

VISTEON CORP
Form 10-K/A
March 16, 2005

Table of Contents

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

FORM 10-K/A
(Amendment No. 1)

(Mark One)

X

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

For the fiscal year ended December 31, 2003, 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)

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

38-3519512
(I.R.S. employer
identification no.)
48111
(Zip code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	New York Stock Exchange

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.

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Yes No

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2003 (the last business day of the most recently completed second fiscal quarter) was approximately \$853 million.

As of March 1, 2005, the registrant had outstanding 128,678,345 shares of common stock.

Document Incorporated by Reference*

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

* As stated under various Items of this Report, only certain specified portions of such document are incorporated by reference in this Report.

TABLE OF CONTENTS

PART I

ITEM 2. PROPERTIES

ITEM 3. LEGAL PROCEEDINGS

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

PART II

ITEM 5. MARKET FOR VISTEON'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

ITEM 6. SELECTED FINANCIAL DATA

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

Overview

Restructuring, Dispositions and Special Charges

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

ITEM 9A. CONTROLS AND PROCEDURES

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF VISTEON

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

PART IV

SIGNATURES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CONSOLIDATED STATEMENT OF OPERATIONS

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF OPERATIONS

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

Principles of Consolidation

Variable Interest Entities

Revenue Recognition

Guarantees and Product Warranty

U.S. Plan Assets and Investment Strategy

U.S. Contributions

Medicare Legislation

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

Statement re: Computation of Ratios

Consent of Independent Accounts, PricewaterhouseCoopers LLP

Powers of Attorney

Rule 13a-14(a) Certification of Chief Executive Officer

Rule 13a-14(a) Certification of Chief Financial Officer

Section 1350 Certification of Chief Executive Officer

Section 1350 Certification of Chief Financial Officer

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (Form 10-K/A) to our Annual Report on Form 10-K for the year ended December 31, 2003, initially filed with the Securities and Exchange Commission (the SEC) on February 13, 2004 (the Original Filing), is being filed to reflect restatements of our consolidated balance sheets at December 31, 2003 and 2002; and our consolidated statement of operations, consolidated statement of cash flows and consolidated statement of stockholders' equity for each of the three years in the period ended December 31, 2003, and the notes and schedule of valuation and qualifying accounts related thereto. The restatements primarily pertain to the following matters identified during the course of preparing Visteon's 2004 financial statements:

Effective in January 2002, Visteon amended its retiree health care benefits plan for certain of its U.S. employees. This amendment changed the eligibility requirements for participants in the plan, and, as a result, Visteon changed the expense attribution periods. We have determined that these changes in eligibility requirements were not properly communicated to affected employees, and, therefore, the revision to the expense attribution periods, which resulted in expense reductions, should not have been made. The impact of the correction of these errors increased net loss by approximately \$32 million (\$0.25 per share) and \$12 million (\$0.10 per share), for the years ended December 31, 2003 and 2002, respectively.

Visteon is making corrections for certain tooling costs originally recorded as receivables. Costs incurred for Visteon-owned tooling used in production have been adjusted to reflect such costs as long-term assets and to provide related amortization expense. Non-reimbursable costs incurred to develop customer-owned tooling have been expensed in the periods such costs were incurred. The impact of the correction of these errors increased net loss by approximately \$10 million (\$0.08 per share), \$3 million (\$0.02 per share) and \$5 million (\$0.03 per share), for the years ended December 31, 2003, 2002 and 2001, respectively.

Visteon is making corrections for certain volume related rebates, received from numerous capital equipment suppliers for purchases, which were originally recognized as a reduction to expense. Costs incurred for capital equipment have been adjusted to reflect such discounts as a reduction to long-term assets and to adjust related depreciation and amortization expense. The impact of the correction of these errors increased net loss by approximately \$7 million (\$0.05 per share) for the year ended December 31, 2003.

Visteon is making corrections for an inventory costing error during 2000 at one of Visteon's U.S. plants, which had the effect of reducing costs of sales in 2000 and increasing costs of sales in 2001 and 2002. The impact of the correction of this error decreased net loss by approximately \$6 million (\$0.04 per share) and \$2 million (\$0.01 per share) for the years ended December 31, 2002 and 2001, respectively. There was no cumulative impact to results of operations for the three year period ended December 31, 2002.

During the review of our annual United Kingdom pension valuations, we identified unrecorded pension expenses incurred as a result of special termination benefits provided under Visteon's European Plan for Growth program. The impact of the correction of these errors increased net loss by approximately \$5 million (\$0.04 per share) for the year ended December 31, 2003.

Visteon also identified unrecorded postretirement health care expenses at one of Visteon's foreign locations. The impact of the correction of these errors on net income was approximately \$1 million (\$0.01 per share) and \$1 million (\$0.01 per share), for the years ended December 31, 2002 and 2001, respectively.

Table of Contents

Visteon is correcting the amount and timing of the recognition of certain tax adjustments made during the periods. As Visteon expects to repatriate earnings of foreign subsidiaries, adjustments were made to provide for the tax effects of foreign currency movements against the U.S. dollar. These adjustments also impacted the timing of the recognition of deferred tax asset valuation allowances in the fourth quarter of 2003 and the third quarter of 2004. Further, Visteon recognized an additional valuation allowance for certain deferred tax assets that had previously been misclassified and not considered in Visteon's 2003 deferred tax assessment. The impact of the correction of these errors decreased net loss by approximately \$24 million (\$0.19 per share) for the year ended December 31, 2003.

For a more detailed description of these restatements, see Note 2, Restatement of Financial Statements to the accompanying audited consolidated financial statements and the section entitled Restatement in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this Form 10-K/A. The decision to restate Visteon's consolidated financial statements was previously announced in a press release that was filed with the SEC as part of a Current Report on Form 8-K of Visteon dated January 31, 2005.

Although this Form 10-K/A sets forth the Original Filing in its entirety, this Form 10-K/A only amends and restates Item 1 of Part I, Items 6, 7, 8 and 9A of Part II and Exhibit 12.1 of Item 15 of Part IV of the Original Filing, in each case, solely as a result of, and to reflect, the restatement, and no other information in the Original Filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the SEC, Item 15 of Part IV of the Original Filing has been amended to contain the consent of our independent registered public accounting firm and currently-dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The consent of the independent registered public accounting firm and the certifications of our Chief Executive Officer and Chief Financial Officer are attached to this Form 10-K/A as Exhibits 23.1, 31.1, 31.2, 32.1 and 32.2, respectively.

Except for the foregoing amended information, this Form 10-K/A continues to describe conditions as of the date of the Original Filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date. Other events occurring after the filing of the Original Filing or other disclosures necessary to reflect subsequent events have been or will be addressed in either our amended Quarterly Reports on Form 10-Q/A for the quarterly periods ended March 31, 2004, June 30, 2004 and/or September 30, 2004, which are being filed concurrently with the filing of this Form 10-K/A, or by our Annual Report on Form 10-K for the year ended December 31, 2004, when filed, or other reports filed with the SEC subsequent to the date of this filing.

Table of Contents

PART I

ITEM 1. BUSINESS

Overview

Visteon Corporation is a leading global supplier of automotive systems, modules and components to global vehicle manufacturers and the automotive aftermarket. Headquartered in Dearborn, Michigan, we have global capabilities, with regional headquarters in Kerpen, Germany; Shanghai, China; and São Paulo, Brazil. We have a workforce of approximately 72,000 and a network of manufacturing sites, technical centers, sales offices and joint ventures located in every major region of the world.

Visteon operates in two business segments: Automotive Operations and Glass Operations.

Automotive Operations: Visteon is a leading global supplier of automotive systems, modules and components in the following product areas: climate control, interior, exterior, powertrain, chassis and electronics. Our products are featured on vehicles built by many leading automotive manufacturers, including Ford Motor Company, General Motors, Toyota, DaimlerChrysler, Volkswagen, Honda, Renault, Nissan, Hyundai, Peugeot, Mazda and BMW. The Automotive Operations segment accounted for 97% of our 2003 total sales.

Glass Operations: Our Glass Operations segment designs, produces and distributes automotive glass products for Ford and aftermarket customers, and float glass for commercial architectural and automotive applications.

Visteon was incorporated in Delaware in January 2000 as a wholly-owned subsidiary of Ford. Ford subsequently transferred to Visteon the assets and liabilities comprising its automotive components and systems business. Visteon separated from Ford on June 28, 2000 when all of the common stock of Visteon was distributed by Ford to its shareholders.

Financial Information About Business Segments

Business segment financial information can be found on pages 97-99 of this Annual Report on Form 10-K (Note 18, Segment Information, of our consolidated financial statements).

Automotive Parts Industry

The automotive parts industry provides systems, modules and components to vehicle manufacturers for the manufacture of new vehicles, as well as to the aftermarket for use as replacement and enhancement parts. Historically, large vehicle manufacturers operated internal divisions to provide a wide range of component parts for their vehicles. More recently, vehicle manufacturers have moved toward a competitive sourcing process for automotive parts, including increased purchases from independent suppliers, as they seek lower-priced and/or higher-technology products. Demand for aftermarket products tends to increase when vehicle owners retain their vehicles longer, as these vehicles generally have a greater need for repairs.

Industry Trends. The following key trends have been affecting the automotive parts industry over the past several years:

Demand for Safety-related and Environmentally-friendly Products. Consumers are increasingly interested in products and technologies that make them feel safer and more secure. Vehicle manufacturers and many governmental regulators are requiring more safety-related and environmentally-friendly products. This demand, coupled with advances in technology, have led to a number of new product opportunities for Visteon's strong innovation capabilities, such as advanced front lighting systems, driver-information technologies, emissions controls, improved fuel economy and recyclable materials. In addition, Visteon can support the technology needs of advanced systems, such as environmentally-focused power systems, which could revolutionize the automotive industry.

Table of Contents

ITEM 1. BUSINESS (Continued)

Increasing Electronics Integration and Technological Content. Electronics integration, which typically involves replacing bulky mechanical components with electronic ones and/or adding new electrical functions to the vehicle, allows vehicle manufacturers improved control over vehicle weight, costs and functionality. Integrated electronic solutions help auto manufacturers improve fuel economy through weight reduction and reduce emissions through improved air and engine control systems. In addition, Visteon is combining its leadership position in automotive supply with leaders in non-automotive electronics to offer vehicle manufacturers integrated technologies that meet key consumer and regulatory needs.

Globalization of Suppliers. To serve multiple markets more efficiently, vehicle manufacturers are assembling vehicle platforms globally. With this globalization, vehicle manufacturers are increasingly interested in global suppliers that can better serve multiple markets, address local consumer preferences, control design costs and minimize import tariffs in local markets. Visteon's presence in more than 200 facilities, in 25 countries, on six continents positions it to meet this need.

Ongoing Industry Consolidation. The worldwide automotive parts industry is consolidating as suppliers seek to achieve operating synergies through business combinations. Suppliers are shifting production to locations with more flexible work rules and practices, acquiring complementary technologies, building stronger customer relationships, and following their customers as they expand globally. Visteon's ability to provide vehicle manufacturers with single-point sourcing of integrated systems and modules on a global basis has improved its ability to respond to this consolidation.

Design of Several Model Derivatives Off of a Single Vehicle Platform. Vehicle manufacturers are designing and producing several vehicle models off of a single vehicle platform. With this method, vehicle manufacturers will vary the design of some components to create the different vehicle models and standardize other components across the platform, helping to reduce the overall cost of design and manufacture of each model. Suppliers such as Visteon, with its broad product line of innovative new systems, are well positioned to assist vehicle manufacturers in differentiating their vehicle models.

Increased Competitive Intensity and Market Pressures on Vehicle Manufacturers. Because vehicle manufacturers are under increasing pressure to adjust to changing consumer preferences and to incorporate technological advances, they are shortening product development times. These shorter development times allow vehicle manufacturers to effectively introduce vehicles and features that match prevailing consumer preferences. To simplify the vehicle design and assembly processes and reduce their costs, vehicle manufacturers are experimenting with opportunities for their suppliers to provide fully engineered, pre-assembled systems rather than individual components. By offering sophisticated systems and modules rather than individual components, automotive suppliers such as Visteon are well positioned to capture value from the design, engineering, research and development, and assembly functions vehicle manufacturers are increasingly looking to outsource.

Table of Contents**ITEM 1. BUSINESS (Continued)****Products**

When working with a customer, our goal is to understand the design intent and brand image for each vehicle and leverage our extensive experience and innovative technology to deliver products that enable the customer to differentiate the vehicle. We support our components, systems and modules with a full-range of styling, design, testing and manufacturing capabilities, including just-in-time and in-sequence delivery.

The following discussion describes the major product groups within each segment. Financial information relating to sales attributable to each of these product groups can be found in Note 18, Segment Information, of our consolidated financial statements.

Automotive Operations

Chassis Products & Systems. Visteon designs and manufactures a wide array of chassis-related products, from driveline systems for popular all-wheel drive vehicles to steering and suspension systems.

