

VISTEON CORP
Form 10-Q
November 05, 2015
Table of Contents

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2015,
OR

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

For the transition period from _____ to _____
Commission file number 001-15827

VISTEON CORPORATION

(Exact name of registrant as specified in its charter)

State of Delaware

(State or other jurisdiction of incorporation or organization)

One Village Center Drive, Van Buren Township, Michigan
(Address of principal executive offices)

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

Not applicable

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

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

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

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

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

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

As of October 30, 2015, the registrant had outstanding 40,822,620 shares of common stock.

Exhibit index located on page number 63.

Table of Contents

Visteon Corporation and Subsidiaries
Index

Part I - Financial Information	Page
Item 1 - Consolidated Financial Statements	<u>3</u>
Consolidated Statements of Comprehensive Income (Unaudited)	<u>3</u>
Consolidated Balance Sheets (Unaudited)	<u>4</u>
Consolidated Statements of Cash Flows (Unaudited)	<u>5</u>
Notes to Consolidated Financial Statements (Unaudited)	<u>6</u>
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>33</u>
Item 3 - Quantitative and Qualitative Disclosures about Market Risk	<u>59</u>
Item 4 - Controls and Procedures	<u>60</u>
Part II - Other Information	<u>61</u>
Item 1 - Legal Proceedings	<u>61</u>
Item 1A - Risk Factors	<u>61</u>
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	<u>61</u>
Item 6 - Exhibits	<u>61</u>
Signatures	<u>62</u>
Exhibit Index	<u>63</u>

Table of ContentsPart I
Financial Information

Item 1. Consolidated Financial Statements

VISTEON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Millions Except Per Share Amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended		
	September 30		September 30		
	2015	2014	2015	2014	
Sales	\$808	\$793	\$2,436	\$1,798	
Cost of sales	703	700	2,120	1,575	
Gross margin	105	93	316	223	
Selling, general and administrative expenses	59	70	182	164	
Restructuring expense	3	8	18	22	
Interest expense	3	6	15	21	
Interest income	1	2	2	6	
Loss on debt extinguishment	—	—	5	23	
Equity in net (loss) income of non-consolidated affiliates	(3	) (2	) 8	5
Gain on sale of non-consolidated affiliates	—	—	62	2	
Other expense, net	7	20	15	42	
Income (loss) before income taxes	31	(11) 153	(36)
Provision for income taxes	10	10	43	21	
Net income (loss) from continuing operations	21	(21) 110	(57)
(Loss) income from discontinued operations, net of tax	(11) 22	2,194	(35)
Net income (loss)	10	1	2,304	(92)
Net income attributable to non-controlling interests	5	22	41	65	
Net income (loss) attributable to Visteon Corporation	\$5	\$(21) \$2,263	\$(157)
Basic earnings (loss) per share:					
Continuing operations	\$0.39	\$(0.59) \$2.17	\$(1.62)
Discontinued operations	(0.27) 0.11	50.58	(1.78)
Basic earnings (loss) per share attributable to Visteon Corporation	\$0.12	\$(0.48) \$2.75	\$(3.40)
Diluted earnings (loss) per share:					
Continuing operations	\$0.38	\$(0.59) \$2.12	\$(1.62)
Discontinued operations	(0.26) 0.11	49.43	(1.78)
Diluted earnings (loss) per share attributable to Visteon Corporation	\$0.12	\$(0.48) \$2.15	\$(3.40)
Comprehensive income (loss):					
Comprehensive (loss) income	\$(18) \$(105) \$2,305	\$(185)
Comprehensive (loss) income attributable to Visteon Corporation	\$(19) \$(112) \$2,277	\$(236)

See accompanying notes to the consolidated financial statements.

Table of Contents

VISTEON CORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (Dollars in Millions)

	(Unaudited) September 30 2015	December 31 2014
ASSETS		
Cash and equivalents	\$2,860	\$476
Short-term investments	52	—
Restricted cash	8	9
Accounts receivable, net	554	531
Inventories, net	202	208
Current assets held for sale	17	1,660
Other current assets	198	250
Total current assets	3,891	3,134
Property and equipment, net	341	363
Intangible assets, net	141	156
Investments in non-consolidated affiliates	58	99
Non-current assets held for sale	—	1,426
Other non-current assets	435	145
Total assets	\$4,866	\$5,323
LIABILITIES AND EQUITY		
Short-term debt, including current portion of long-term debt	\$33	\$29
Accounts payable	506	485
Accrued employee liabilities	122	114
Current liabilities held for sale	11	987
Other current liabilities	287	217
Total current liabilities	959	1,832
Long-term debt	349	587
Employee benefits	453	489
Deferred tax liabilities	34	53
Non-current liabilities held for sale	—	432
Other non-current liabilities	223	109
Stockholders' equity:		
Preferred stock (par value \$0.01, 50 million shares authorized, none outstanding at September 30, 2015 and December 31, 2014)	—	—
Common stock (par value \$0.01, 250 million shares authorized, 55 million and 54 million shares issued, and 41 million and 44 million shares outstanding at September 30, 2015 and December 31, 2014, respectively)	1	1
Stock warrants	1	3
Additional paid-in capital	1,244	1,246
Retained earnings	2,924	661
Accumulated other comprehensive loss	(285	) (299
Treasury stock	(1,200) (747
Total Visteon Corporation stockholders' equity	2,685	865

