on a revision of its re-measured pension obligation as of January 1, 2007. The revision had no impact on full year earnings and an immaterial impact on income as reported in each of the previous three quarters of 2007.

Contributions

During January 2009, the Company reached an agreement with the Pension Benefit Guaranty Corporation pursuant to U.S. federal pension law provisions that permit the PBGC to seek protection when a plant closing results in termination of employment for more than 20 percent of employees covered by a pension plan (the PBGC Agreement). In connection with the multi-year improvement plan the Company closed its Connersville, Indiana and Bedford, Indiana facilities, which resulted in the separation of all active participants in the respective pension plan. Under the PBGC Agreement, the Company agreed to accelerate payment of a $10.5 million cash contribution, provide a $15 million letter of credit and provide for a guarantee by certain affiliates of certain contingent pension obligations of up to $30 million. During September 2009, the Company did not make the required contribution to the plan, which triggered an LOC draw event under the PBGC Agreement and resulted in an LOC draw by the PBGC for the full $15 million.

The Company expects to make contributions to its U.S. retirement plans and OPEB plans of $13 million and $17 million, respectively, during 2010. Of the $13 million for U.S. retirement plans, $12 million relates to liabilities subject to compromise and may not be paid in full. Contributions to non-U.S. retirement plans are expected to be $21 million during 2010. The Company s expected 2010 contributions may be revised.

Pursuant to certain agreements initially completed in connection with the ACH Transactions, the Company was reimbursed by Ford for $22 million of the $54 million contribution required in connection with the October 2008 settlement of UK pension obligations for employees that transferred from Visteon to Ford during the years 2005

through 2007.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits (Continued)

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the Company plans; expected receipts from the Medicare Prescription Drug Act subsidy are also included below:

	Pension Benefits		Retiree Health and Life	
	U.S.	Non-U.S.	Gross Payments	Medicare Subsidy Receipts
	(Dollars in Millions)			
2010	$ 81	$ 12	$ 17	$
2011	70	13	4	
2012	69	14	4	
2013	69	15	4	
2014	68	17	4	
Years 2015 2019	348	101	20	2

During 2009 the Company s Medicare subsidy receipts were approximately $1.5 million.

Plan Assets and Investment Strategy

Substantially all of the Company s pension assets are managed by outside investment managers and held in trust by third-party custodians. The selection and oversight of these outside service providers is the responsibility of the investment committees and their advisors. The selection of specific securities is at the discretion of the investment manager and is subject to the provisions set forth by written investment management agreements and related policy guidelines regarding permissible investments, risk management practices and the use of derivative securities. Investment in debt or equity securities related to the Company or any of its affiliates is prohibited. Derivative securities may be used by investment managers as efficient substitutes for traditional securities, to reduce portfolio risks or to hedge identifiable economic exposures. The use of derivative securities to create economic leverage to engage in unrelated speculation is expressly prohibited.

The primary objective of the pension funds is to pay the plans benefit and expense obligations when due. Given the relatively long time horizon of these obligations and their sensitivity to interest rates, the investment strategy is intended to improve the funded status of its U.S. and non-U.S. plans over time while maintaining a prudent level of risk. Risk is managed primarily by diversifying each plan s target asset allocation across equity, fixed income securities and alternative investment strategies, and then maintaining the allocation within a specified range of its target. In addition, diversification across various investment subcategories within each plan is also maintained within specified ranges.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Employee Retirement Benefits (Continued)

The Company s retirement plan asset allocation at December 31, 2009 and 2008 and target allocation for 2010 are as follows:

	U.S.			Non-U.S.		
	Target Allocation	Percentage of Plan Assets		Target Allocation	Percentage of Plan Assets	
	2010	2009	2008	2010	2009	2008
Equity Securities	40%	40%	25%	16%	11%	25%
Fixed Income	30	27	42	74	78	66
Alternative Strategies	30	33	25	4	5	6
Cash			8	6	6	3
	100%	100%	100%	100%	100%	100%

The expected long-term rate of return for pension assets has been chosen based on various inputs, including returns projected by various external sources for the different asset classes held by and to be held by the Company s trusts and its targeted asset allocation. These projections incorporate both historical returns and forward looking views regarding capital market returns, inflation and other variables.