Chassis Product Lines	Description
Driveline Systems	Visteon produces all of the major components for an all-wheel drive system. Major products include front and rear independent suspension and solid-beam axles, propshafts, halfshafts, and power transfer units. Visteon's slip-in-tube propshaft is an example of our exclusive technology that reduces weight and improves noise, vibration and harshness (NVH) and vehicle crash performance.
Steering Systems/Steering Columns	Visteon designs and produces hydraulic power assisted steering systems, rack and pinion steering gears, recirculating ball nut steering gears, and power steering pumps. We have also developed electric power assisted steering (EPAS) systems, which use electric motors rather than conventional hydraulics.
Suspension Systems/Misc. Components	Visteon's suspension products include corner and suspension modules, brake hubs and rotors, knuckles and spindles, in a variety of materials, and stabilizer bars.
Catalytic Converters	Visteon designs and manufactures catalytic converters and other exhaust system products.

Interior Products & Systems. Visteon is one of the leading global suppliers of cockpit systems, instrument panels, door modules and interior trim and console modules.

Interior Product Lines	Description
Cockpit Systems	Visteon's cockpits incorporate the latest in driver information, entertainment, vehicle controls and climate control features and package a variety of structural, electronic and safety components. We provide our customers with a complete array of services including advanced engineering and computer aided design, styling concepts and modeling and in-sequence delivery of manufactured parts. Visteon's cockpit systems incorporate our 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/Trim/Modules & Seat Systems	Visteon provides a wide range of door trim panels and modules as well as a variety of interior trim products.
Console	Visteon's console modules expand the functionality of today's console offerings, delivering 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.

Table of Contents**ITEM 1. BUSINESS (Continued)**

Climate Control Products & Systems. Visteon is one of the leading global suppliers of components, modules and systems that provide automotive heating, ventilation and air conditioning and powertrain cooling.

Climate Control Product Lines	Description
HVAC Systems	Visteon designs and manufactures fully integrated heating, air conditioning and powertrain cooling systems consisting of heat exchangers, air handling modules, heater and A/C controls, compressors, and front end modules. Heat exchangers provide the mechanism of heat transfer for automotive air conditioning and powertrain cooling systems. Included in the offering are radiators, condensers, evaporator and heater cores, integrated heat exchangers, cooling modules and intercoolers. Visteon's air handling modules heat and cool air and distribute it throughout the passenger cabin. Visteon designs and manufactures mechanical and electronic A/C and heater controls. These controls allow passengers to select various air temperature, speed and distribution combinations for optimal comfort. Compressors pump refrigerant through the air conditioning systems. Compressor technologies include fixed and variable displacement swashplate designs, as well as fixed and variable capacity scroll designs. The front end module integrates structural, exterior cooling, electrical and lighting components and subsystems in order to achieve improvements in packaging and vehicle thermal and front-end structure performance.
Powertrain Cooling Systems	Cooling functionality and thermal management for the vehicle powertrain system (engine and transmission) is provided by powertrain cooling.

Powertrain Products & Systems. Visteon offers innovative designs in engine management, fuel storage and delivery and electrical conversion systems, which are designed to provide the automotive customer with solutions that enhance powertrain performance, fuel economy and emissions control.

Powertrain Product Lines	Description
Powertrain Electronics, Ignition, Engine Air/Fuel Systems, Air Induction Systems and other Powertrain	Visteon has a complete line of products for vehicle engine and powertrain management, including the powertrain control module. Visteon's diverse line of sophisticated powertrain products are designed to deliver improved fuel economy and reduced emissions while enhancing performance. These products include air charging assemblies and air induction systems, torque enhancement systems, intake manifolds, long life filtration systems, fuel injectors and rails, mechanical and electronic throttle bodies, and ignition coils.
Starters, Alternators and Wiper Washer	Visteon offers a wide range of alternators and starters to meet differing needs of the automotive customer. In addition, Visteon is working to develop technologies that meet future higher-voltage vehicle architectures (including integrated starter-generators).
Fuel Tanks, Fuel Delivery, and Carbon Canisters	Visteon manufactures systems and components to support low emissions vehicles. The principal products in these systems are plastic blow-molded and thermoformed fuel tanks, fuel pumps and delivery modules, and fuel vapor storage systems.

Table of Contents**ITEM 1. BUSINESS (Continued)**

Electronic Products & Systems. Visteon is one of the leading global suppliers of high-tech in-vehicle entertainment, driver information, wireless communication, safety and security electronics.

Electronic Product Lines	Description
Audio Systems	Visteon produces a wide range of audio systems and components, including integrated cassette/ CD/ MP3 radios and amplifiers. Examples of Visteon's latest electronics products include digital and satellite radios, HD Radio broadcast tuners, audiophile systems and advanced bluetooth interface modules integrated with Visteon Voice capability. Visteon's MACH® digital signal processing (DSP) is an integrated technology providing improved performance for entertainment systems and can support branded audio systems such as Boston Acoustics and Sony.
Driver Information Systems	Visteon designs and builds a wide range of displays, from analog electronic to high impact clusters and light emitting diode (LED) displays.
Integrated Electronics and Infotainment Systems	Visteon has developed numerous products to assist driving and enhance safety. These include Visteon Voice Technology , adaptive cruise control, anti-theft systems, remote keyless entry systems and tire pressure monitoring. Visteon is working with United States Department of Transportation (USDOT) to develop lane departure warning systems. Visteon delivers in-vehicle entertainment that provides consumers with DVD and wireless headphone systems capable of interacting with other plug and play multimedia.

Exterior Products & Systems. Visteon can provide exterior packages that deliver high quality and functionality to the automotive customer.

Exterior Product Lines	Description
Lighting	Visteon designs and builds a wide variety of headlamps, rear lamps, high-mount stop lamps and foglamps using leading edge technologies such as LED, HID, AFS and projector headlamps.
Bumpers	Visteon offers bumper systems, fascias and assemblies and valance panels.

Glass Operations

Our Glass Operations segment designs, produces, and distributes automotive glass products for Ford and aftermarket customers, and float glass for commercial architectural and automotive applications. Glass Operations accounted for about \$563 million, or 3%, of our 2003 total sales. The following table provides a description of the Glass Operations segment product lines:

Glass Product Lines	Description
Glass	Products include windshields, backlites, moonroofs and side windows. Capabilities include glass design, development and manufacturing. Aftermarket replacement glass products are distributed under the Carlite® brand name. Visteon also produces float glass for commercial architectural and automotive markets. Architectural glass is distributed under the Versalux® brand name.

Customers

Visteon sells its products primarily to global vehicle manufacturers. In addition, we sell products for use as aftermarket and service parts to automotive original equipment manufacturers and others for resale through their own independent distribution networks.

Table of Contents

ITEM 1. BUSINESS (Continued)

Vehicle Manufacturers

Visteon sells to all of the world's largest vehicle manufacturers including Ford, General Motors, Toyota, DaimlerChrysler, Honda, Volkswagen, Renault, Nissan, Hyundai, Peugeot, Mazda and BMW. Ford is our largest customer, and our sales to Ford accounted for about 76% of our 2003 total sales. Our top five customers other than Ford accounted for approximately 10% of our total 2003 sales, which includes certain sales to Mazda Motor Corporation, of which Ford owns a 33.4% equity interest.

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. We have agreed to provide specific average productivity price reductions to our largest customer, Ford, for North American sales through 2007. Visteon has an aggressive cost reduction program that focuses on reducing our total costs, which are intended to offset these customer price reductions, but there can be no assurance that such cost reduction efforts will be sufficient to do so.

Aftermarket

We sell products to the worldwide aftermarket as replacement parts or as customized products, such as body appearance packages and in-car entertainment systems, for current production and older vehicles. In 2003, our aftermarket sales were \$992 million, representing 6% of our total sales. We currently sell 58% of these products to the independent aftermarket and 42% to Ford's Automotive Consumer Service Group, the principal aftermarket sales organization of Ford. In 2003, aftermarket sales of our glass products were \$155 million, representing 1% of our total sales and 16% of our total aftermarket sales.

Arrangements with Ford and its Affiliates

In connection with Visteon's separation from Ford in 2000, Visteon and Ford entered into a series of agreements outlining the terms of the separation and the relationship between Visteon and Ford on an ongoing basis. In December 2003, Visteon and Ford entered into a series of agreements that modify or replace several of the agreements referred to above. The following summary of certain of these agreements is qualified in all respects by the actual terms of the respective agreements.

Table of Contents

ITEM 1. BUSINESS (Continued)

Master Transfer Agreement. The master transfer agreement, effective as of April 1, 2000, and other related agreements, provided for Ford to transfer to Visteon and/or its subsidiaries, all assets used exclusively by Visteon, including but not limited to real property interests, personal property and ownership interests in subsidiaries and joint ventures. In addition, Visteon and Ford agreed to a division of liabilities relating to the assets contributed and the Visteon business, including liabilities related to product liability, warranty, recall, environmental, intellectual property claims and other general litigation claims. Specifically, Visteon and Ford agreed on a division of responsibility for product liability, warranty and recall matters as follows: (a) Ford will retain liability for all product liability, warranty or recall claims that involve parts made or sold by Visteon for 1996 or earlier model year Ford vehicles; (b) Visteon is liable for all product liability, warranty or recall claims that involve parts made or sold by Visteon for 1997 or later model year Ford vehicles in accordance with Ford's global standard purchase order terms as applied to other Tier 1 suppliers; and (c) Visteon has assumed all responsibility for product liability, warranty or recall claims relating to parts made or sold by Visteon to any non-Ford customers. Also, Visteon and Ford agreed on a division of responsibility for liabilities associated with claims that Visteon's products infringe or otherwise violate the intellectual property interests of others as follows: (a) Ford will retain liability for such claims related to Visteon's products sold or supplied to Ford or its subsidiaries on or prior to July 31, 1999; (b) Visteon has assumed liability for such claims related to Visteon's products sold or supplied to Ford or its subsidiaries after July 31, 1999 to the same extent as other Tier 1 suppliers would be liable if they had supplied such parts, components or systems to Ford; and (c) Visteon has assumed liability for such claims related to Visteon's products sold to third parties at any time. With respect to environmental matters, please see Environmental Matters, below.

Master Separation Agreement. Ford has provided a number of transitional services to Visteon pursuant to the master separation agreement and related arrangements, including information technology, human resources, accounting, customs, product development technology and real estate services. Visteon agreed to pay Ford amounts which reflected its fully accounted cost for these services, including a reasonable allocation of internal overhead costs, as well as any direct costs incurred from outside suppliers. Except for certain information technology services, Ford's obligation to provide these services pursuant to the master separation agreement expired in June 2002. Visteon and Ford have subsequently entered into new arrangements covering some of these services. Please see Note 12, Arrangements with Ford and its Affiliates, of our consolidated financial statements, for information regarding the amounts that have been assessed for services rendered by Ford under the master separation agreement. During 2003, Visteon began the process of creating a separate IT environment, including the separation of certain of Ford's IT systems that had been utilized by Visteon. During December 2003, Visteon and Ford agreed on matters designed to facilitate the separation process, including Ford's agreement to provide certain limited information technology support services and Ford's agreement to share a portion of the cost associated with the separation process. The parties have agreed also to the mutual release of claims related to IT activities since their separation.

Table of Contents**ITEM 1. BUSINESS (Continued)**

Hourly Employee Assignment Agreement. The hourly employee assignment agreement, as amended and restated as of December 19, 2003, sets forth a number of rights and obligations with respect to the United States hourly employees of Ford who are covered by Ford-UAW master collective bargaining agreements and are assigned to work for Visteon. Under this agreement, Visteon exercises day-to-day supervision over the covered individuals and reimburses Ford for the wage, benefit and other costs incurred by Ford related to these individuals. This includes amounts for profit sharing based on Ford's profits, which is capped at \$2,040 per worker. This cap excludes amounts that may be payable on account of employer payroll taxes or the portion of any profit sharing payment that may be attributable to Visteon's profits. About \$4 million of profit sharing expense was recognized in each of 2003 and 2002, and no profit sharing expense was recognized in 2001. For further information, see Workforce set forth below.

The hourly employee assignment agreement also provides that at December 31, 2003 Visteon's obligation to reimburse Ford for the Other Post Employment Benefits (OPEB) SFAS 106 liability (the OPEB Liability) related to pre-separation service of Ford hourly employees assigned to work at Visteon has been significantly reduced, and that the time period for funding Visteon's post-separation OPEB Liability to Ford for hourly employees assigned to work at Visteon be extended from 2020 to December 31, 2049. Visteon has agreed to transfer assets and obligations relating to the pensions and other benefits for those hourly employees of Visteon who become hourly employees of Ford as of December 22, 2003. See Workforce set forth below. Finally, the agreement provides for an agreed upon method for the transfer of benefit obligations for Visteon-assigned Ford-UAW hourly employees who return to Ford after service at Visteon. For further information, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Pension and Postretirement Benefits set forth below.

Purchase and Supply Agreement. During the fourth quarter 2003, Visteon and Ford terminated the purchase and supply agreement and related pricing letter agreement that were entered into at or around the time of the separation and entered into a new purchase and supply agreement, dated as of December 19, 2003. This agreement governs general commercial matters relating to the supply of components in North America by Visteon to Ford, primarily relating to sourcing and pricing obligations.