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Non-controlling interests	163	956
Total equity	2,848	1,821
Total liabilities and equity	\$4,866	\$5,323

See accompanying notes to the consolidated financial statements.

4

Table of ContentsVISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS¹

(Dollars in Millions)

(Unaudited)

	Nine Months Ended September 30	
	2015	2014
Operating Activities		
Net income (loss)	\$2,304	\$(92)
Adjustments to reconcile net income to net cash provided from operating activities:		
Gain on Climate Transaction	(2,332)) —
Gain on sale of non-consolidated affiliates	(62)	) (2)
Asset impairments and losses on divestitures	17	188
Depreciation and amortization	147	205
Loss on debt extinguishment	5	23
Equity in net income of non-consolidated affiliates, net of dividends remitted	—	7
Pension settlement gain	—	(25)
Non-cash stock-based compensation	7	7
Other non-cash items	4	14
Changes in assets and liabilities:		
Accounts receivable	(7)	) 5
Inventories	(29)	) (33)
Accounts payable	48	(58)
Accrued income taxes	135	14
Other assets and other liabilities	37	(73)
Net cash provided from operating activities	274	180
Investing Activities		
Proceeds from Climate Transaction	2,664	—
Capital expenditures	(151)	) (209)
Short-term investments	(52)) —
Acquisition of businesses, net of cash acquired	—	(308)
Loan to non-consolidated affiliate	(10)) —
Proceeds from sale of non-consolidated affiliates	91	62
Other business divestitures and acquisitions	(19)) —
Other	8	(6)
Net cash provided from (used by) investing activities	2,531	(461)
Financing Activities		
Short-term debt, net	(1)	) 42
Proceeds from issuance of debt, net of issuance costs	—	618
Principal payments on debt	(250)	) (16)
Repurchase of long-term notes	—	(419)
Repurchase of common stock	(500)	) (500)
Dividends paid to non-controlling interests	(31)	) (84)
Exercised warrants and stock options	24	17
Other	(1)	) (2)
Net cash used by financing activities	(759)	) (344)
Effect of exchange rate changes on cash and equivalents	(13)	) (17)
Net increase (decrease) in cash and equivalents	2,033	(642)
Cash and equivalents at beginning of the period	827	1,677

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Cash and equivalents at end of the period	\$2,860	\$1,035
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¹ The Company has combined cash flows from discontinued operations with cash flows from continuing operations within the operating, investing and financing categories. As such, cash and equivalents above include amounts reflected in current assets held for sale on the Consolidated Balance Sheets.

See accompanying notes to the consolidated financial statements.

5

Table of Contents

VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Description of Business

Visteon Corporation (the “Company” or “Visteon”) is a global supplier of automotive systems, modules and components to automotive original equipment manufacturers (“OEMs”) worldwide including Ford, Nissan, Renault, Mazda, BMW, General Motors and Honda. Headquartered in Van Buren Township, Michigan, Visteon has a current workforce of approximately 11,000 employees dedicated to the design, development, manufacture and support of its product offerings and its global customers. The Company's manufacturing and engineering footprint is principally located outside of the U.S., with a heavy concentration in low-cost geographic regions.

Visteon delivers value for its customers and stockholders through its technology-focused core vehicle cockpit electronics business. The Company's vehicle cockpit electronics product line includes audio systems, infotainment systems, driver information systems, connectivity and telematics solutions and electronic control modules. The Company's vehicle cockpit electronics business is comprised of and reported under the Electronics segment. In addition to the Electronics segment, the Company has residual operations in South America and Europe previously associated with the Interiors and Climate businesses, not subject to discontinued operations classification, that comprise the Other segment.