Fair Value Measurements

Retirement plan assets are valued at fair value using various inputs and valuation techniques. A description of the inputs and valuation techniques used to measure the fair value for each class of plan assets is included in Note 19 Fair Value Measurements.

NOTE 15. Stock-Based Compensation

During the years ended December 31, 2009, 2008 and 2007, the Company recorded expense of $1 million and benefits of approximately $12 million and $11 million, respectively, due to the change in the market value of the Company s common stock. No related income tax benefits were recorded during the years ended December 31, 2009, 2008 and 2007. During 2009, the Company received no cash from the exercise of share-based compensation instruments and paid less than $1 million to settle share-based compensation instruments.

Stock-Based Compensation Plans

The Visteon Corporation 2004 Incentive Compensation Plan (2004 Incentive Plan) as approved by shareholders, is administered by the Organization and Compensation Committee of the Board of Directors and provides for the grant of incentive and nonqualified stock options, stock appreciation rights (SARs), performance stock rights, restricted

stock awards (RSAs), restricted stock units (RSUs) and stock and various other rights based on common stock. The maximum number of shares of common stock that may be subject to awards under the 2004 Incentive Plan is approximately 22 million shares. At December 31, 2009, there were approximately 6 million shares of common stock available for grant under the 2004 Incentive Plan. Effective June 14, 2007, the 2004 Incentive Plan was amended to allow the Company to utilize net exercise settlement of stock options. Under a net exercise provision, an option holder is permitted to exercise an option without paying any cash. Instead, the option holder pays the exercise price by forfeiting shares subject to the option, based on the value of the underlying shares.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15. Stock-Based Compensation (Continued)

The Visteon Corporation Employees Equity Incentive Plan (EEIP) as approved by shareholders is administered by the Organization and Compensation Committee of the Board of Directors and provides for the grant of nonqualified stock options, restricted stock awards and various other rights based on common stock. The maximum number of shares of common stock that may be subject to awards under the EEIP is approximately 7 million shares. At December 31, 2009, there were approximately 1 million shares of common stock available for grant under the EEIP.

The Visteon Corporation Non-Employee Director Stock Unit Plan provides for the automatic annual grant of RSUs to non-employee directors. RSUs awarded under the Non-Employee Director Stock Unit Plan vest immediately but are settled after the participant terminates service as a non-employee director of the Company.

Stock-Based Compensation Awards

The Company s stock-based compensation awards take the form of stock options, SARs, RSAs and RSUs.

Stock options and SARs granted under the aforementioned plans have an exercise price equal to the average of the highest and lowest prices at which the Company s common stock was traded on the date of grant, and become exercisable on a ratable basis over the vesting period. Stock options and SARs granted prior to January 1, 2004, expire 10 years after the grant date. Stock options and SARs granted after December 31, 2003 and prior to January 1, 2007 expire five years following the grant date. Stock options and SARs granted after December 31, 2006 expire seven years following the grant date.

Stock options are settled in shares of the Company s common stock upon exercise and are recorded in the Company s consolidated balance sheets under the caption Additional paid-in capital. SARs are settled in cash and result in the recognition of a liability representing the vested portion of the obligation. This liability amounted to less than $1 million and is recorded in the Company s consolidated balance sheets under the captions Liabilities subject to compromise and Accrued employee liabilities as of December 31, 2009 and 2008, respectively.

RSAs and RSUs granted under the aforementioned plans vest after a designated period of time (time-based), which is generally one to five years, or upon the achievement of certain performance goals (performance-based) following the completion of a performance period, which is generally two or three years. RSAs are settled in shares of the Company s common stock upon the lapse of restrictions on the underlying shares. Accordingly, such amount is recorded in the Company s consolidated balance sheets under the caption Shareholders deficit Other. RSUs awarded under the 2004 Incentive Plan are settled in cash and result in the recognition of a liability representing the vested portion of the obligation. As of December 31, 2009, less than $1 million was recorded in the Company s consolidated balance sheet under the caption Liabilities subject to compromise. As of December 31, 2008, less than $1 million was recorded under the captions Accrued employee liabilities and Other non-current liabilities, respectively.