Pursuant to this purchase and supply agreement, Visteon and Ford have agreed to continue to honor the terms and conditions of all existing agreements regarding the purchase and sale of currently sourced components. In addition, Ford has agreed to include Visteon on its list of suppliers receiving requests for quotations, design competitions and advanced technology development activities with respect to the sourcing of new business unless good cause or other good business reasons (each as defined in the agreement) exists to exclude Visteon. If Visteon is excluded from the list of suppliers receiving a request for quote for certain replacement new business because of other good business reasons, then Ford will compensate Visteon on account of such exclusion based on lost profits due to the discontinued sourcing of such components, as calculated in accordance with terms of the agreement. Where Visteon has been asked to quote on new business, consistent with commitments made to the UAW and Visteon to look to Visteon first, such new business will be awarded to Visteon if Visteon's quote is competitive (as defined in the agreement). Also, as a condition to sourcing Visteon with respect to most new components, Visteon must develop a competitive gap closure plan that identifies opportunities to reduce prices on the same or similar components currently sourced to Visteon to competitive levels, which plans are not intended to reduce Visteon's margins. Otherwise, Ford will treat Visteon in the same manner as it treats its other Tier 1 suppliers with respect to Ford's general sourcing policies and practices relating to new business, including new purchasing and sourcing initiatives.

Table of Contents

ITEM 1. BUSINESS (Continued)

Ford may terminate or not renew its purchase obligations relating to a given component (each, a Purchase Order) in accordance with the terms of such Purchase Order, on account of excusable delay (as defined in the agreement), program cancellation, for good cause or for other good business reasons. If a Purchase Order is terminated or not renewed for good cause, then there will be no adjustment to the productivity price down percentages. If during the term of any Purchase Order, Ford elects to terminate or not renew a Purchase Order for other good business reasons, then Ford will compensate Visteon based on lost profits due to the discontinued sourcing of such components, as calculated in accordance with terms of the agreement. If during the term of any Purchase Order, Ford elects to terminate or not renew a Purchase Order because of program cancellation or excusable delay, then the terms of the applicable Purchase Order will govern the right to notification, remediation and compensation, if any.

Furthermore, Visteon has agreed to pay Ford \$150 million in lieu of additional productivity price reductions on components supplied by Visteon in North America during 2003, which amount is to be paid in three equal installments commencing no later than December 31, 2003 and ending on or before March 1, 2004. Visteon also will provide specified productivity price reductions for all components supplied to Ford beginning January 1, 2004 and on each January 1 thereafter through 2007. Visteon and Ford have also agreed to negotiate in good faith price changes on supplied components resulting from design changes to such components.

During the period from January 1, 2004 through December 31, 2007, Ford has agreed to pay to Visteon an amount based on the cost differential between wages paid to Ford-UAW workers, at efficient manning levels, and workers at Tier 1 suppliers, with respect to new business sourced to Visteon at plants covered by the Ford-UAW master collective bargaining agreement. Through December 31, 2007, Ford agrees to reimburse Visteon for wages relating to Ford-UAW workers assigned to Visteon who are placed in Guaranteed Employment Number (GEN) program, as set forth in the Ford-UAW master collective bargaining agreement, as a result of Ford's decision to exclude Visteon from the list of suppliers receiving a request for quote on new business or terminate or not renew a Purchase Order because of other good business reasons.

Finally, Ford has agreed to reimburse Visteon for up to one-half of any capital investment spending on production facilities and equipment made by Visteon during the period from January 1, 2004 through December 31, 2007 to the extent related to the production of certain uncompetitive commodities for Ford. Because this reimbursement is calculated on the basis that the capital investment will be amortized over a period of seven years utilizing the production volumes of the applicable components, Visteon may not be reimbursed the full amount in the event that the sourcing program were cancelled or modified by Ford during such period. Ford has also agreed to accelerate the payment terms for certain payables to Visteon through 2006.

2003 Relationship Agreement. Visteon and Ford also entered into a 2003 relationship agreement, dated as of December 19, 2003, which provides, among other things, for the establishment of a joint governance council. The governance council is intended to provide a forum in which senior members of the Ford and Visteon leadership teams can monitor the Ford-Visteon relationship on a global basis. Visteon and Ford also agreed to resolve certain outstanding commercial matters between the parties.

Table of Contents

ITEM 1. BUSINESS (Continued)

Competition

We conduct our 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 for older vehicles. As the supplier industry continues to consolidate, the overall number of competitors has decreased and the automotive parts industry remains extremely competitive. 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 capability, leanness of facilities, operational flexibility, customer service and overall management. Many of our competitors have lower cost structures, particularly with respect to wages and benefits, than our company.

Our overall product portfolio is extremely broad by industry standards. Very few other Tier 1 suppliers compete across the full range of our product areas. Visteon does have significant competition in each of its market segments; the most significant competitors by segment are listed below.

Automotive Operations. Our principal competitors in the Automotive Operations segment include the following: American Axle & Manufacturing Holdings, Inc.; Behr GmbH & Co. KG; Robert Bosch GmbH; Dana Corporation; Delphi Corporation; Denso Corporation; Faurecia Group; Johnson Controls, Inc.; Lear Corporation; Magna International Inc.; Siemens VDO Automotive AG; TRW Automotive Corp.; and Valéo S.A.

Glass Operations. Our principal competitors in the Glass Operations segment include the following: Asahi Glass Co., Ltd.; AFG Industries, Inc.; Guardian Industries Corp.; Pilkington plc; and PPG Industries, Inc.

International

Financial information about sales and net property by major geographic area can be found on page 99 of this Annual Report on Form 10-K (Note 18, Segment Information, of our consolidated financial statements).

Seasonality

Our business is moderately seasonal because our largest North American customers typically halt operations for about two weeks in July for model year changeovers and about one week in December during the winter holidays. In addition, third quarter automotive production traditionally is lower as new models enter production. Accordingly, our third and fourth quarter results may reflect these trends.

Product Research and Development

Visteon's research and development efforts are intended to maintain our leadership position in the industry and provide us with a competitive edge as we seek additional business with new and existing customers. Total research and development expenditures were approximately \$913 million in 2003, \$911 million in 2002 and \$1,037 million in 2001. We have realigned resources to focus on our growth businesses and discontinued work on products where revenues and margins were not in line with investments. Visteon also works with technology development partners, including customers, to develop technological capabilities and system enhancements.

Table of Contents

ITEM 1. BUSINESS (Continued)

Intellectual Property

Visteon 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 Visteon'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 Visteon 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 the United States and appropriate other countries on its significant patentable developments.

Visteon also views its name and mark as significant to its business as a whole. In addition, the company owns 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.

Raw Materials

Raw materials used by Visteon in the manufacture of our products primarily include steel, aluminum, resins, precious metals and urethane chemicals. All of the materials used are generally readily available from numerous sources except precious metals. Precious metals (for catalytic converter production) are purchased from Ford, and Ford assumes the risk of assuring supply and accepts market price risk. We do not anticipate significant interruption in the supply of raw materials that would have a material impact on our business.

Workforce

Visteon's workforce as of December 31, 2003 included approximately 72,000 persons, of which approximately 17,100 were salaried employees and 54,900 were hourly workers.

Of the hourly workforce, approximately 19,800 are Ford employees covered under the Ford-UAW master collective bargaining agreement. Pursuant to an hourly employee assignment agreement, as amended and restated, between Visteon and Ford, Ford has indefinitely assigned these Ford-UAW workers to work at Visteon facilities, and Visteon has agreed to reimburse Ford for the wage, benefit and other costs incurred by Ford related to these workers. Further, effective as of December 22, 2003, approximately 600 hourly employees of Visteon who worked in UAW-represented facilities of Visteon at the effective date but were covered by a separate collective bargaining agreement between the UAW and Visteon have been converted to Ford-UAW employees and designated as Visteon-assigned workers under the hourly employee assignment agreement. In addition, as part of the current Ford-UAW master collective bargaining agreement, Ford has agreed to offer transfers to Ford-UAW workers assigned to Visteon facilities to positions at Ford facilities as they become available and to prohibit the transfer of Ford-UAW workers to positions at Visteon facilities. The present Ford-UAW master collective bargaining agreement expires in September 2007. Although we have the right to participate in future negotiations as well as the planning and strategy development concerning the terms of, and issues arising under, the current and future Ford-UAW collective bargaining agreements, Ford reserves the right to handle such matters if a joint course of action cannot be agreed upon.

Table of Contents

ITEM 1. BUSINESS (Continued)

Visteon, Ford and the UAW have also entered into a memorandum of understanding, which provides, among other things, that Visteon and the UAW will enter into a new collective bargaining agreement covering employees hired by Visteon at its UAW-represented facilities in the future and that the parties will enter into discussions for the purpose of negotiating a supplement to such new Visteon-UAW collective bargaining agreement that provides for competitive wage and benefit levels for such future hires. We expect to conclude negotiations of this supplement during the first quarter of 2004; however, we cannot anticipate at this time the expected impact that this new arrangement may have on our results of operations or financial condition. Further, in the event the parties are unable to agree to the terms of the supplement, the Visteon-UAW collective bargaining agreement will mirror the Ford-UAW collective bargaining agreement.

In Europe, all Ford employees (both hourly and salaried) working in Visteon facilities at the time of the spin-off became Visteon employees. In the spin-off agreement with the employee representatives, it was agreed that, during their employment and retirement, Visteon would provide these employees with wages, benefits and other terms of employment that closely reflect those provided by Ford to its employees in the respective countries. The majority of our European employees are members of industrial trade unions and confederations within their respective countries. Many of these organizations operate under collective contracts that are not specific to any one employer. Visteon's national agreement with the British trade unions will expire in November 2004. Visteon's collective agreement with the German trade unions expired on December 31, 2003; negotiations for a new agreement are continuing.

We constantly work to establish and maintain positive, cooperative relations with our unions around the world and we believe that our relationships with unionized employees to be satisfactory. There have been no significant work stoppages in the past three years.

Environmental Matters

Visteon 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. Visteon 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. Further, in connection with our spin-off from Ford, Visteon and Ford have generally agreed that Visteon would assume all liabilities for existing and future claims relating to sites that were transferred to us and our operation of those sites, including off-site disposal, except as otherwise specifically retained by Ford in the master transfer agreement. At the time of spin-off, Visteon and Ford also agreed on a division of liability for, and responsibility for management and remediation of, environmental claims existing at that time.

We are aware of contamination at some of our properties and have agreed to an allocation of liability with Ford relating to various third-party superfund sites at which Ford has been named as a potentially responsible party. We are in various stages of investigation and cleanup at these sites. At December 31, 2003, Visteon had recorded a reserve of approximately \$13 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 our control and which may change dramatically. Accordingly, although we believe our reserves to be adequate based on current information, we cannot assure you that our eventual environmental investigation and cleanup costs and liabilities will not exceed the amount of our current reserve. During 2003, we did not incur any material capital expenditures relating primarily to environmental compliance.

Table of Contents

ITEM 1. BUSINESS (Continued)

Available Information

Our current and periodic reports filed with the Securities and Exchange Commission, including amendments to those reports, may be obtained through our internet website at www.visteon.com free of charge as soon as reasonably practicable after we file these reports with the SEC. A copy of our code of business conduct and ethics for directors, officers and employees of the Company and its subsidiaries, entitled A Pledge of Integrity, the Corporate Governance Guidelines adopted by Visteon's Board of Directors and the charters of each committee of the Board of Directors are available on our website at www.visteon.com. You may also request a printed copy of the foregoing documents by contacting our Shareholder Relations department in writing at One Village Center Drive, Van Buren Township, MI 48111 by phone (877) 367-6092; or via email at vcstock@visteon.com.

Table of Contents**ITEM 2. PROPERTIES**

Our principal executive offices are currently located in Dearborn, Michigan. We expect to relocate our principal executive offices, as well as several other facilities located in Southeast Michigan, to Van Buren Township, Michigan during 2004. We also maintain regional headquarters in Kerpen, Germany; in Shanghai, China; and in São Paulo, Brazil.

We and our joint ventures maintain 69 technical facilities/sales offices and 135 plants in 25 countries throughout the world, of which approximately 94 facilities are owned in fee simple and 109 are leased. The following table shows the approximate total square footage of our principal owned and leased manufacturing facilities by region as of December 31, 2003:

Region	Number of Manufacturing Sites	Total Manufacturing Sites Square Footage
		(in millions)
North America	60	29.7
Europe	44	13.1
South America	7	0.8
Asia-Pacific	24	6.4
Total	135	50.0

In some locations, we have combined a manufacturing facility, technical center and/or customer service center and sales office at a single multi-purpose site. The following table shows the approximate number of various types of facilities by region and segment as of December 31, 2003:

Region	Manufacturing Sites	Technical Centers	Customer Centers and Sales Offices
North America			
Automotive Operations	56	25	4
Glass Operations	4	1	2
Europe			
Automotive Operations	44	9	15
Glass Operations			
South America			
Automotive Operations	7		
Glass Operations			
Asia-Pacific			
Automotive Operations	24	8	5
Glass Operations			
Totals			
Total Automotive Operations	131	42	24
Total Glass Operations	4	1	2
Total company	135	43	26

We believe that our facilities are suitable and adequate, and have sufficient productive capacity, to meet our present needs. The majority of our facilities are operating at normal levels based on their respective capacities except those facilities that are in the process of being closed or transferred.