Climate

On June 9, 2015, Visteon Corporation and its wholly owned subsidiary, VIHI, LLC (collectively, “Visteon”) completed the sale to Hahn & Co. Auto Holdings Co., Ltd. (“Hahn”) and Hankook Tire Co., Ltd. (“Hankook” and, together with Hahn, the “Purchasers”) of all of its shares of Halla Visteon Climate Control Corporation, a Korean corporation (“HVCC”), for approximately \$3.4 billion, or KRW 52,000 per share, after adjusting for the 2014 dividend paid by HVCC to Visteon (the “Climate Transaction”), pursuant to and in accordance with the Share Purchase Agreement, dated as of December 17, 2014 (the “Purchase Agreement”), among Visteon and the Purchasers. See Note 3 “Discontinued Operations” for additional disclosures. The Company received net cash proceeds of approximately \$2.7 billion and recognized a pre-tax gain of approximately \$2.3 billion in connection with the closing of the Climate Transaction.

In connection with the closing of the Climate Transaction, Visteon, HVCC and/or the Purchasers have entered into certain other agreements, including a transition agreement (pursuant to which the parties will provide certain transition services for a specified period following the closing), a remediation agreement (pursuant to which Visteon will provide certain information technology services for a period of time), engineering and support agreements (pursuant to which the parties will support certain operations of the other following the closing), and a letter agreement (pursuant to which Visteon has agreed to purchase from HVCC certain electronics operations located in India).

Electronics

On July 1, 2014, the Company completed the acquisition of substantially all of the global automotive electronics business of Johnson Controls Inc. (the “Electronics Acquisition”) for an aggregate purchase price of \$299 million funded with cash on hand, including \$31 million of cash and equivalents at the acquired business. The operating results for the business acquired have been included in the Electronics segment from the date of acquisition. The Electronics Acquisition was accounted for as a business combination, with the purchase price allocated as of July 2014 and finalized as of September 2015.

Interiors

In May 2014, pursuant to a Master Purchase Agreement, as subsequently amended, Visteon agreed to divest substantially all of its global Interiors business (the “Interiors Divestiture”) in exchange for the assumption of certain

liabilities related to the Company's Interiors business and the payment of nominal cash consideration. Effective November 1, 2014, the Company closed on the majority of the Interiors Divestiture (the "Master Closing"). Subsequent to the Master Closing, Visteon completed the sale of Interiors operations in India and Thailand on December 1, 2014 and February 2, 2015, respectively. Remaining operations subject to the Interiors Divestiture are located in Argentina and Brazil and are expected to close during 2015. Assets and liabilities associated with these operations continue to meet the "held for sale" criteria at September 30, 2015 and were classified as "Other current assets" or "Other current liabilities" in the consolidated balance sheets. These remaining transactions are subject to various conditions, including regulatory and antitrust approvals, receipt of other third party consents and approvals and other customary closing conditions, and may be subject to further cash impacts based on purchase price adjustments at the time of closing. The Company expects to record losses in connection with the Argentina and Brazil portions of the Interiors Divestiture in future periods upon closing, which are estimated to be approximately \$20 million.

Table of Contents

In preparing the September 30, 2015, financial statements, the Company determined that an indicator of impairment existed in relation to the long-lived assets of the Berlin, Germany interiors operation that is not subject to the Interiors Divestiture. Accordingly, the Company performed a recoverability test utilizing a probability weighted analysis of cash flows associated with continuing the operations and estimated cash flows associated with the potential sale of the operations. As a result of the analysis, the Company concluded that the assets were not recoverable. However, as the fair value of the underlying assets were determined to be in excess of the respective carrying value, no impairment was recorded as of September 30, 2015. The Company did not meet the specific criteria considered necessary for the Berlin, Germany interiors operation to be considered held for sale as of September 30, 2015.

Subsequently on October 30, 2015, Visteon entered into an agreement to sell and transfer its equity ownership in Visteon Deutschland GmbH, which operates the Berlin, Germany interiors plant with 2014 annual sales of approximately \$115 million, to APCH Automotive Plastic Components Holding GmbH. Visteon will contribute cash and other assets in an amount approximately equivalent to the estimated net pension related liabilities of \$190 million. The Company expects to record an estimated loss of \$100 million in connection with the sale, anticipated to occur on or around December 1, 2015.

NOTE 2. Summary of Significant Accounting Policies

The unaudited consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. These interim consolidated financial statements include all adjustments (consisting of normal recurring adjustments, except as otherwise disclosed) that management believes are necessary for a fair presentation of the results of operations, financial position and cash flows of the Company for the interim periods presented. Interim results are not necessarily indicative of full-year results.

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 exercises significant influence but does not exercise control are accounted for using the equity method. All other investments in non-consolidated affiliates are accounted for using the cost method.

Use of Estimates: The preparation of the financial statements in conformity with U.S. 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.