Upon exercise of stock-based compensation awards settled in shares of Company stock, the Company s policy is to deliver such shares on a net-settled basis utilizing available treasury shares, purchasing treasury shares or newly issuing shares in accordance with the terms of approved stock-based compensation agreements.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15. Stock-Based Compensation (Continued)

Fair Value Estimation Methodology and Assumptions

The fair value of RSAs is based on the average of the highest and lowest prices at which the Company s common stock was traded on the date of grant and the fair value of RSUs is based on the period-ending market price of the Company s common stock, while the fair value of stock options is determined at the date of grant using the Black-Scholes option pricing model and the fair value of SARs is determined at each period-end using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires management to make various assumptions including the expected term, expected volatility, risk-free interest rate and dividend yield. The expected term represents the period of time that stock-based compensation awards granted are expected to be outstanding and is estimated based on considerations including the vesting period, contractual term and anticipated employee exercise patterns. Expected volatility is based on the historical volatility of the Company s stock over the expected term of the award and ranged from 173% to 237% for SARs at December 31, 2009. The risk-free rate is based on the U.S. Treasury yield curve in relation to the contractual life of the stock-based compensation instrument. The dividend yield assumption is based on historical patterns and future expectations for Company dividends.

Weighted average assumptions used to estimate the fair value of stock-based compensation awards as of December 31, are as follows:

	SARs			Stock Options*	
	2009	2008	2007	2008	2007
Expected term (in years)	1.77	2.02	2.76	5.63	4-6
Expected volatility	209.89%	100.14%	62.3%	53.75%	59.0%
Risk-free interest rate	.95%	1.02%	3.22%	2.72%	4.55%-4.70%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

* *Assumptions at grant date*

Stock Appreciation Rights and Stock Options

The following is a summary of the range of exercise prices for stock options and SARs that are currently outstanding and that are currently exercisable at December 31, 2009:

Stock Options and SARs Outstanding			Stock Options and SARs Exercisable	
Number	Weighted Average	Weighted Average	Number	Weighted Average Exercise

		Outstanding (In thousands)	Remaining Life (In Years)	Exercise Price	Exercisable (In thousands)	Price
$0.00	$2.99	25	5.9	$ 0.71	8	$ 0.71
$3.00	$7.00	12,184	2.4	$ 5.20	10,351	$ 5.47
$7.01	$12.00	3,935	3.9	$ 9.01	3,224	$ 9.02
$12.01	$17.00	3,227	1.5	$ 13.44	3,227	$ 13.44
$17.01	$22.00	1,677	1.3	$ 17.46	1,677	$ 17.46
		21,048			18,487	

The intrinsic value of stock options and SARs outstanding and exercisable was zero at December 31, 2009 and 2008. The weighted average fair value of SARs granted was $0.06 and $1.65 at December 31, 2008 and 2007, respectively. The weighted average fair value of stock options granted was $1.97 and $4.90 at December 31, 2008 and 2007, respectively.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15. Stock-Based Compensation (Continued)

As of December 31, 2009, there was no unrecognized compensation cost related to stock options or SARs granted under the Company s stock-based compensation plans. A summary of activity, including award grants, exercises and forfeitures is provided below for stock options and SARs.

	Stock Options	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price
	(In thousands)		(In thousands)	
Outstanding at December 31, 2006	12,965	$ 10.77	9,270	$ 6.30
Granted	1,976	$ 8.98	3,151	$ 8.94
Exercised	(965)	$ 6.51	(1,219)	$ 5.68
Forfeited or expired	(1,048)	$ 10.86	(1,237)	$ 6.50
Outstanding at December 31, 2007	12,928	$ 10.80	9,965	$ 7.19
Granted	100	$ 3.63	4,266	$ 3.64
Exercised		$		$
Forfeited or expired	(1,029)	$ 11.83	(1,334)	$ 6.65
Outstanding at December 31, 2008	11,999	$ 10.70	12,897	$ 6.07
Granted		$		$
Exercised		$		$
Forfeited or expired	(1,493)	$ 10.64	(2,355)	$ 8.27
Outstanding at December 31, 2009	10,506	$ 10.70	10,542	$ 5.60
Less: Outstanding but not exercisable at December 31, 2009	(353)		(2,208)	
Exercisable at December 31, 2009	10,153	$ 10.76	8,334	$ 5.89