Table of Contents**ITEM 3. LEGAL PROCEEDINGS**

We are involved in routine litigation incidental to the conduct of our business. We do not believe that any litigation to which we are currently a party would, if determined adversely to us, have a material adverse effect on our financial condition, results of operations or cash flows, although such an outcome is possible.

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 our company. All ages are as of February 1, 2004:

Name	Age	Position
Peter J. Pestillo	65	Chairman of the Board and Chief Executive Officer
Michael F. Johnston	56	Director, President and Chief Operating Officer
Daniel R. Coulson	60	Executive Vice President and Chief Financial Officer
James C. Orchard	53	Executive Vice President and President, North America and Asia
Anjan Chatterjee	52	Senior Vice President, Strategy and Business Planning
Stacy L. Fox	50	Senior Vice President, General Counsel and Secretary
Robert H. Marcin	58	Senior Vice President, Corporate Relations
Thomas A. Burke	46	Senior Vice President, North America and Asia Manufacturing
Lorie J. Buckingham	46	Vice President and Chief Information Officer
John F. Kill	54	Vice President of Product Development
Jonathan K. Maples	46	Vice President of Quality and Materials Management
Heinz Pfannschmidt	56	Vice President and President, Europe and South America

Peter J. Pestillo has been Visteon's Chairman of the Board and Chief Executive Officer since the company's formation in January 2000. Before that, Mr. Pestillo had been the Vice Chairman and Chief of Staff of Ford, and previously Ford's Executive Vice President, Corporate Relations. Mr. Pestillo had been, prior to the Visteon spin-off in June 2000, a Ford employee since 1980. Mr. Pestillo is also a director of Rouge Industries, Inc. and Sentry Insurance.

Michael F. Johnston has been Visteon's President and Chief Operating Officer since September 2000 and was elected to the company's Board of Directors in May 2002. Before that, Mr. Johnston had been President, e-business for Johnson Controls, Inc., and previously President-North America and Asia of Johnson Control's Automotive Systems Group, and President of its automotive interior systems and battery operations. Mr. Johnston is also a director of Flowserve Corporation and Whirlpool Corporation.

Daniel R. Coulson has been Executive Vice President and Chief Financial Officer of Visteon since the company's formation in January 2000. Before that, he was Ford's Director of Accounting. Mr. Coulson had been, prior to the Visteon spin-off in June 2000, a Ford employee since 1965.

James C. Orchard has been Executive Vice President and President, North America and Asia of Visteon since August 2001. Before that, Mr. Orchard had been Chief Executive Officer, ZF Group North America and South America, and a member of the ZF Board of Management.

Anjan Chatterjee has been Senior Vice President, Strategy and Business Planning since joining Visteon in August 2003. Prior to that, Mr. Chatterjee was director, North American automotive sector and head of the Detroit office at McKinsey and Company. Mr. Chatterjee has also served as a partner at A.T. Kearney in the automotive, electronics, and technology areas.

Table of Contents

ITEM 4A. EXECUTIVE OFFICERS OF VISTEON (Continued)

Stacy L. Fox has been Senior Vice President, General Counsel and Secretary of Visteon since the company's formation in January 2000. Before that, she was Group Vice President and General Counsel of the Automotive Systems Group of Johnson Controls, Inc.

Robert H. Marcin has been Visteon's Senior Vice President, Corporate Relations since January 2003 and, prior to that, he served as the company's Senior Vice President of Human Resources since the company's formation in January 2000. Before that, he was Executive Director Labor Affairs for Ford and Ford's Director, U.S. Union Affairs. Mr. Marcin had been, prior to the Visteon spin-off in June 2000, an employee of Ford or its subsidiaries since 1973.

Thomas A. Burke has been Vice President, North America and Asia Manufacturing of Visteon since November 2002, and prior to that he was Vice President of Europe and South America Manufacturing Operations. Mr. Burke has also served the company as Director of Engineering for Visteon's Ford Account; and as Director of Climate Control Systems for Europe, South America and India, until 1996. Mr. Burke joined Ford Motor Company in 1983, and he has held a number of engineering, manufacturing and management positions, including appointments in North America and Mexico for Ford's Climate Control division.

Lorie J. Buckingham has been Vice President and Chief Information Officer of Visteon since 2002, and prior to that she served as Director of Global Software Solutions since she joined the company in 2000. Before joining Visteon, Ms. Buckingham was the Chief Information Officer for Zonetrader.com, and from 1993 to 1999 she worked at Union Carbide Corporation where she served as the Director of Enterprise Information Technology Solutions.

John F. Kill has been Vice President of Product Development of Visteon since January 2001. Prior to that he was Operations Director of the Climate Control Division since 1999, and served as the European Operations Director from 1997-1999. Mr. Kill began his career with Ford Motor Company in 1971, and has held various engineering and management positions.

Jonathan K. Maples has been Vice President of Quality and Materials Management since joining Visteon in November 2001. Prior to that, he was Executive Vice President of Business Services for MSX International, a position he held since May 2000. He has also served as Vice President of Operations and Vice President of Supplier Management for DaimlerChrysler Corporation prior thereto.

Heinz Pfannschmidt has been Vice President and President, Europe and South America of Visteon since November 2001. Before that, he was President and Chief Executive Officer of TRW Automotive Electronics Worldwide, and a member of the TRW Executive Committee, since September 1999, and Managing Director of Europe, Inflatable Restraint Systems of TRW Automotive prior thereto.

Table of Contents**PART II****ITEM 5. MARKET FOR VISTEON S COMMON STOCK AND RELATED STOCKHOLDER MATTERS**

Our common stock is listed on the New York Stock Exchange in the United States under the symbol VC. As of January 30, 2004, Visteon had 130,469,809 shares of its common stock \$1.00 par value outstanding, which were owned by 120,062 stockholders of record. The table below shows the high and low sales prices for our common stock as reported by the New York Stock Exchange, and the dividends we paid per share of common stock for each quarterly period for the last two years.

	2003			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Common stock price per share				
High	\$ 7.38	\$ 7.25	\$ 7.09	\$ 10.43
Low	\$ 5.60	\$ 5.96	\$ 5.86	\$ 6.30
Dividends per share of common stock	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06

	2002			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Common stock price per share				
High	\$ 16.55	\$ 16.25	\$ 13.58	\$ 8.95
Low	\$ 12.09	\$ 13.64	\$ 9.47	\$ 6.57
Dividends per share of common stock	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06

In May 2003, we issued a total of 6,000 restricted shares of common stock to two of our non-employee directors pursuant to the terms of the Visteon Corporation Restricted Stock Plan for Non-Employee Directors. Such issuances were exempt from registration under the Securities Act of 1933, as amended, as a transaction not involving a public offering under Section 4(2).

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data has been restated to reflect adjustments to the Original Filing that are further discussed in Explanatory Note in the forepart of this Form 10-K/A and in Note 2, Restatement of Financial Statements, to our consolidated financial statements included in this Form 10-K/A.

The following selected consolidated financial data reflect our financial condition, results of operations and cash flows both before and after our spin-off from Ford on June 28, 2000. Selected consolidated financial data for the periods prior to our spin-off reflect the historical financial condition, results of operations and cash flows of the businesses that were considered part of the Visteon business of Ford during each respective period. The historical consolidated statement of operations data set forth below for periods prior to our spin-off do not reflect many significant changes that occurred in the operations and funding of our company as a result of our spin-off from Ford.

The selected consolidated financial data should be read in conjunction with, and are qualified by reference to, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes included elsewhere in this report. The consolidated statement of operations, cash flow and balance sheet data, set forth below, have been derived from our audited financial statements. Certain amounts for prior periods were reclassified to conform with present period presentation.

The following financial information may not reflect what our results of operations, financial condition and cash flows would have been had we operated as a separate, stand-alone entity during the periods presented or what our results of operations, financial condition and cash flows will be in the future.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA (Continued)**

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(Restated, except 1999 amounts)				
	(in millions, except per share amounts and percentages)				
Statement of Operations Data					
Sales					
Ford and affiliates	\$ 13,475	\$ 14,779	\$ 14,656	\$ 16,448	\$ 17,105
Other customers	4,185	3,616	3,187	3,019	2,261
Total sales	17,660	18,395	17,843	19,467	19,366
Costs and expenses					
Costs of sales	17,821	17,599	17,111	18,144	17,380
Selling, administrative and other expenses	1,008	893	855	897	797
Total costs and expenses	18,829	18,492	17,966	19,041	18,177
Operating income (loss)	(1,169)	(97)	(123)	426	1,189
Interest income	17	23	55	109	79
Interest expense	94	103	131	167	143
Net interest expense	(77)	(80)	(76)	(58)	(64)
Equity in net income of affiliated companies	55	44	24	56	47
Income (loss) before income taxes, minority interests and change in accounting	(1,191)	(133)	(175)	424	1,172
Provision (benefit) for income taxes	23	(64)	(74)	138	422
Income (loss) before minority interests and change in accounting	(1,214)	(69)	(101)	286	750
Minority interests in net income of subsidiaries	29	28	21	26	15
Income (loss) before change in accounting	(1,243)	(97)	(122)	260	735
Cumulative effect of change in accounting, net of tax		(265)			
Net income (loss)	\$ (1,243)	\$ (362)	\$ (122)	\$ 260	\$ 735
Earnings (loss) per share:					
Basic and diluted before cumulative effect of change in accounting (based on 130,000,000 shares outstanding for periods prior to our spin-off)	\$ (9.88)	\$ (0.77)	\$ (0.94)	\$ 2.00	\$ 5.65
Cumulative effect of change in accounting		(2.07)			
Basic and diluted	\$ (9.88)	\$ (2.84)	\$ (0.94)	\$ 2.00	\$ 5.65
Cash dividends per share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.12	
Statement of Cash Flows Data					
Cash provided by (used in) operating activities	\$ 363	\$ 1,103	\$ 440	\$ (523)	\$ 2,482
Cash (used in) investing activities	(781)	(609)	(747)	(845)	(1,453)
Cash provided by (used in) financing activities	128	(338)	(75)	924	290
Balance Sheet Data, end of period					
Total assets	\$ 10,933	\$ 11,169	\$ 11,184	\$ 11,393	\$ 12,542
Total debt	1,818	1,691	1,922	2,019	2,319
Total equity	1,771	2,950	3,311	3,492	1,499

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Other Financial Data

Depreciation and amortization	\$	677	\$	633	\$	667	\$	676	\$	651
Capital expenditures		872		725		756		796		876
After tax return on:										
Sales		(6.9)%		(0.4)%		(0.6)%		1.5%		3.9%
Average assets		(11.0)%		(0.6)%		(0.9)%		2.4%		6.8%

Table of Contents

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
RESTATEMENT**

Visteon has restated its previously issued consolidated financial statements for 2001 through 2003, primarily for accounting corrections related to postretirement health care and pension costs, tooling costs, capital equipment costs, inventory costing and income taxes.

As a result of the restatement net loss increased \$30 million for the year ended December 31, 2003, \$10 million for the year ended December 31, 2002 and \$4 million for the year ended December 31, 2001. The restatement increased reported net loss per share by \$0.23 for the year ended December 31, 2003; increased reported net loss per share by \$0.09 for the year ended December 31, 2002; and increased reported net loss per share by \$0.03 for the year ended December 31, 2001.

Further information on the nature and impact of these adjustments is provided in Note 2, Restatement of Financial Statements to our consolidated financial statements included elsewhere in this Form 10-K/A.

This section summarizes significant factors affecting the company's consolidated operating results, financial condition and liquidity for the three-year period ended December 31, 2003. This section should be read in conjunction with the company's consolidated financial statements and related notes appearing elsewhere in this report.

Overview

Visteon is a leading global supplier of automotive systems, modules and components. We sell our products primarily to global vehicle manufacturers, and also sell to the worldwide aftermarket for replacement and vehicle appearance enhancement parts. Ford established Visteon as a wholly-owned subsidiary in January 2000, and subsequently transferred to Visteon the assets and liabilities comprising Ford's automotive components and systems business. Ford completed its spin-off of Visteon on June 28, 2000. We operate in two business segments: Automotive Operations and Glass Operations.

The automotive industry experienced a modest increase in worldwide sales and production volumes in 2003 over 2002. However, our largest customer, Ford, saw its sales and production volumes decrease mainly in its North American markets from 4.1 million units in 2002 to 3.7 million units in 2003. Our 2003 sales of \$17.7 billion were down 4% from 2002. This decline was associated with lower Ford production, offset partially by a 16% increase in our sales to non-Ford customers of \$4.2 billion. Revenue from Ford and its affiliates totaled 76% of Visteon's sales in 2003 compared with 80% in 2002. Because of our heavy involvement in Ford's North American operations, North America continues to be our primary sales market, with the United States representing the largest portion of that market. We expect Ford production volumes to remain relatively stable in 2004 and our non-Ford sales to continue to grow steadily over the next several years.