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

Other Expense, Net: Other expense, net includes transformation initiatives, integration costs and a provision for losses on recoverable non-income based taxes. Transformation initiatives include financial and advisory fees incurred in connection with execution of the Company's comprehensive value creation plan and certain severance costs associated with the Electronics Acquisition and the Climate Transaction. Transformation initiatives also include favorable hedging and exchange impacts of \$19 million for the nine-month period ended September 30, 2015, related to the Climate Transaction proceeds.

Integration costs include costs associated with re-branding, facility modification, information technology readiness and related professional services necessary to integrate businesses associated with the Electronics Acquisition. The

Company expects to incur total integration costs of \$40 million over a two-year period through the end of 2015, of which \$29 million has been incurred through September 30, 2015.

7

Table of Contents

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2015	2014	2015	2014
	(Dollars in Millions)			
Transformation initiatives	\$5	\$11	\$4	\$18
Integration costs	2	4	11	11
Loss on asset contribution	—	3	—	3
Provision for losses on recoverable taxes	—	—	—	8
Other	—	2	—	2
	\$7	\$20	\$15	\$42

Cash and 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. As of September 30, 2015 the Company's cash balances are invested in a diversified portfolio of cash and cash equivalents including money market funds, commercial paper rated A2/P2 and above with maturity under three months, time deposits and other short-term cash investments, which mature under three months with highly rated banking institutions. The cost of such funds approximates fair value based on the nature of the investment.

Short-term Investments: Short-term investments of \$52 million as of September 30, 2015 include corporate bonds and asset backed securities with maturities between three and twelve months held as part of the Company's separately managed accounts. The cost of these Level 1 investments approximates fair value.

Restricted Cash: Restricted cash represents amounts designated for uses other than current operations and includes \$6 million related to the Letter of Credit Facility with US Bank National Association, and \$2 million related to cash collateral for other corporate purposes at September 30, 2015.

Investments in Affiliates: The Company recorded a loss for equity in the net income of affiliates of \$3 million and \$2 million for the three-month periods ended September 30, 2015 and 2014, respectively. For the nine-month periods ended September 30, 2015, and 2014, the Company recorded equity in the net income of affiliates of \$8 million and \$5 million, respectively. Investments in affiliates were \$58 million and \$99 million at September 30, 2015 and December 31, 2014, respectively. At September 30, 2015, affiliates accounted for under the equity method totaled \$47 million and affiliates accounted for under the cost method totaled \$11 million. The Company monitors its investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If the Company determines that such a decline has occurred, an impairment loss is recorded, which is measured as the difference between carrying value and fair value.

In June 2015, the Company completed the sale of its 12.5% ownership interest in Yangfeng Visteon Jinqiao Automotive Trim Systems Co., Ltd. ("Jinqiao"), a Chinese automotive supplier for proceeds of approximately \$91 million and recorded a pre-tax gain of \$62 million during the nine months ended September 30, 2015.

In April 2014, the Company completed the sale of its 50% ownership interest in Duckyang Industry Co., Ltd. ("Duckyang"), a Korean automotive interiors supplier. In connection with the transaction, the Company received total cash of approximately \$31 million, including \$6 million of dividends. The Company recorded a pre-tax gain of approximately \$2 million on this transaction during the nine months ended September 30, 2014.

Product Warranty and Recall: Amounts accrued for product warranty and recall claims are based on management's best estimates of the amounts that will ultimately be required to settle such items. The Company's estimates for product warranty and recall obligations are developed with support from its sales, engineering, quality and legal

functions and include due consideration of contractual arrangements, past experience, current claims and related information, production changes, industry and regulatory developments and various other considerations. The Company can provide no assurances that it will not experience material claims in the future or that it will not incur significant costs to defend or settle such claims beyond the amounts accrued or beyond what the Company may recover from its suppliers. During the nine months ended September 30, 2015, the Company recorded \$13 million as changes in estimates for customer actions related to defective supplier parts. The following table provides a reconciliation of changes in the product warranty and recall claims liability.

8

Table of Contents

	Nine Months Ended September 30	
	2015	2014
	(Dollars in Millions)	
Beginning balance	\$21	\$23
Accruals for products shipped	11	6
Changes in estimates	13	—
Foreign currency	(3) —
Settlements	(12	) (8
Ending balance	\$30	\$21

Recently Issued Accounting Pronouncements: In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-8, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". This ASU changes the requirements for reporting discontinued operations to disposals of components of an entity that represent strategic shifts that have a major effect on an entity's operations and financial results and does not prohibit continuing involvement. The standard also expands the disclosures for discontinued operations and requires new disclosures related to individually material disposals that do not qualify for discontinued operations reporting. The guidance was effective for interim and annual periods beginning after December 15, 2014, and should be applied prospectively. The Company adopted this new standard prospectively with effect from January 1, 2015.