Restricted Stock Units and Restricted Stock Awards

The weighted average grant date fair value of RSUs granted was $0.11 and $8.79 for the periods ended December 31, 2008 and 2007, respectively. The weighted average grant date fair value of RSAs was $3.41 and $7.75 for the periods ended December 31, 2008 and 2007, respectively. The total fair value of RSAs vested during the periods ended December 31, 2009, 2008 and 2007 was less than $1 million. As of December 31, 2009, there was approximately $1 million of total unrecognized compensation cost related to non-vested RSAs, granted under the Company s stock-based compensation plans. That cost is expected to be recognized over a weighted average period of

approximately one year. A summary of activity, including award grants, vesting and forfeitures is provided below for RSAs and RSUs.

VISTEON CORPORATION AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15. Stock-Based Compensation (Continued)

	RSAs	RSUs	Weighted Average Grant Date Fair Value
	(In thousands)		
Non-vested at December 31, 2006	125	6,663	$ 7.23
Granted	90	1,219	$ 8.73
Vested	(3)	(2,262)	$ 9.76
Forfeited	(120)	(1,047)	$ 7.45
Non-vested at December 31, 2007	92	4,573	$ 6.42
Granted	1,305	3,326	$ 3.60
Vested	(35)	(3,335)	$ 5.61
Forfeited	(182)	(418)	$ 5.18
Non-vested at December 31, 2008	1,180	4,146	$ 4.60
Granted			$
Vested	(42)	(1,678)	$ 6.08
Forfeited	(204)	(357)	$ 4.49
Non-vested at December 31, 2009	934	2,111	$ 3.80

NOTE 16. Income Taxes

Income tax provision

Income (loss) before income taxes and discontinued operations, excluding equity in net income of non-consolidated affiliates and the components of provision for income taxes are shown below:

	Year Ended December 31		
	2009	2008	2007
	(Dollars in Millions)		
U.S.	$ (1,250)	$ (440)	$ (384)
Non-U.S.	1,434	(132)	52

Total income (loss) before income taxes	$	184	$	(572)	$	(332)
Current tax provision						
U.S. federal	$	4	$	(4)	$	
Non-U.S.		90		96		93
U.S. state and local		1		1		
Total current		95		93		93
Deferred tax provision (benefit)						
U.S. federal		5				(73)
Non-U.S.		(16)		22		(4)
U.S. state and local		(4)		1		4
Total deferred		(15)		23		(73)
Total provision for income taxes	$	80	$	116	$	20

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. Income Taxes (Continued)

A summary of the differences between the provision for income taxes calculated at the U.S. statutory tax rate of 35% and the consolidated provision for income taxes is shown below:

	Year Ended December 31		
	2009	2008	2007
	(Dollars in Millions)		
Income (loss) before income taxes and discontinued operations, excluding equity in net income of non-consolidated affiliates, multiplied by the U.S. statutory rate of 35%	$ 64	$ (200)	$ (116)
Effect of:			
Impact of foreign operations, including withholding taxes	(3)	(5)	(34)
State and local income taxes	(22)	(14)	(16)
Tax expense (benefits) allocated to income (loss) from continuing operations	6		(91)
U.S. research tax credits	(2)	(3)	(8)
Tax reserve adjustments	(52)	12	72
Tax on intragroup transfer of affiliate			34
Impact of U.K. Administration	(444)		
Change in valuation allowance	521	316	160
Mexican tax law change	10		18
Liquidation of consolidated foreign affiliate	(17)		
Other, including non-deductible reorganization expense	19	10	1
Provision for income taxes	$ 80	$ 116	$ 20