A number of factors contributed to a 2003 net loss of \$1.2 billion, declining further from a 2002 net loss of \$362 million. We recorded significant after-tax special charges totaling \$949 million during 2003, which were almost double the amount recorded in 2002. These special charges are discussed in detail below. Further, our operating performance was adversely affected primarily by lower Ford production volumes, price reductions given to our customers, and costly infrastructure improvements. On the positive side, we continued to experience improved contribution as a result of new business, particularly from our operations in the Asia-Pacific region.

Table of Contents

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

2003 was also marked by several major events that are expected to help our performance in the future. First, Visteon and Ford entered into a series of agreements designed to address structural issues arising from the separation in 2000 and restructure their ongoing commercial relationship. These agreements are discussed above under Item 1. Business Arrangements with Ford and its Affiliates. Next, we reached agreement with Ford and other parties that permitted us to exit from our unprofitable seating operations in Chesterfield, Michigan. Finally, Ford and the UAW implemented a new four-year master collective bargaining agreement, which covers a significant portion of Visteon's hourly workforce, and negotiations are underway on an agreement that would provide for more competitive wages and benefits for future Visteon hourly workers. These events are discussed further below.

At December 31, 2003, our cash and marketable securities balance was \$956 million and our debt-to-capital ratio was 51%, compared with \$1.3 billion and 36%, respectively, at year-end 2002. This and our liquidity position are discussed further below.

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)****Restructuring, Dispositions and Special Charges**

The table below presents special charges related to restructuring initiatives and other actions during the past three years:

	<u>Automotive Operations</u>	<u>Glass Operations</u>	<u>Total Visteon</u>
	(in millions)		
2003 (Restated)			
<i>Special Charges:</i>			
4th Quarter Asset Impairment	\$ (407)	\$	\$ (407)
Exit of Seating Operations	(217)		(217)
European Plan for Growth	(82)		(82)
Restructuring and other actions	(48)		(48)
	<u> </u>	<u> </u>	<u> </u>
Total 2003 special charges, before taxes	\$ (754)	\$	\$ (754)
	<u> </u>	<u> </u>	<u> </u>
Special charges above, after taxes	\$ (484)	\$	\$ (484)
Deferred tax asset valuation allowance	(460)	(5)	(465)
	<u> </u>	<u> </u>	<u> </u>
Total 2003 special charges, after taxes	\$ (944)	\$ (5)	\$ (949)
	<u> </u>	<u> </u>	<u> </u>
2002			
<i>Special Charges:</i>			
Exit of Markham Restraint Electronics and other 1st Quarter actions	\$ (95)	\$	\$ (95)
U.S. salaried special early retirement program	(66)	(5)	(71)
European Plan for Growth	(40)		(40)
Loss on sale of restraint electronics business	(26)		(26)
Other restructuring (including adjustments to prior year's expense)	6	3	9
	<u> </u>	<u> </u>	<u> </u>
Total 2002 special charges, before taxes	\$ (221)	\$ (2)	\$ (223)
	<u> </u>	<u> </u>	<u> </u>
Special charges above, after taxes	\$ (141)	\$ (1)	\$ (142)
Effect of change in accounting, net of tax	(265)		(265)
	<u> </u>	<u> </u>	<u> </u>
Total 2002 special charges, after taxes	\$ (406)	\$ (1)	\$ (407)
	<u> </u>	<u> </u>	<u> </u>
2001			
<i>Special Charges:</i>			
Salaried restructuring	\$ (132)	\$ (14)	\$ (146)
Glass Operations restructuring charges		(34)	(34)
European plant consolidations and other	(10)	(2)	(12)
	<u> </u>	<u> </u>	<u> </u>
Total 2001 special charges, before taxes	\$ (142)	\$ (50)	\$ (192)
	<u> </u>	<u> </u>	<u> </u>
Total 2001 special charges, after taxes	\$ (90)	\$ (31)	\$ (121)
	<u> </u>	<u> </u>	<u> </u>

During fourth quarter 2003, Visteon recorded a pre-tax, non-cash impairment write-down of \$407 million (\$260 million after-tax) in costs of sales to reduce the net book value of certain assets associated with six product groups. This write-down was based on an assessment by

product-line asset group, completed in fourth quarter 2003, of the recoverability of our long-lived assets in light of the challenging environment in which we operate, and as a part of our business planning process for 2004 and beyond.

Table of Contents

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

During second quarter 2003, Visteon finalized an agreement with Ford to transfer seat production located in Chesterfield, Michigan to another supplier. Visteon agreed to be responsible to reimburse Ford for the actual net costs of transferring seating production through June 2004, offset by certain cost savings expected to be realized by Ford. The ultimate costs and cash payments related to this agreement depend on several factors, including the actual costs incurred related to the relocation, re-deployment and/or employment termination of the 1,470 Visteon-assigned Ford-UAW employees working at the Chesterfield facility, and the savings achieved by Ford (as defined in the agreement) resulting from resourcing production that will serve as an offset to the transition costs. We expect an average payback of a little more than two years.

During fourth quarter 2003, Visteon recorded a non-cash charge of \$465 million to increase the valuation allowance for deferred tax assets, as described later under "Critical Accounting Policies" and in Note 6 of our consolidated financial statements.

For the full year 2003, we incurred pre-tax charges of \$82 million related to the European Plan for Growth. When completed in 2004, the European Plan for Growth is expected to result in annual savings of \$100 million before taxes. Savings in 2002 and 2003 combined has been over \$50 million. Restructuring and other actions in 2003 resulted in pre-tax charges of \$48 million, \$20 million of which was charged to selling, administrative and other expenses. Of the \$754 million in pre-tax special charges described above, \$436 million were non-cash, \$292 million were cash charges including amounts related to the exit of seating operations, and \$26 million were related to special pension and other postretirement benefits.

During 2002, Visteon recorded net pre-tax charges of \$223 million related to a number of restructuring and other actions and the sale of the restraint electronics business, as described in Note 12 of our consolidated financial statements, which is incorporated herein by reference. In addition, the company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." With this change in accounting, Visteon recorded a non-cash write-off for the entire value of goodwill of \$363 million before taxes (\$265 million after taxes), as described in Note 15 of our consolidated financial statements, which is incorporated herein by reference. Of the \$223 million in pre-tax charges described above, \$54 million were non-cash related and the remainder were cash charges.

During 2001, Visteon recorded net pre-tax charges of \$192 million associated primarily with salaried workforce restructuring and the special voluntary retirement and separation program offered to hourly employees located at Visteon's Nashville plant, as described in Note 14 of our consolidated financial statements, which is incorporated herein by reference. Of the \$192 million in pre-tax charges recorded in 2001, \$5 million were non-cash related and the remainder were cash charges.

In 2004, we anticipate continued implementation of restructuring actions including the continuation of the European Plan for Growth. We expect that the charges associated with these items will be substantially lower than in 2003. In addition, we are constantly evaluating the possibility of partnerships, sales or closings involving under-performing businesses. However, there can be no assurance that a transaction or other arrangement favorable to Visteon will occur in the near term or at all.

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)****Results of Operations**

2003 Compared with 2002

Sales for each of our segments for 2003 and 2002 are summarized in the following table:

	Year Ended December 31,		2003 over/(under) 2002
	2003	2002	
	(in millions)		
Automotive Operations	\$ 17,097	\$ 17,797	\$ (700)
Glass Operations	563	598	(35)
Total sales	\$ 17,660	\$ 18,395	\$ (735)
Memo: Sales to non-Ford customers			
Amount	\$ 4,185	\$ 3,616	\$ 569
Percentage of total sales	24%	20%	4 pts

Sales for Automotive Operations were \$17.1 billion in 2003, compared with \$17.8 billion in 2002, a decrease of \$700 million or 4%. This decrease reflects lower sales of \$1,295 million resulting primarily from a decline in Ford worldwide vehicle production, exit of our seating operations of \$251 million, and \$150 million lump sum payments to Ford for pricing in North America, offset partially by favorable currency changes of \$611 million and new business to both Ford and non-Ford customers. Sales for Automotive Operations were affected also by lower sales associated with precious metals purchased under sourcing arrangements directed by Ford and price reductions.

Sales for Glass Operations were \$563 million in 2003, compared with \$598 million in 2002, a decrease of \$35 million or 6%, resulting primarily from lower Ford North American production volume.

Costs of Sales for 2003 were \$17.8 billion, up \$222 million compared with 2002. Costs of sales includes primarily material, labor, manufacturing overhead and other costs, such as product development costs. The increase reflects a \$534 million increase in special charges, currency fluctuations of \$569 million, costs associated with the labor agreement reached with the UAW of \$64 million (contract ratification lump sum payment), and higher costs to launch business with new customers. These increases were offset partially by lower variable costs of \$923 million resulting primarily from a decline in Ford worldwide vehicle production, net material cost reductions, and manufacturing efficiencies. The exit of our seating operations in June 2003 reduced costs an additional \$293 million.

Selling, administrative and other expenses for 2003 were \$1,008 million, \$115 million higher compared with 2002. The increase reflects primarily incremental Information Technology (IT) actions of \$88 million, net of \$48 million received from Ford. Costs associated with such incremental IT actions are expected to continue into mid-2004. Special charges included in this line item were \$20 million for 2003, representing a \$3 million decrease from 2002.

Net interest expense of \$77 million in 2003 was down \$3 million from 2002, reflecting lower average debt balances and lower average interest rates.

Equity in net income of affiliated companies was \$55 million in 2003, compared with \$44 million in 2002, with the increase related primarily to our affiliates in Asia.

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

Income (loss) before income taxes, minority interests and change in accounting, including and excluding special charges, is the primary profitability measure used by our chief operating decision makers. The following table shows income (loss) before income taxes for 2003 and 2002, for each of our segments:

	Year Ended December 31,		2003 (under)
	2003	2002	2002
	(Restated) (in millions)		
Automotive Operations	\$ (1,182)	\$ (153)	\$ (1,029)
Glass Operations	(9)	20	(29)
Total	\$ (1,191)	\$ (133)	\$ (1,058)
Memo:			
Special charges included above	\$ (754)	\$ (223)	\$ (531)

Automotive Operations 2003 loss before income taxes was \$1,182 million compared with a loss of \$153 million for 2002. Special charges before taxes in 2003 were up \$531 million from 2002. The increased loss also reflects lower vehicle production volume, UAW contract ratification costs, and higher IT costs of \$373 million, \$59 million and \$88 million, respectively. 2003 results include a loss of \$25 million from seating operations that were exited June 23, 2003. Seating operations losses were \$98 million in 2002. Results were affected also by new business and favorable cost performance, offset partially by price reductions.

Loss before income taxes for Glass Operations in 2003 was \$9 million compared with income of \$20 million before taxes for 2002, reflecting primarily lower Ford North American production volume and UAW contract ratification costs.

Provision (Benefit) for income taxes represents an effective tax rate of 2% for 2003, compared with (36)% for 2002. The change in effective tax rate was caused by the recording of additional valuation allowances against our deferred tax assets, as discussed later under **Critical Accounting Policies** and in Note 6 of our consolidated financial statements.

Minority interests in net income of subsidiaries was \$29 million in 2003, compared with \$28 million in 2002. Minority interest amounts are related primarily to our 70% ownership interest in Halla Climate Control Corporation located in Korea.

Net income (loss) for 2003 and 2002 are shown in the following table for each of our segments:

	Year Ended December 31,		2003 (under)
	2003	2002	2002
	(Restated) (in millions)		
Automotive Operations	\$ (1,234)	\$ (376)	\$ (858)
Glass Operations	(9)	14	(23)
Total	\$ (1,243)	\$ (362)	\$ (881)
Memo:			
Special charges included above	\$ (949)	\$ (142)	\$ (807)
Goodwill Impairment		(265)	(265)

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

Visteon reported a net loss for 2003 of \$1.2 billion compared with \$362 million for 2002 because of the factors described previously in income (loss) before income taxes. Special charges after taxes were \$949 million and \$407 million for 2003 and 2002, respectively.

Results of Operations*2002 Compared with 2001*

Sales for each of our segments for 2002 and 2001 are summarized in the following table:

	Year Ended December 31,		2002 over/(under) 2001
	2002	2001	
	(in millions)		
Automotive Operations	\$ 17,797	\$ 17,222	\$ 575
Glass Operations	598	621	(23)
Total sales	\$ 18,395	\$ 17,843	\$ 552
Memo: Sales to non-Ford customers			
Amount	\$ 3,616	\$ 3,187	\$ 429
Percentage of total sales	20%	18%	2 pts

Sales for Automotive Operations were \$17.8 billion in 2002, compared with \$17.2 billion in 2001, an increase of \$575 million or 3%. Increased sales for Automotive Operations reflect primarily new business, increased sales of \$146 million resulting from increased Ford worldwide vehicle production, and currency fluctuations of \$118 million. Sales from Automotive Operations were affected also by lower sales associated with precious metals purchased under sourcing arrangements directed by Ford, and price reductions.