In May 2014, the FASB issued ASU No. 2014-9, "Revenue from Contracts with Customers", which is the new comprehensive revenue recognition standard that will supersede existing revenue recognition guidance under U.S. GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. To achieve this principle, an entity identifies the contract with a customer, identifies the separate performance obligations in the contract, determines the transaction price, allocates the transaction price to the separate performance obligations and recognizes revenue when each separate performance obligation is satisfied. This ASU allows for both retrospective and prospective methods of adoption. In July 2015, the FASB approved a one-year deferral of the effective date of the standard. As such, the new standard will become effective for annual and interim periods beginning after December 15, 2017 with early adoption on the original effective date permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-2, "Consolidation (Topic 810)—Amendments to the Consolidation Analysis", which provides guidance on evaluating whether a reporting entity should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities. Further, the amendments eliminate the presumption that a general partner should consolidate a limited partnership, as well as affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. This new guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. A reporting entity may apply the amendments using a modified retrospective approach or a full retrospective application. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-3, "Simplifying the Presentation of Debt Issuance Cost". The ASU requires debt issuance costs associated with a recognized debt liability to be presented on the balance sheet as a direct deduction from the carrying amount of the corresponding debt liability. This new guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. An entity should apply the new guidance on a retrospective basis. The Company does not expect the adoption of this ASU to have a material

impact on its consolidated financial statements.

In May 2015, the FASB issued ASU 2015-7, “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”. This amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share. This new guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. A reporting entity should apply the amendments retrospectively to all periods presented. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

Table of Contents

NOTE 3. Discontinued Operations

The operations subject to the Interiors Divestiture and Climate Transaction met conditions required to qualify for discontinued operations reporting. Accordingly, the results of operations for the Interiors and Climate businesses have been reclassified to (Loss) income from discontinued operations, net of tax in the consolidated statements of comprehensive income for the three and nine-month periods ended September 30, 2015 and 2014. The results of operations for the three months ended September 30, 2015 includes certain South America operations subject to the Interiors Divestiture, expected to close during 2015.

Discontinued operations are summarized as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(Dollars in Millions)			
Sales	\$16	\$1,385	\$2,184	\$4,402
Cost of sales	21	1,279	2,021	4,008
Gross margin	(5	) 106	163	394
Selling, general and administrative expenses	1	50	76	148
Gain on Climate Transaction	—	—	2,332	—
Loss and impairment on Interiors Divestiture	1	15	17	188
Restructuring expense	—	7	2	12
Interest expense, net	—	2	2	5
Equity in net income of non-consolidated affiliates	—	4	6	10
Other expense, net	3	2	8	11
(Loss) income from discontinued operations before income taxes	(10	) 34	2,396	40
Provision for income taxes	1	12	202	75
(Loss) income from discontinued operations, net of tax	(11	) 22	2,194	(35
Net income attributable to non-controlling interests	—	17	24	47
Net (loss) income from discontinued operations attributable to Visteon	\$(11	) \$5	\$2,170	\$(82

During the nine-month period ended September 30, 2015, the Company received \$3.4 billion of gross proceeds and recorded a \$2.3 billion in pre-tax gain associated with the Climate Transaction. A summary of the gain is summarized below (dollars in millions):

Gross proceeds	(1)	\$3,423	
Korea withholding tax	(2)	(377)
Professional fees	(3)	(20)
Korea security transaction tax	(4)	(17)
Divested cash balances	(5)	(345)
Net cash provided from investing activities		2,664	
Net assets divested, excluding cash balances	(5)	(557)
Information technology separation and service obligations	(6)	(53)
Employee related charges	(7)	(45)
Electronics business repurchase obligation	(8)	(50)
Professional fees	(3)	(4)
Korea withholding tax recoverable	(2)	377	
Net gain on Climate Transaction		\$2,332	

(1) Gross proceeds of \$3.423 billion were received in connection with the Climate Transaction, translated at a spot rate of 1121.5 KRW to USD on June 9, 2015. Impacts of related hedging activities and exchange on proceeds conversion into USD are included in the Company's consolidated statements of comprehensive income as "Other expense, net" for the nine months ended September 30, 2015.

Table of Contents

(2) The Company remitted Korean withholding tax of \$377 million, reducing proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the nine months ended September 30, 2015. The Company believes it is more likely than not that such amounts will be recovered within one to five years after transaction close. The withholding tax recoverable, including subsequent exchange and interest impacts, is classified within the Company's consolidated balance sheets as "Other non-current assets" as of September 30, 2015.