The Company s 2009 income tax provision includes income tax of $80 million related to certain countries where the Company is profitable, accrued withholding taxes and the inability to record a tax benefit for pre-tax losses in the U.S. and certain foreign countries to the extent not offset by other categories of income. The 2009 income tax provision also includes a $52 million benefit associated with a decrease in unrecognized tax benefits, including interest and penalties, as a result of closing audits in Portugal related to the 2006 and 2007 tax years which resulted in a cash settlement of approximately $3 million, completing transfer pricing studies in Asia and reflecting the expiration of various legal statutes of limitations. Included in the deconsolidation gain related to the UK Administration is $18 million of tax expense representing the elimination of disproportionate tax effects in other comprehensive income as all items of other comprehensive income related to Visteon UK Limited have been derecognized. Additionally, as a result of the UK Administration, approximately $1.3 billion of income attributed to the UK jurisdiction is not subject to tax in the UK and further, the Company s UK tax attributes carrying a full valuation allowance have been effectively transferred to the UK Administrators. In the U.S. jurisdiction, the tax benefits from the approximately $1.2 billion of losses attributable to the UK Administration, and the liquidation of the Company s affiliate in Italy, were offset with U.S. valuation allowances.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. Income Taxes (Continued)

The Company s 2008 income tax provision includes income tax expense of $110 million related to certain countries where the Company is profitable, accrued withholding taxes and the inability to record a tax benefit for pre-tax losses in the U.S. and certain foreign countries to the extent not offset by other categories of income. The 2008 income tax provision also includes $12 million for the net increase in unrecognized tax benefits resulting from positions taken in tax returns filed during the year, as well as those expected to be taken in future tax returns, including interest and penalties. Additionally, the Company recorded approximately $6 million of income tax benefit related to favorable tax law changes in 2008, including U.S. legislation enacted in July 2008 which allowed the Company to record certain U.S. research tax credits previously subject to limitation as refundable.

The Company s 2007 income tax provision includes income tax expense of $50 million related to certain countries where the Company is profitable, accrued withholding taxes, and the inability to record a tax benefit for pre-tax losses in the U.S. and certain foreign countries to the extent not offset by other categories of income. The 2007 income tax provision also includes $72 million for an increase in unrecognized tax benefits resulting from positions taken in tax returns filed during the year, as well as those expected to be taken in future tax returns, including interest and penalties. Additionally, the Company recorded approximately $18 million of income tax expense related to significant tax law changes in Mexico enacted in the fourth quarter of 2007. These expense items were offset by an $11 million benefit due to favorable tax law changes in Portugal also enacted in the fourth quarter of 2007.

The amount of tax expense or benefit allocated to continuing operations is generally required to be determined without regard to the tax effects of other categories of income or loss, such as other comprehensive income. However, an exception to the general rule is provided when there is a pre-tax loss from continuing operations and pre-tax income from other categories in the current year. In such instances, income from other categories must offset the current loss from operations, the tax benefit of such offset being reflected in continuing operations even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year operating losses, income from other sources, including other comprehensive income, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. In 2007, net pre-tax income from other categories of income or loss, in particular, pre-tax other comprehensive income primarily attributable to foreign currency exchange rates and the re-measurement of pension and OPEB in the U.S., Germany and the UK, offset approximately $270 million of pre-tax operating losses, reducing the Company s valuation allowance resulting in a benefit of $91 million allocated to the loss from continuing operations as a component of the deferred income tax provision.

In December 2007, Visteon redeemed its ownership interest in a newly formed Korean company in exchange for approximately $292 million as part of a legal restructuring of its climate control operations in Asia with Halla Climate Control Corporation (HCCC). As part of this restructuring, the Company concluded that a portion of HCCC s earnings were permanently reinvested and recorded a $30 million income tax benefit related to the reduction of previously established withholding tax accruals, partially offset by $12 million of income tax expense related to a taxable gain from the restructuring.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. Income Taxes (Continued)

Deferred income taxes and related valuation allowances

Deferred income taxes are provided for temporary differences between amounts of assets and liabilities for financial reporting purposes and the basis of such assets and liabilities as measured by tax laws and regulations, as well as net operating loss, tax credit and other carryforwards. Additionally, deferred taxes have been provided for the net effect of repatriating earnings from consolidated and unconsolidated foreign affiliates, except for approximately $276 million of the Company s share of Korean earnings considered permanently reinvested. If these earnings were repatriated, additional withholding tax expense of approximately $30 million would have been incurred.