Sales for Glass Operations were \$598 million in 2002, compared with \$621 million in 2001, a decrease of \$23 million or 4%. Reduced sales for Glass Operations reflect lower commercial and aftermarket volume and price reductions, offset partially by stronger Ford North American production volume.

Costs of Sales for 2002 were \$17.6 billion, \$488 million higher compared with 2001. The increase in 2002 reflects primarily new business, \$104 million increase resulting from higher vehicle production volume, and currency fluctuation of \$64 million. Costs of sales were affected also by increased new business offset partially by net material cost reductions and manufacturing efficiencies. Special charges included in costs of sales were \$200 million in 2002 and \$150 million in 2001.

Selling, administrative and other expenses for 2002 were \$893 million, compared with \$855 million in 2001. The increase of \$38 million reflects primarily higher selling expenses (up \$26 million). Special charges were lower in 2002, totaling \$23 million in 2002 and \$42 million in 2001.

Net interest expense of \$80 million for 2002 was up from \$76 million in 2001, reflecting lower interest rates received on average cash balances.

Equity in net income of affiliated companies was \$44 million in 2002, compared with \$24 million in 2001, with the increase related primarily to our affiliates in Asia.

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

Income (loss) before income taxes, minority interests and change in accounting is shown in the following table for 2002 and 2001 for each of our segments:

	Year Ended December 31,		2002 over/(under) 2001
	2002	2001	
		(Restated) (in millions)	
Automotive Operations	\$ (153)	\$ (116)	\$ (37)
Glass Operations	20	(59)	79
Total	\$ (133)	\$ (175)	\$ 42
Memo:			
Special charges included above:	\$ (223)	\$ (192)	\$ (31)

Automotive Operations 2002 loss before taxes was \$153 million compared with \$116 million for the same period in 2001. The increased loss is more than explained by higher special charges. Results were favorably affected by new business and cost performance, offset partially by price reductions.

Income before income taxes for Glass Operations was \$20 million in 2002, compared with a loss of \$59 million for 2001. The improvement reflects primarily lower special charges and cost reductions, offset partially by price reductions to customers.

(Benefit) for income taxes represents an effective tax rate of (36)% for 2002, compared with (37)% for 2001.

Minority interests in net income of subsidiaries was \$28 million in 2002, compared with \$21 million in 2001. Minority interest amounts are related primarily to our 70% ownership interest in Halla Climate Control Corporation located in Korea.

Net income (loss) for 2002 and 2001 are shown in the following table for each of our segments:

	Year Ended December 31,		2002 over/(under) 2001
	2002	2001	
		(Restated) (in millions)	
Automotive Operations	\$ (376)	\$ (87)	\$ (289)
Glass Operations	14	(35)	49
Total	\$ (362)	\$ (122)	\$ (240)
Memo:			
Special charges included above	\$ (142)	\$ (121)	\$ (21)
Goodwill Impairment	(265)		(265)

Visteon reported a net loss of \$362 million for 2002, compared with a net loss of \$122 million for 2001 because of the factors described in the income (loss) before income taxes section. Special charges after taxes were \$142 million and \$121 million in 2002 and 2001, respectively. Goodwill impairment after taxes was \$265 million in 2002.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)
Liquidity and Capital Resources

Overview

Visteon's funding objective is to finance its worldwide business with cash from operations, supplemented when required by a combination of liquidity sources, including but not limited to cash and cash investments, receivables programs, and committed and uncommitted bank facilities and debt issuance. These sources are used also to fund working capital needs, which are highly variable during the year because of changing customer production schedules.

Our balance sheet reflects cash and marketable securities of \$956 million and total debt of about \$1.8 billion at December 31, 2003, compared with cash and marketable securities of about \$1.3 billion and total debt of about \$1.7 billion at December 31, 2002. Net debt, defined as the amount by which total debt exceeds total cash and marketable securities, was \$862 million at December 31, 2003, and \$413 million at December 31, 2002. The change in both our cash and marketable securities and net debt resulted primarily from capital expenditures in excess of cash provided by operating activities. Our ratio of total debt to total capital, which consists of total debt plus total stockholders' equity, was 51% at December 31, 2003 and 36% at December 31, 2002, and increased primarily because of net losses as described above.

Financing Arrangements

Visteon has financing arrangements providing contractually committed, unsecured revolving credit facilities with a syndicate of third-party lenders providing for a maximum of \$1,580 million in committed, unsecured credit facilities (the Credit Facilities). The terms of the Credit Facilities provide for a 364-day revolving credit line in the amount of \$555 million, which expires June 2004, and a five-year revolving credit line in the amount of \$775 million, which expires June 2007. The Credit Facilities also provide for a five-year, delayed-draw term loan in the amount of \$250 million, which will be used primarily to finance new construction for facilities consolidation in Southeast Michigan. At December 31, 2003, there were no borrowings outstanding under the 364-day facility or the five-year facility, there were \$44 million of obligations under standby letters of credit under the five-year facility, and \$104 million borrowed against the delayed-draw term loan. The Credit Facilities contain certain affirmative and negative covenants, including a financial covenant not to exceed a leverage ratio of net debt to EBITDA (adjusted and excluding special charges) of 3.5 to 1. Increases in the ratio of net debt to EBITDA can occur during quarters following seasonal shutdown periods, when cash usage increases. In the opinion of management, Visteon has been in compliance with all covenants since the inception of the Credit Facilities. During 2004, we expect to be in compliance although there can be no assurance that this will be the case.

Visteon has maintained a commercial paper program utilizing the Credit Facilities as backup. As of December 31, 2003, we had \$81 million outstanding under our commercial paper program compared with \$166 million at December 31, 2002. In the event the availability of commercial paper is reduced further or eliminated, our revolving credit lines provide a backup source for funding.

Table of Contents

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

Visteon maintains a trade payables program through General Electric Capital Corporation (GECC), subject to periodic review, that provides financial flexibility to Visteon and its suppliers. When a supplier participates in the program, GECC pays the supplier the amount due from Visteon in advance of the original due date. In exchange for the earlier payment, our suppliers accept a discounted payment. Visteon pays GECC the full amount. Approximately \$100 million and \$45 million, classified as short-term debt, was outstanding to GECC under this program at December 31, 2003 and 2002, respectively. Previously, amounts due GECC were classified as trade payables. Debt, trade payables and related cash flow amounts for prior periods were reclassified to conform with present period presentation. As part of the same program with GECC, Visteon is allowed to defer payment to GECC for a period of up to 30 days. At December 31, 2003, Visteon had not exercised the deferral option of the program.

In addition, Visteon participates in a trade payables program offered by one of our customers. When we participate, our receivables are reduced and our cash balances are increased. Our receivables were reduced by \$75 million and \$25 million at December 31, 2003 and 2002, respectively as a result of this program.

Visteon has entered into interest rate swaps to manage our interest rate risk. These swaps effectively convert a portion of Visteon's fixed rate debt into variable rate debt, and as a result, approximately 40% of Visteon's borrowings are on a fixed rate basis, while the remainder is subject to changes in short-term interest rates. As interest rates have fallen, Visteon's interest rate swaps contributed favorably to reduce interest expense in 2003.

Credit Ratings

Our long-term credit rating with Standard & Poor's (S&P) is BB+; with Moody's it is Ba1, and with Fitch it is BBB-. Both S&P and Moody's do not rate our short-term credit while Fitch rates us F3. Both S&P and Moody's have covered Visteon since June 2000, and Fitch initiated coverage on June 11, 2003. In December 2003, both S&P and Moody's reduced their credit rating and placed us on Stable Outlook. Despite the recent downgrade by S&P and Moody's, we continue to have access to sufficient liquidity, and believe we will continue to have access, to meet ongoing operating requirements although that access is less reliable and could be more costly than it was previously. As commercial paper availability is reduced or eliminated, we would utilize alternative sources of liquidity, including those discussed above and receivables-based funding sources available to us.

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)***Cash Requirements*

The following table summarizes our expected cash outflows resulting from long-term obligations existing as of December 31, 2003:

	<u>Total</u>	<u>2004</u>	<u>2005-2006</u>	<u>2007-2008</u>	<u>2009 and after</u>
	(in millions)				
Unconditional purchase obligations(a)	\$ 2,265	\$ 324	\$ 558	\$ 498	\$ 885
Postretirement funding commitments(b)	2,090	38	166	257	1,629
Debt	1,818	351	565	117	785
North American seating operations(c)	292	86	24	24	158
Operating leases	232	53	64	45	70
Total contractual obligations	<u>\$ 6,697</u>	<u>\$ 852</u>	<u>\$ 1,377</u>	<u>\$ 941</u>	<u>\$ 3,527</u>

- (a) Unconditional purchase obligation amounts exclude purchase obligations related to inventory, property, plant and equipment purchases in the ordinary course of business. The obligations include amounts related primarily to a 10-year information technology agreement entered into with IBM in January 2003. Pursuant to this agreement, we outsourced most of our IT needs on a global basis. The service charges under the outsourcing agreement are expected to aggregate about \$2 billion during the ten-year initial term of the agreement, subject to decreases and increases in the service charges based on Visteon's actual consumption of services to meet our then current business needs. The outsourcing agreement may be terminated also for Visteon's business convenience after our second full year under the agreement for a scheduled termination fee.
- (b) Postretirement funding commitments include estimated liability to Ford for postretirement health care and life insurance benefits of the Visteon-assigned Ford-UAW employees and certain salaried employees as discussed in Note 8 of our consolidated financial statements, which is incorporated by reference herein. Funding for the Voluntary Employees' Beneficiary Association begins in 2006 and is also included in the table above.
- (c) Represents amounts payable to Ford related to our June 2003 exit from the North American seating operations, which is discussed further in Note 14 of our consolidated financial statements, which is incorporated by reference herein.

We have guaranteed also about \$24 million of borrowings held by unconsolidated joint ventures and have extended loans of about \$3 million to unconsolidated joint ventures as of December 31, 2003. In addition, we have guaranteed Tier 2 suppliers' debt and lease obligations of about \$16 million at December 31, 2003 to ensure the continued supply of essential parts.

Cash required to meet capital expenditure needs increased in 2003 to \$872 million and was higher than historic levels as described below (Cash Flows - Investing Activities). Our cash and liquidity needs also are impacted by the level, variability and timing of our customers worldwide vehicle production, which varies based on economic conditions and market shares in major markets. Our intra-year needs are impacted also by seasonal effects in the industry, such as the shutdown of operations for about two weeks in July, the subsequent ramp-up of new model production and the additional one-week shutdown in December by our primary North American customers. These seasonal effects normally require use of liquidity resources during the first and third quarters. Additionally, creation of a separate IT environment during 2003, as stated below in Item 9A Controls and Procedures, could have an impact on timing of collection of payments from Ford.

Table of Contents

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

We expect improved performance for 2004 will result in cash from operating activities exceeding capital expenditure requirements, although this may not be the case during specific quarters. Based on our present assessment of future customer production levels over a two-year time horizon, we believe we can meet general and seasonal cash needs using cash flows from operations, cash balances and borrowings, if needed. We also believe we can supplement these sources with access to the capital markets on satisfactory terms and in adequate amounts, if needed, although there can be no assurance that this will be the case.

Pension and Postretirement Benefits

Employees and retirees participate in various pension, healthcare and life insurance benefit plans sponsored by Visteon and Visteon subsidiaries. Benefit plan liabilities and related asset transfers between Visteon and Ford in connection with our separation from Ford are covered by various employee benefit agreements.

Arrangements with Ford

In accordance with the separation-related agreements, in the U.S., Ford retained the pension-related past service obligations for those transferred salaried employees that met certain age and years of service requirements at the date of the separation from Ford. Visteon-assigned Ford-UAW employees participate in the Ford-UAW Retirement Plan, sponsored by Ford. By agreement, Visteon compensates Ford for the pension expense incurred by Ford related to Visteon-assigned Ford-UAW hourly employees. In the U.S., Visteon has a financial obligation for the cost of providing selected healthcare and life insurance benefits to its employees, as well as an obligation to reimburse Ford for Visteon-assigned Ford-UAW employees who retire after July 1, 2000. Ford retained the financial obligation and related prepayments for pension and postretirement healthcare and life insurance benefits to its employees who retired on or before July 1, 2000.

During the fourth quarter of 2003, the separation-related agreements were amended and restated. Under the terms of the amended and restated agreements, Ford agreed to assume responsibility for approximately \$1,646 million of amounts previously owed by Visteon to Ford for postretirement health and life insurance benefits earned by the Visteon-assigned Ford-UAW employees during the period prior to the separation. Ford agreed also to assume responsibility for future accretion on the \$1,646 million amount at the appropriate SFAS 106 discount rate (6.25% at December 31, 2003). Visteon had previously recorded the \$1,646 million liability in accordance with the original terms of the separation-related agreements. Visteon continues to be responsible to Ford for changes in this liability that result from changes in actuarial assumptions, changes in salaries and Visteon early retirement incentive plans.