(3) Professional fees of \$24 million, representing fees paid to financial advisors, were based on a percentage of the gross proceeds, partially offset by previously paid retainer fees of \$4 million, for a net payment of \$20 million reducing proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the nine months ended September 30, 2015.

(4) Security transaction taxes of \$17 million were remitted to the Korean government as of the transaction close, reducing proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the nine months ended September 30, 2015.

(5) Net assets of \$902 million, including assets, liabilities, accumulated other comprehensive income and non-controlling interests, were divested in connection with the Climate Transaction. Divested assets included \$345 million of cash balances, reflected as a reduction of transaction proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the nine months ended September 30, 2015.

(6) In connection with the Climate Transaction, the Company has entered an agreement pursuant to which Visteon will provide information technology ongoing and separation services for HVCC to fully operate as an independent entity with estimated costs of approximately \$53 million. The remaining information technology liability is included in the Company's consolidated balance sheets as "Other current liabilities" as of September 30, 2015.

(7) Employee related charges of \$45 million include bonus payments, the Company's assumption of incentive plan liabilities, and impacts of employment change in control provisions. Bonus payments of \$30 million are classified in the Company's net cash provided from operating activities within the Company's consolidated statements of cash flows for the nine months ended September 30, 2015. Amounts remaining to be paid are included in the Company's consolidated balance sheets as "Accrued employee liabilities" as of September 30, 2015.

(8) In connection with the Climate Transaction, the Company has entered an agreement to purchase certain electronics operations located in India, expected to close in 2016 after legal separation and regulatory approvals are met. The Company has recorded a repurchase obligation of \$50 million, representing the estimated purchase price of the subject business. The Company continues to consolidate the business, with net assets of approximately \$22 million, based on the Company's continued controlling financial interest. The Company's controlling financial interest was evaluated based on continued operating control and obligation to fund losses or benefit from earnings. The business is included in a legal entity currently owned by HVCC and therefore the Electronics business assets are not available for general corporate purposes. The repurchase commitment is included in the Company's consolidated balance sheets as "Other current liabilities" as of September 30, 2015.

During the three and nine months ended September 30, 2015, the Company recorded additional losses and adjustments related to the Interiors Divestiture of \$1 million and \$17 million, respectively, including \$3 million attributable to the sale of operations in Thailand during February 2015. Consideration associated with the Interiors Divestiture remains subject to further adjustments.

Assets and liabilities related to the Interiors and Climate businesses have been reclassified as held for sale in the consolidated balance sheets. As of September 30, 2015, held for sale balances include assets and liabilities associated

with operations subject to the Interiors Divestiture located in Argentina and Brazil.

11

Table of Contents

Held for sale balances are summarized as follows:

	September 30 2015	December 31 2014
	(Dollars in Millions)	
ASSETS HELD FOR SALE		
Cash and equivalents	\$—	\$351
Restricted cash	—	—
Accounts receivable, net	13	845
Inventories, net	4	334
Other current assets	—	130
Total current assets held for sale	17	1,660
Property and equipment, net	—	1,077
Intangible assets, net	—	251
Investments in non-consolidated affiliates	—	66
Other non-current assets	—	32
Total non-current assets held for sale	—	1,426
Total assets held for sale	\$17	\$3,086
LIABILITIES HELD FOR SALE		
Short-term debt, including current portion of long-term debt	\$—	\$113
Accounts payable	8	718
Employee benefits	3	66
Other current liabilities	—	90
Total current liabilities held for sale	11	987
Long-term debt	—	252
Employee benefits	—	77
Deferred tax liabilities	—	67
Other non-current liabilities	—	36
Total non-current liabilities held for sale	—	432
Total liabilities held for sale	\$11	\$1,419

The Company has combined cash flows from discontinued operations with cash flows from continuing operations within the operating, investing and financing categories within the consolidated statements of cash flows. Cash and non-cash items for certain operating and investing activities related to discontinued operations for the nine months ended September 30, 2015 and 2014 are as follows:

	Nine Months Ended September 30	
	2015	2014
	(Dollars in Millions)	
Depreciation and amortization	\$85	\$151
Asset impairments and losses on divestiture	\$17	\$188
Capital expenditures	\$81	\$153

Table of Contents

Note 4. Restructuring Activities

During the three and nine-month periods ended September 30, 2015, the Company recorded \$3 million and \$20 million of restructuring expenses, respectively, net of reversals, including \$2 million for the nine months ended September 30, 2015, related to discontinued operations. Given the economically-sensitive and highly competitive nature of the automotive industry, the Company continues to closely monitor current market factors and industry trends taking action as necessary, including but not limited to, additional restructuring actions. However, there can be no assurance that any such actions will be sufficient to fully offset the impact of adverse factors on the Company or its results of operations, financial position and cash flows.