Deferred tax assets are required to be reduced by a valuation allowance if, based on all available evidence, both positive and negative, it is considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Significant management judgment is required in determining the Company s valuation allowance against its deferred tax assets, and in making its assessment, the evidence considered includes historical and projected financial performance, as well as the nature, frequency and severity of recent losses along with any other pertinent information.

During the fourth quarter of 2009, the Company concluded, based on the weight of available evidence which included recent updates to its forecast of taxable earnings, that the deferred tax assets associated with its operations in Spain required a full valuation allowance which resulted in a charge to income tax expense of $12 million. During the fourth quarter of 2008, the Company concluded, based on the weight of available evidence, that the deferred tax assets associated with its Visteon Sistemas operations located in Brazil required a full valuation allowance which resulted in a charge to income tax expense of $22 million.

Going forward, the need to maintain valuation allowances against deferred tax assets in the U.S. and other affected countries will cause variability in the Company s effective tax rate. The Company will maintain full valuation allowances against deferred tax assets in the U.S. and applicable foreign countries, which include the UK and Germany, until sufficient positive evidence exists to reduce or eliminate them. At December 31, 2009, the Company has recorded net deferred tax assets, net of valuation allowances, of approximately $24 million in certain foreign jurisdictions, the realization of which is dependent on generating sufficient taxable income in future periods. While the Company believes it is more likely than not that these deferred tax assets will be realized, failure to achieve its taxable income targets which considers, among other sources, future reversals of existing taxable temporary differences, would likely result in an increase in the valuation allowance in the applicable period.

VISTEON CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. Income Taxes (Continued)

The components of deferred income tax assets and liabilities are as follows:

	December 31	
	2009	2008
	(Dollars in Millions)	
Deferred tax assets		
Employee benefit plans	$ 275	$ 337
Capitalized expenditures for tax reporting	142	128
Net operating losses and carryforwards	1,813	1,746
All other	428	256
Subtotal	2,658	2,467
Valuation allowance	(2,238)	(2,079)
Total deferred tax assets	$ 420	$ 388
Deferred tax liabilities		
Depreciation and amortization	$ 127	$ 130
All other	404	337
Total deferred tax liabilities	531	467
Net deferred tax liabilities	$ 111	$ 79

At December 31, 2009 and 2008, net short-term deferred tax liabilities in the amount of $1 million and $3 million, respectively, were included in Other current liabilities on the consolidated balance sheets.

At December 31, 2009, the Company had available tax-effected non-U.S. net operating loss and other carryforwards of $154 million, which have carryforward periods ranging from 5 years to indefinite. The Company had available tax-effected U.S. net operating loss and capital loss carryforwards of $937 million at December 31, 2009, which will expire at various dates between 2010 and 2029. U.S. foreign tax credit carryforwards are $600 million at December 31, 2009. These credits will begin to expire in 2011. U.S. research tax credits carryforwards are $122 million at December 31, 2009. These credits will begin to expire in 2020. The availability of the Company s federal net operating loss carryforward and other federal income tax attributes may be eliminated or significantly limited if a change of ownership of Visteon, within the meaning of Section 382 of the Internal Revenue Code, were to occur.

As of the end of 2009, valuation allowances totaling $2.2 billion have been recorded against the Company s deferred tax assets. Of this amount, $2.1 billion relates to the Company s deferred tax assets in the U.S., including amounts related to foreign affiliates that are treated as pass-through entities for U.S. tax purposes, and $173 million relates to net operating loss carryforwards and other deferred tax assets in certain foreign jurisdictions, where recovery of the carryforwards or assets is unlikely.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. Income Taxes (Continued)

Unrecognized Tax Benefits

Effective January 1, 2007, the Company adopted provisions of the FASB authoritative guidance which establishes a single model to address accounting for uncertain tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The FASB authoritative guidance also addresses derecognition, measurement classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption did not have a material impact on the Company s consolidated financial statements.