In accordance with SFAS 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings, Visteon has not recorded any gain or loss relating to this amendment because future accretion and contingently payable amounts with respect to the restructured obligation are expected to exceed the amount currently recorded by Visteon. The amounts ultimately due are contingent upon future health and retirement benefit costs to be charged to Visteon by Ford with respect to the Visteon-assigned Ford-UAW employees. A portion of the yearly expense charged by Ford will be offset as charged by the release of the contingently payable amount (\$1,138 million at December 31, 2003) and the remainder will reduce future accretion charges over the life of the obligation (\$508 million).

Table of Contents

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

Under the terms of the revised Agreements with Ford, Visteon is required to fund a portion of actual costs of these benefits as incurred by Ford for the Visteon-assigned Ford-UAW employees through 2005 and certain salaried employees through 2010. In addition, Visteon has agreed to contribute funds to a Voluntary Employees' Beneficiary Association (VEBA) trust to fund postretirement health care and life insurance benefits to be provided by Ford related to the post-spin service of Visteon-assigned Ford-UAW hourly employees as well as many transferred salaried employees. The required VEBA funding is over a 44-year period beginning in 2006 for the Visteon-assigned Ford-UAW hourly employees, and over a 39-year period beginning in 2011 for those salaried employees. The annual funding requirement during these periods will be determined based upon amortization of the unfunded liabilities at the beginning of each period, plus amortization of annual expense. Based upon estimates of the unfunded liabilities and the related expense, the first required annual payment to the VEBA will be about \$112 million (which includes about \$30 million to cover benefit payments) in 2006 reduced from \$535 million based on the prior agreement. In December 2000, the company pre-funded a portion of this obligation by contributing \$25 million to a VEBA. The fair value of the VEBA assets as of December 31, 2003 was \$28 million, and is included in other non-current assets in the accompanying balance sheet.

Visteon Pension Plans

The Visteon plans' worldwide funded position is slightly better than it was a year ago on a percentage basis. Strong asset returns along with world-wide contributions offset the effect of lower discount rates. For the plan year ended September 30, 2003 (the measurement date for our pension funds) our U.S. portfolio returned 20%. The U.S. pension plan investment strategy, asset allocations and expected contributions for 2004 are discussed in Note 8 to our consolidated financial statements, incorporated herein by reference.

Legislation

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law on December 9, 2003, subsequent to our September 30, 2003 measurement date. Because the impact of the act on Visteon's expense will depend in large part on Ford's implementation decisions, we have not quantified the effect, but expect it to be a significant reduction in expense.

Cash Flows

Operating Activities

Cash provided by operating activities during 2003 totaled \$363 million, compared with cash provided by operating activities of \$1,103 million for the same period in 2002. The reduced amount of cash provided by operations in 2003 reflects primarily our operating losses. Cash payments related to special charges were \$162 million and \$88 million during 2003 and 2002, respectively.

Pursuant to the Purchase and Supply Agreement between Visteon and Ford, our sales to Ford will be collected in a shorter time frame than in the past. Our agreement calls for Ford to pay us, on average, 33 days after the date of sale, compared with 43 days on average in past years. We expect the effect of this change to improve cash provided by operating activities by approximately \$200 million. This arrangement will be in place for 2004 and 2005, with 2006 being a transition adjustment as we return in 2007 to Ford's standard payment terms in effect at that time.

Table of Contents

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

Investing Activities

Cash used in investing activities was \$781 million during 2003, compared with \$609 million for 2002. Our capital expenditures for 2003 totaled \$872 million, compared with \$725 million in 2002. Our capital spending in 2003 is higher than historic levels as we undertake spending to fund new construction for consolidation of operations in Southeast Michigan and also to fund our IT infrastructure transition and improvements. We anticipate that our facilities consolidation will allow us to centralize customer support functions, research and development, and selected business operations at lower operating costs. During 2003, we had net sales of marketable securities of \$70 million, compared with net sales of securities of \$80 million in 2002. The lower level of securities purchased in both years reflects the lower level of cash available for investment and the lower level of attractiveness of these securities as interest rates have fallen over the past two years. Other investing cash flows of \$25 million and \$36 million during 2003 and 2002, respectively, are related primarily to the sale of assets, with the 2002 amount including \$25 million from the sale of the restraint electronics business.

Financing Activities

Cash provided by financing activities totaled \$128 million in 2003, compared with cash usage of \$338 million in 2002. The cash proceeds in 2003 reflect primarily the net issuance of debt offset partially by funds used to repay maturing short-term commercial paper obligations, dividend payments and purchases of treasury stock.

On October 13, 2003, the Visteon Board of Directors declared a dividend of \$0.06 per share on Visteon's common stock, payable on December 1, 2003, to the stockholders of record as of October 31, 2003. On January 16, 2004, the Visteon Board of Directors declared a dividend of \$0.06 per share on Visteon's common stock, payable on March 1, 2004, to the stockholders of record as of January 30, 2004. Visteon has paid a dividend each quarter since it became an independent, publicly traded company in June 2000.

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)****Critical Accounting Policies**

A summary of Visteon's accounting policies is described in Note 3 of our consolidated financial statements, which is incorporated herein by reference. Critical accounting policies are those that are both most important to the portrayal of a company's financial condition and results, and require management's most difficult, subjective or complex judgments. Our critical accounting policies are considered the following:

Employee Retirement Benefits

The determination of our obligation and expense for Visteon's pension and other postretirement benefits, such as retiree healthcare and life insurance, is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 8 of our consolidated financial statements, which is incorporated herein by reference, and include, among others, the discount rate, expected long-term rate of return on plan assets and rates of increase in compensation and healthcare costs. The expected long-term rate of return for pension assets has been chosen based on historical returns for the different asset classes held by our trusts and our asset allocation. The discount rate is chosen based on market rates for long-term, high-quality corporate bonds (principally Moody's Aa 30 year) at our September 30 measurement date. The U.S. discount rate assumption for year end 2003 was 6.1%, reduced from 6.75% at year end 2002. This change increased our U.S. pension and healthcare and life insurance projected benefit obligations by \$103 million and \$82 million, respectively, and is estimated to increase 2004 expense by about \$50 million in aggregate. In accordance with accounting principles generally accepted in the United States of America, actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expense and recorded obligation in such future periods. Our 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. For postretirement healthcare and life insurance, as shown in Note 8 of our consolidated financial statements, we extended the time period needed for the healthcare cost trend rate to reach the ultimate rate from 2007 to 2009. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension and other postretirement obligations and our future expense.

The following table illustrates the sensitivity to a change in certain assumptions for Visteon's U.S. pension plans on our funded status and pre-tax pension expense:

25 basis point change in assumption(a)	Impact on 2004 pre-tax pension expense(b)	Impact on Visteon's U.S. Plan 2003 funded status
	(Restated)	
decrease in discount rate	+ \$5 million	- \$40 million
increase in discount rate	- \$5 million	+ \$40 million
decrease in expected return on assets	+ \$5 million	
increase in expected return on assets	- \$5 million	

(a) Assumes all other assumptions are held constant.

(b) Includes the effect on expense for Visteon-assigned Ford-UAW employees.

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

The following table illustrates the sensitivity to a change in the discount rate assumption related to Visteon's U.S. postretirement healthcare and life insurance plans:

25 basis point change in assumption(a)	Impact on 2004 pre-tax OPEB expense(b)	Impact on Visteon's U.S. Plan 2003 funded status
	(Restated)	
decrease in discount rate	+ \$16 million	- \$45 million
increase in discount rate	- \$16 million	+ \$45 million

(a) Assumes all other assumptions are held constant.

(b) Includes the effect on expense for Visteon-assigned Ford-UAW employees.

Visteon's postretirement benefits payable to Ford includes the financial obligation Visteon has to Ford for the cost of providing selected health care and life insurance benefits to Visteon-assigned Ford-UAW hourly employees and certain Visteon salaried employees who retire after July 1, 2000. The health care and pension costs for these employees are calculated using Ford's assumptions, which are disclosed in Note 8 of our consolidated financial statements. The annual funding requirements related to these employees are discussed further in the section Pension and Postretirement Benefits.

Impairment of Long-Lived Assets and Certain Identifiable Intangibles

Visteon evaluates long-lived assets to be held and used and long-lived assets to be disposed of for potential impairment at the product line level whenever events or changes in business circumstances indicate that the carrying value of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Asset groupings at the product line level, rather than the operating segment level used in prior years, is considered the lowest level of identifiable cash flows which are largely independent as the recently completed Ford agreements contractually provide Visteon greater flexibility to make product level decisions, including decisions related to selling or exiting certain businesses. Visteon considers projected future undiscounted cash flows, trends and other circumstances in making such estimates and evaluations. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such factors as future automotive production volumes (primarily for Ford), selling price changes, labor cost changes, material cost changes, productivity and other cost savings and capital expenditures could significantly affect our evaluations.

During the fourth quarter of 2003, Visteon recorded a pre-tax, non-cash impairment write-down of \$407 million in costs of sales to reduce the net book value of certain long-lived assets. This write-down was based on an assessment by product line asset group, completed in the fourth quarter of 2003, of the recoverability of our long-lived assets in light of the challenging environment in which we operate and as part of our business planning process for 2004 and beyond. This assessment included considering the substantial change in the production levels of Visteon's major customer and the related impact on our future operating projections, as well as the anticipated impact of the recently completed Ford agreements. As a result of this analysis the assets of six product groupings were impaired: bumpers, fuel tanks, starters and alternators, steering columns, suspension systems and wiper/washer. The write-down was approximately \$300 million in North America and \$100 million in Europe and was determined on a held for use basis. Fair values were determined primarily based on prices for similar groups of assets determined by a third-party valuation firm.

Table of Contents

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

Deferred Income Taxes

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. SFAS 109, Accounting for Income Taxes, requires that deferred tax assets be reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. This assessment requires significant judgment, and the fact that a benefit may be expected for a portion but not all of a deferred tax asset increases the judgmental complexity.

We evaluate the recoverability of our deferred tax assets on an ongoing basis. In making this evaluation during 2003, we considered all available positive and negative evidence, including our past results, the existence of cumulative losses in recent years, and our forecast of future taxable income, which contemplates a minimum of \$2.4 billion of U.S. taxable earnings over a 10-year time horizon. Our forecast of future taxable income exceeds our recent historical performance and reflects our best assumptions about the likely impact of several major 2003 events and other items that are expected to improve our future profitability, including:

The series of contractual agreements reached with Ford in December 2003, under which Visteon was relieved of approximately \$1,646 million of OPEB obligations related to Visteon-assigned Ford-UAW employees, in addition to other structural improvements.

The agreement reached in the second quarter 2003 with Ford and other parties that permitted us to exit from our unprofitable seating operations in Chesterfield, Michigan.

The significant U.S. restructuring charges incurred in recent years, which are expected to have a favorable impact on our results going forward, as well as the expectation that U.S. restructuring charges will be substantially less in 2004.

Anticipated future cost savings in the material, manufacturing and SG&A areas, as well as the favorable impact of net new business, the majority of which is based on firm, existing contracts supported by purchase orders.

In determining the amount of future taxable income, a number of additional assumptions are made, including the amount of U.S. and foreign pre-tax operating income, the time period over which our temporary differences will reverse, and the implementation of feasible and prudent tax planning strategies. While these assumptions require significant judgment, they are consistent with the plans and estimates we are using to manage the underlying business.

As more fully described in Note 6 to our consolidated financial statements, at December 31, 2003, Visteon's consolidated balance sheet reflects a net deferred tax asset of \$860 million, which includes a valuation allowance of \$524 million. During 2003, we established an additional valuation allowance of \$503 million against our deferred tax assets, of which \$473 million was recorded through income tax expense (\$465 million as a special charge in the fourth quarter) and \$30 million was recorded through other comprehensive income. Of the total valuation allowance of \$524 million at December 31, 2003, \$383 million relates to a portion of Visteon's U.S. deferred tax assets, including deferred tax assets related to foreign affiliates that are treated as pass-through entities for U.S. tax purposes, and \$141 million relates to net operating losses and other deferred tax assets in certain foreign jurisdictions where recovery of the carryforwards or assets is unlikely.

Table of Contents

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

We believe that we are more likely than not to recover our remaining net deferred tax asset of \$860 million at December 31, 2003, through reductions in our tax liabilities in future periods. However, recovery is dependent on achieving our forecast of future taxable income. We will review our forecast in relation to actual results and expected trends on an ongoing basis. Failure to achieve our business plan targets, particularly in the U.S., may change our assessment regarding the recoverability of our net deferred tax asset 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, reduce stockholders' equity and could have a significant impact on our earnings going forward. Further, changes to statutory tax rates, particularly in the U.S., could also affect the level of our deferred tax assets. We intend to maintain an appropriate valuation allowance against our deferred tax assets until sufficient positive evidence exists to reduce or eliminate it.

Revenue Recognition

Sales are recognized when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determinable and collectibility is reasonably assured, generally upon shipment of product to customers and transfer of title under standard commercial terms. Significant retroactive price adjustments are estimated by management based upon an assessment of the ultimate outcome of customer negotiations and are recognized in the period when such amounts become probable. Sales are recognized based on the gross amount billed to a customer for those products in which Visteon's customer has directed the sourcing of certain raw materials or components used in the manufacture of the final product.