Electronics

In connection with the Electronics Acquisition, the Company commenced a restructuring program designed to achieve cost savings through transaction synergies. Through September 30, 2015, the Company has recorded approximately \$51 million of restructuring expenses under this program, net of reversals, associated with approximately 1,000 employees, and expects to incur up to approximately \$60 million of restructuring costs during the program. During the three and nine months ended September 30, 2015, the Company recorded \$2 million and \$14 million, respectively, net of reversals, of severance and termination benefits under this program associated with approximately 400 employees. During both the three and nine months ended September 30, 2014, the Company recorded \$5 million of severance and termination benefits under this program associated with approximately 115 employees, which was initiated during the third quarter of 2014. The Company anticipates recording additional restructuring charges related to this program in future periods as underlying plans are finalized. Approximately \$23 million remains accrued at September 30, 2015.

Corporate

The Company previously announced a restructuring program designed to reduce fixed costs and to improve operational efficiency by addressing certain under-performing operations. In connection with that program, the Company announced plans to realign its corporate and administrative functions directly to their corresponding operational beneficiary. The Company recorded \$1 million and \$4 million for restructuring expenses during the three and nine months ended September 30, 2015, respectively, primarily related to severance and termination benefits. As of September 30, 2015, \$3 million remains accrued for this program.

Other

During 2014, the Company recorded \$10 million and \$28 million for the three and nine months ended September 30, 2014, respectively, of restructuring expenses, including \$7 million and \$12 million for the three and nine months ended September 30, 2014, respectively, related to discontinued operations. The expenses primarily related to employee and severance termination benefits, associated with Other operations, including the following activities:

- During the three months ended September 30, 2014, the Company recorded \$6 million of severance and termination benefits, classified as discontinued operations, associated with approximately 100 employees at two European Interiors facilities in Spain.

The closure of a Climate facility located in Quilmes, Argentina. In connection with the closure, the Company recorded \$3 million and \$13 million for the three and nine months ended September 30, 2014, respectively, of restructuring expenses, primarily related to severance and termination benefits associated with approximately 270 employees. Approximately \$1 million remains accrued at September 30, 2015.

The closure of a Climate facility located in Port Elizabeth, South Africa. In connection with the closure, the Company recorded and paid cash to settle \$2 million of restructuring expenses, primarily related to severance and termination benefits associated with approximately 90 employees.

During the second quarter of 2014, the Company recorded an additional \$5 million of restructuring expenses, classified as discontinued operations, of which \$4 million remains accrued as of September 30, 2015, in addition to \$2 million associated with a previously announced program for the fundamental reorganization of operations at a facility in Brazil. The Company retained approximately \$6 million of restructuring reserves as part of the Interiors Divestiture.

Table of Contents

Restructuring Reserves

Restructuring reserve balances of \$33 million and \$39 million at September 30, 2015 and December 31, 2014, respectively, are classified as "Other current liabilities" on the consolidated balance sheets. The Company anticipates that the activities associated with the restructuring reserve balance will be substantially completed by the first half of 2016. The Company's consolidated restructuring reserves and related activity are summarized below, including amounts associated with discontinued operations.

	Electronics (Dollars in Millions)	Corporate	Other	Total	
December 31, 2014	\$30	\$—	\$9	\$39	
Expense	3	—	1	4	
Utilization	(2) —	(1) (3)
Foreign currency	(3) —	(1) (4)
March 31, 2015	28	—	8	36	
Expense	9	3	1	13	
Utilization	(4) —	(2) (6)
Foreign currency	1	—	—	1	
June 30, 2015	34	3	7	44	
Expense	6	1	—	7	
Utilization	(13) (1) —	(14)
Reversals	(4) —	—	(4)
September 30, 2015	\$23	\$3	\$7	\$33	

Utilization represents payments for severance and other employee termination benefits and special termination benefits reclassified to pension and other postretirement employee benefit liabilities, where such payments are made from the Company's benefit plans.

During October 2015, the Company announced a restructuring program designed to reduce the workforce at a European Electronics facility. The Company expects to record restructuring charges of approximately \$15 million during the fourth quarter of 2015, primarily related to severance and termination benefit costs.