The Company s gross unrecognized tax benefits at December 31, 2009 were $190 million and the amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate were approximately $76 million. The gross unrecognized tax benefit differs from that which would impact the effective tax rate due to uncertain tax positions embedded in other deferred tax attributes carrying a full valuation allowance. Since the uncertainty is expected to be resolved while a full valuation allowance is maintained, these uncertain tax positions will not impact the effective tax rate in current or future periods. Beginning January 1, 2007, the Company classified all interest and penalties as income tax expense. Prior to this, the Company s policy was to record interest and penalties related to income tax contingencies as a component of income before taxes. Estimated interest and penalties related to the underpayment of income taxes represented an $11 million benefit for the twelve months ended December 31, 2009 as the release of several positions related to the completion of tax audits, expiration of various legal statutes of limitations, and the completion of transfer pricing studies in Asia, more than offset normal accruals for ongoing unrecognized tax benefits. Estimated interest and penalties for the twelve-month periods ended December 31, 2008 and 2007 totaled $2 million and $14 million, respectively. Accrued interest and penalties were $25 million and $36 million as of December 31, 2009 and 2008, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2009	2008
	(Dollars in Millions)	
Beginning balance, January 1	$ 238	$ 229
Tax positions related to current year		
Additions	16	39
Tax positions related to prior years		
Additions	3	7
Reductions	(55)	(13)
Settlements with tax authorities	(3)	
Lapses in statute of limitations	(10)	(8)
Effect of exchange rate changes	1	(16)

Ending balance, December 31	$ 190	$ 238

VISTEON CORPORATION AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. Income Taxes (Continued)

The Company and its subsidiaries have operations in every major geographic region of the world and are subject to income taxes in the U.S. and numerous foreign jurisdictions. Accordingly, the Company files tax returns and is subject to examination by taxing authorities throughout the world, including such significant jurisdictions as Korea, India, Portugal, Spain, Czech Republic, Hungary, Mexico, Canada, China, Brazil, Germany and the United States. With certain exceptions, the Company is no longer subject to U.S. federal tax examinations for years before 2006 or state and local, or non-U.S. income tax examinations for years before 2002.

It is reasonably possible that the amount of the Company s unrecognized tax benefits may change within the next twelve months as a result of settlement of ongoing audits, for changes in judgment as new information becomes available related to positions both already taken and those expected to be taken in tax returns, primarily related to transfer pricing-related initiatives, or from the closure of tax statutes. Given the number of years, jurisdictions and positions subject to examination, the Company is unable to estimate the full range of possible adjustments to the balance of unrecognized tax benefits. However, the Company believes it is reasonably possible it will reduce the amount of its existing unrecognized tax benefits impacting the effective tax rate by $5 to $10 million due to the lapse of statute of limitations. Further, substantially all of the Company s unrecognized tax benefits relate to uncertain tax positions that are not currently under review by taxing authorities and therefore, the Company is unable to specify the future periods in which it may be obligated to settle such amounts.

NOTE 17. Shareholders Deficit

Accumulated other comprehensive income

	December 31	
	2009	2008
	(Dollars in Millions)	
Foreign currency translation adjustments	$ 89	$ 208
Pension and other postretirement benefit adjustments, net of tax	53	(39)
Unrealized losses on derivatives		(12)
Total accumulated other comprehensive income	$ 142	$ 157

Stock Warrants and Other

In conjunction with the October 1, 2005 ACH Transactions, the Company granted warrants to Ford for the purchase of 25 million shares of the Company s common stock at an exercise price of $6.90. The warrants allow for either cash or share settlement at the sole discretion of the Company, were exercisable at any time after October 1, 2006 and before the expiration date on October 1, 2013. The warrants were valued at $127 million using a Black-Scholes pricing model, adjusted for the estimated impact on fair value of the restrictions relating to the warrants, and are recorded as

permanent equity in the Company s consolidated balance sheets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17. Shareholders Deficit (Continued)

On May 17, 2007, Visteon entered into a letter agreement (the Letter Agreement) with LB I Group, Inc., an affiliate of Lehman Brothers (Lehman), and Ford, pursuant to which, among other things, the Company consented to the transfer by Ford of the warrant to purchase 25 million shares of Visteon common stock and waived a provision of the Stockholder Agreement, dated as of October 1, 2005, between Visteon and Ford, that would have prohibited such transfer. The Letter Agreement also restricted Lehman s ability to enter into certain hedging transactions in respect of the shares underlying the Warrant for the first two years following such transfer. In addition, the warrant was modified so that that it was not exercisable (except in the event of a change of control of Visteon) or transferable until May 17, 2009.

Treasury stock is carried at an average cost basis, is purchased for employee benefit plans, and consists of approximately 700,000 shares at December 31, 2009.

NOTE 18. Earnings Per Share

Basic net earnings (loss) per share of common stock is calculated by dividing reported net income (loss) attributable to Visteon by the average number of shares of common stock outstanding during the applicable period.

	December 31		
	2009	2008	2007
	(In Millions, Except Per Share Amounts)		
Numerator:			
Net income (loss) from continuing operations attributable to Visteon	$ 128	$ (681)	$ (348)
Loss from discontinued operations, net of tax			24
Net income (loss) attributable to Visteon	$ 128	$ (681)	$ (372)
Denominator:			
Basic and diluted shares	130.4	129.4	129.4
Basic and Diluted per Share Data:			
Basic and diluted earnings (loss) per share from continuing operations attributable to Visteon	$ 0.98	$ (5.26)	$ (2.69)
Loss from discontinued operations, net of tax			0.18
Basic and diluted earnings (loss) per share attributable to Visteon	$ 0.98	$ (5.26)	$ (2.87)

The impact of restricted stock is not a consideration in loss years and has been excluded from the computation of basic earnings per share for the years ended December 31, 2008 and 2007. Options to purchase 10 million shares of

common stock at exercise prices ranging from $3.63 per share to $17.46 per share and warrants to purchase 25 million shares were outstanding for 2009 but were not included in the computation of diluted earnings per share as inclusion of such items would be anti-dilutive. The options expire at various dates between 2010 and 2015. In addition, for 2008 and 2007, potential common stock of approximately 12 million shares and 2.9 million shares, respectively, are excluded from the calculation of diluted loss per share because the effect of including them would have been anti-dilutive.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 19. Fair Value Measurements

Fair Value Hierarchy

Financial assets and liabilities are categorized, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs.

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following tables present the Company s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 and 2008:

	Fair Value Measurements at December 31, 2009			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Millions)			
Asset Category				
Retirement plan assets	$ 1,228	$ 376	$ 415	$ 437

	Fair Value Measurements at December 31, 2008			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Millions)			

Asset Category				
Interest rate swaps	$ 17	$	$ 17	$
Foreign currency instruments	15		15	
Liability Category				
Foreign currency instruments	$ 11	$	$ 11	$

Interest Rate Swaps and Foreign Currency Instruments

These financial instruments are valued under an income approach using industry-standard models that consider various assumptions, including time value, volatility factors, current market and contractual prices for the underlying and non-performance risk. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

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VISTEON CORPORATION AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 19. Fair Value Measurements (Continued)

Retirement Plan Assets

The fair values of the Company s U.S. retirement plan assets at December 31, 2009 are as follows:

	Fair Value Measurements at December 31, 2009			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Millions)			
Asset Category				
Registered investment companies	$ 196	$ 196	$	$
Common trust funds	195		195	
LDI	151		151	
Global tactical asset allocation (GTAA)	130			130
Limited partnerships (HFF)	113			113
Common and preferred stock	108	108		
Cash and cash equivalents	12	12		
Insurance contracts	10			10
Other	(2)	(2)		
Total	$ 913			