NOTE 5. Inventories

Inventories consist of the following components:

	September 30 2015	December 31 2014	
	(Dollars in Millions)		
Raw materials	\$115	\$117	
Work-in-process	50	43	
Finished products	55	62	
Valuation reserves	(18) (14)
	\$202	\$208	

Table of Contents

NOTE 6. Other Assets

Other current assets are comprised of the following components:

	September 30 2015	December 31 2014
	(Dollars in Millions)	
Joint venture receivables	\$55	\$52
Recoverable taxes	50	78
Contractually reimbursable engineering costs	39	36
Prepaid assets and deposits	28	30
Deferred tax assets	18	20
Non-trade receivables	1	28
Other	7	6
	\$ 198	\$250

Non-trade receivables represent accounts receivable that the Company is invoicing on behalf of the buyer of the Interiors business. In connection with the Interiors Divestiture, the Company is invoicing on behalf of the buyer until underlying contractual customer agreements are transferred or otherwise modified.

Other non-current assets are comprised of the following components:

	September 30 2015	December 31 2014
	(Dollars in Millions)	
Recoverable taxes	\$383	\$58
Deferred tax assets	21	23
Contractually reimbursable engineering costs	1	31
Other	30	33
	\$435	\$145

Recoverable taxes include Korean capital gains tax withheld by the Purchasers and paid to the Korean government in connection with the Climate Transaction of \$359 million adjusted for currency and interest impacts. The Company has initiated filings with the Korean tax authorities pursuing a refund of the capital gains tax pursuant to the applicable income tax treaty with Korea and believes it is more likely than not that such amount will be recovered over the subsequent one to five years.

Current and non-current contractually reimbursable engineering costs of \$39 million and \$1 million, respectively, at September 30, 2015 and \$36 million and \$31 million, respectively, at December 31, 2014, are related to pre-production design and development costs incurred pursuant to long-term supply arrangements that are contractually guaranteed for reimbursement by customers. The Company expects to receive cash reimbursement payments of approximately \$11 million during the remainder of 2015, \$28 million in 2016, and \$1 million from 2017 through 2019.

Table of Contents

NOTE 7. Property and Equipment, net

Property and equipment, net consists of the following:

	September 30 2015	December 31 2014
	(Dollars in Millions)	
Land	\$ 16	\$ 17
Buildings and improvements	71	66
Machinery, equipment and other	359	337
Construction in progress	53	64
	499	484
Accumulated depreciation	(174	) (136
	325	348
Product tooling, net of amortization	16	15
	\$341	\$363

Property and equipment is depreciated principally using the straight-line method of depreciation over the related asset's estimated useful life. Generally, buildings and improvements are depreciated over a 40-year estimated useful life, leasehold improvements are depreciated on a straight-line basis over the initial lease term period, and machinery, equipment and other are depreciated over estimated useful lives ranging from 3 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 for property and equipment are summarized as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(Dollars in Millions)			
Depreciation	\$17	\$20	\$49	\$40
Amortization	—	1	2	2
	\$17	\$21	\$51	\$42

NOTE 8. Intangible Assets, net

Intangible assets, net at September 30, 2015 and December 31, 2014, are comprised of the following:

	Estimated Weighted Average Useful Life (years)	September 30, 2015			December 31, 2014		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(Dollars in Millions)					
Definite-Lived:							
Developed technology	7	\$39	\$18	\$21	\$39	\$13	\$26
Customer related	10	85	16	69	87	10	77
Other	32	8	1	7	8	1	7
Subtotal		132	35	97	134	24	110
Indefinite-Lived:							
Goodwill		44	—	44	46	—	46
Total		\$176	\$35	\$141	\$180	\$24	\$156

Table of Contents

The Company recorded approximately \$3 million and \$11 million of amortization expense related to definite-lived intangible assets for the three and nine-month periods ended September 30, 2015. The Company currently estimates annual amortization expense to be \$15 million for 2015, \$14 million for 2016, \$12 million for 2017, \$12 million for 2018 and \$12 million for 2019. Indefinite-lived intangible assets are not amortized but are tested for impairment at least annually, or earlier when events and circumstances indicate that it is more likely than not that such assets have been impaired.

A roll forward of the carrying amounts of intangible assets is presented below:

	Definite-lived intangibles			Indefinite-lived intangibles	
	Developed Technology (Dollars in Millions)	Customer Related	Other	Goodwill	Total
Electronics:					
December 31, 2014	\$26	\$77	\$7	\$46	\$156
Foreign currency	—	(2	) —	(2	) (4
Amortization	(5	) (6	) —	—	(11
September 30, 2015	\$21	\$69	\$7	\$44	\$141

NOTE 9. Other Liabilities

Other current liabilities are summarized as follows:

	September 30 2015	December 31 2014
	(Dollars in Millions)	
Electronics operations repurchase commitment	\$50	\$—
Information technology separation and service obligations	48	10
Income taxes payable		