Product Recalls

Product recall accruals are made related to our potential financial participation in our customers' actions to provide remedies related primarily to safety concerns as a result of actual or threatened regulatory or court actions. Our reserves for product recalls include the expected costs to be incurred by Visteon related to these actions. As part of our spin-off from Ford, Visteon and Ford agreed on a division of liabilities including liabilities related to product recalls. Visteon and Ford agreed on a division of responsibility for recall matters as follows: (a) Ford will retain liability for all recall claims that involve parts made or sold by Visteon for 1996 or earlier model year Ford vehicles, (b) Visteon is liable for all recall claims that involve parts made or sold by Visteon for 1997 or later model year Ford vehicles in accordance with Ford's global standard purchase order terms as applied to other Tier 1 suppliers, and (c) Visteon has assumed all responsibility for recall claims relating to parts made or sold by Visteon to any non-Ford customers. Visteon accrues for recall claims for products sold based on management estimates, with support from our sales, engineering, quality and legal activities, of the amount that eventually will be required to settle such claims. This accrual, which is reviewed in detail on a regular basis, is based on several factors, including the terms of Visteon's master transfer agreement with Ford, past experience, current claims, industry developments and various other considerations.

New Accounting Standards and Accounting Changes

Starting January 1, 2003, Visteon began expensing the fair value of stock-based awards granted to employees pursuant to SFAS 123. This standard was adopted on a prospective method basis for stock-based awards granted, modified or settled after December 31, 2002, and resulted in additional compensation expense of about \$4 million in 2003.

Table of Contents

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

In December 2003, the FASB issued revised Interpretation No. 46 (FIN 46) Consolidation of Variable Interest Entities. Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Application of FIN 46 is required during the fourth quarter of 2003 for interests in structures that are commonly referred to as special-purpose entities; immediately for all new entities created after February 1, 2003; and for all other types of variable interest entities in the first quarter of 2004. The effect of applying the initial consolidation provisions of FIN 46 on Visteon's results of operations or financial position as of December 31, 2003 was not significant. We do not expect the application of the remaining consolidation provisions of FIN 46, as required in the first quarter of 2004, will have a material effect on Visteon's results of operations or financial position.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 (SFAS 149), Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. We currently have no contracts that fall within the guidelines of the new requirements and, as such, there was no effect of adopting SFAS 149 on Visteon's results of operations or financial position.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 (SFAS 150), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and the first interim period beginning after June 15, 2003. We currently have no financial instruments that fall within the guidelines of the new requirements and, as such, there was no effect of adopting SFAS 150 on Visteon's results of operations or financial position.

In December 2003, the FASB issued Statement of Financial Accounting Standards No. 132 (revised 2003) (SFAS 132-R), Employers Disclosures about Pensions and Other Postretirement Benefits. This revised statement expands financial statement disclosures for defined benefit plans related to plan assets, investment policies, future benefit payments and plan contributions. Certain requirements of SFAS 132-R are effective for the year ended December 31, 2003, with additional requirements during 2004.

Cautionary Statement regarding Forward-Looking Information

This report contains forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Words such as anticipate, expect, intend, plan, believe, seek and estimate signify forward-looking statements. Visteon's forward-looking statements are not guarantees of future results and conditions. Important factors, risks and uncertainties that may cause actual results to differ from those expressed in Visteon's forward-looking statements include, but are not limited to, the following:

Visteon's dependence on Ford.

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

Table of Contents

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

Changes in vehicle production volume in markets where we operate, and in particular changes in Ford's North American vehicle production volume.

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, which is undergoing a comprehensive revitalization plan.

Visteon's ability to increase sales to customers other than Ford and to maintain current business with, and to provide competitive quotes and win future business from, Ford.

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, to maintain and improve its operating performance; to recover engineering and tooling costs; to streamline and focus its product portfolio; to sustain technological competitiveness; to compete favorably with automotive parts suppliers with lower cost structures and greater ability to rationalize operations; to achieve the benefits of its restructuring activities; and to exit non-performing businesses on satisfactory terms, particularly due to limited flexibility under existing labor agreements.

Visteon's ability to satisfy its future capital and liquidity requirements; Visteon's ability to access the credit and capital markets, which depends in large part on Visteon's credit ratings (which have declined in the past and could decline further in the future); and Visteon's ability to comply with financial covenants applicable to it.

Visteon's ability to recover its remaining net deferred tax asset through reductions in its tax liabilities in future periods.

Visteon's ability to reduce its cost structure by, among other things, negotiating a supplement to a new Visteon-UAW collective bargaining agreement that would provide for lower wages and less-expensive benefits for future Visteon hourly workers that are more in line with what competitors pay.

Restrictions in labor contracts with unions, and with the UAW in particular, that significantly 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.

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.

Visteon's ability to realize sales and profits from its book of business.

Legal and administrative proceedings, investigations and claims, including product liability, warranty, 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.

Table of Contents

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

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.

Conflicts of interest in negotiating with Ford due to the relationships of Visteon's executives with Ford and Ford executives and their ownership of Ford securities.

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.

Delays in completing Visteon's transition to an information technology environment that is separate from Ford's environment and to a new facility for the majority of its central executive, administrative and engineering functions.

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

These risks and uncertainties are not the only ones facing our company. Additional risks and uncertainties not presently known to Visteon or currently believed to be immaterial also may adversely affect Visteon. Any risks and uncertainties that develop into actual events could have material adverse effects on Visteon's business, financial condition and results of operations. For these reasons, do not place undue reliance on our forward-looking statements. Visteon does not intend or assume any obligation to update any of these forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Visteon is exposed to market risks from changes in currency exchange rates, interest rates and certain commodity prices. To manage these risks, we use a combination of fixed price contracts with suppliers, cost sourcing arrangements with customers and financial derivatives. We maintain risk management controls to monitor the risks and the related hedging. Derivative positions are examined using analytical techniques such as market value and sensitivity analysis. Derivative instruments are not used for speculative purposes, as per clearly defined risk management policies.

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Foreign Currency Risk

Our net cash inflows and outflows exposed to the risk of changes in exchange rates arise from the sale of products in countries other than the manufacturing source, foreign currency denominated supplier payments, debt and other payables, subsidiary dividends and investments in subsidiaries. Our on-going solution is to reduce the exposure through operating actions. We use foreign exchange forward contracts to manage a portion of our exposure.

Our primary foreign exchange exposure includes the Mexican peso, euro, Canadian dollar and Czech koruna. Because of the mix between our costs and our revenues in various regions, we are exposed generally to weakening of the euro and to strengthening of the Mexican peso, Canadian dollar and Czech koruna. For transactions in these currencies, we utilize a strategy of partial coverage. As of December 31, 2003, our coverage for projected transactions in these currencies was about 50% for 2004.

As of December 31, 2003 and 2002, the net fair value of financial instruments with exposure to currency risk were liabilities of \$10 million and \$36 million, respectively. The hypothetical pre-tax gain or loss in fair value from a 10% favorable or adverse change in quoted currency exchange rates would be approximately \$81 million and \$86 million as of December 31, 2003 and 2002, respectively. These estimated changes assume a parallel shift in all currency exchange rates and include the gain or loss on financial instruments used to hedge loans to subsidiaries. Because exchange rates typically do not all move in the same direction, the estimate may overstate the impact of changing exchange rates on the net fair value of our financial derivatives. It is important to note that gains and losses indicated in the sensitivity analysis would be offset by gains and losses on the underlying exposures being hedged.

Interest Rate Risk

As of December 31, 2003 and 2002, the net fair value of interest rate swaps was an asset of \$15 million and \$39 million, respectively. The potential loss in fair value of these swaps from a hypothetical 50 basis point adverse change in interest rates would be approximately \$10 million and \$16 million as of December 31, 2003 and 2002, respectively. The annual increase in pre-tax interest expense from a hypothetical 50 basis point adverse change in variable interest rates (including the impact of interest rate swaps) would be approximately \$5 million and \$6 million as of December 31, 2003 and 2002, respectively. This analysis may overstate the adverse impact on net interest expense because of the short-term nature of our interest bearing investments.

Commodity Risk

We have entered into long-term agreements with some of our key suppliers of non-ferrous metals to protect Visteon from changes in market prices. In addition, some products Visteon manufactures and sells to Ford containing non-ferrous metals are price-adjusted monthly based on metal content and market price. During the third quarter 2003, Visteon initiated the use of financial instruments to lock in pricing of its forward year copper purchases. As of December 31, 2003, the net fair value of copper derivatives was an asset of \$2 million, and the potential loss in fair value from a 10% adverse change in quoted prices would be \$2 million.

Precious metals (for catalytic converter production) are purchased through a Ford-directed source; Ford accepts all market price risk. As a result, we presently do not enter into financial derivatives to hedge these potential exposures.

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Natural gas is a commodity Visteon uses in its manufacturing processing, related primarily to glass production, as well as for heating our facilities. Uncertainty in both supply and demand for this commodity has led to price instability over the last three years. As of December 31, 2003, Visteon has locked in pricing on about 65% of its projected usage for 2004, through financial derivatives. As of December 31, 2003 and 2002, the net fair value of natural gas derivatives was an asset of \$9 million and \$7 million, respectively. The potential loss in fair value of these derivative contracts from a 10% adverse change in quoted prices would be approximately \$5 million and less than \$4 million at December 31, 2003 and 2002, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements, the accompanying notes and the report of independent registered public accounting firm that are filed as part of this Report are listed under Item 15, Exhibits, Financial Statement Schedules, and Reports on Form 8-K, and are set forth on pages 50 through 101 of this Annual Report on Form 10-K.

Selected quarterly financial data for us and our consolidated subsidiaries for 2003 and 2002 are presented in Note 19 of our consolidated financial statements on pages 99-100 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Visteon has restated its previously issued consolidated financial statements for 2001 through 2003 and for the first nine months of 2004, primarily for accounting corrections related to postretirement health care and pension costs, tooling costs, capital equipment costs, inventory costing and income taxes. Refer to Note 2 to the consolidated financial statements for further information regarding this restatement. In connection with the restatement and the preparation and filing of this Form 10-K/ A, Visteon re-evaluated, under the supervision and with the participation of Visteon's Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15 as of December 31, 2003, the end of the period covered by this Form 10-K/ A. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were not effective for the reasons discussed below related to the weaknesses in our internal control over financial reporting. To address the control weaknesses described below, Visteon performed additional analysis and other post-closing procedures to ensure our consolidated financial statements are prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

During the course of the preparation of Visteon's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, the company identified the following material weaknesses in the company's internal controls over financial reporting.

Table of Contents

ITEM 9A. CONTROLS AND PROCEDURES (Continued)

Accounting for Employee Postretirement Health Care Benefits

As of December 31, 2003, Visteon did not maintain effective controls over the accounting for amendments to U.S. postretirement health care benefit plans. Specifically, controls to determine that such amendments were reviewed and all necessary actions were implemented, including communications to affected employees, prior to recognizing the accounting treatment in Visteon's consolidated financial statements, were not effective. This control deficiency resulted in an adjustment to our fourth quarter 2004 financial results, and resulted in the restatement of Visteon's consolidated financial statements for 2002 and 2003 and for the first, second and third quarters of 2004.

The requirement of Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* (SFAS No. 106), to communicate changes in eligibility requirements to certain employees for postretirement health care benefits prior to reflecting an accounting treatment change was not satisfied. Effective in January 2002, Visteon amended its retiree health care benefits plan for certain of its U.S. employees. Effective in January 2004, a Visteon wholly owned subsidiary amended its retiree health care benefits plan for its employees. These amendments changed the eligibility requirements for participants in the plan. As a result of these amendments, which were not communicated to affected employees, Visteon changed the expense attribution periods, which eliminated cost accruals for younger employees and increased accrual rates for older participating employees.

The errors resulting from this control deficiency impacted cost of sales and selling, administrative and other expenses in Visteon's consolidated statement of operations and postretirement benefits other than pensions liability and stockholders' equity in Visteon's consolidated balance sheets for the respective periods. The impact of the correction of these errors was to increase the net loss by approximately \$24 million, \$32 million and \$12 million for the first nine months of 2004, and the years ended December 31, 2003 and 2002, respectively. These errors also impacted the disclosure of healthcare and life insurance benefit expenses and liabilities included in Visteon's consolidated financial statements for the respective periods. Additionally, this control deficiency could result in a misstatement to the aforementioned accounts that would result in a material misstatement to annual or interim financial statements.

Accounting for Costs Incurred for Tools Used in Production

As of December 31, 2003, Visteon did not maintain effective controls to ensure that there was appropriate support and documentation of either ownership or an enforceable agreement for reimbursement of expenditures at the time of the initial recording of incurred tooling costs. Further, controls over periodic review, assessment and timely resolution of tooling costs, related aged accounts receivable balances and potential overruns to customer-authorized reimbursement levels were not effective. This control deficiency resulted in the misstatement of Visteon's consolidated financial statements for each of the years 2000 through 2003 and the second and third quarters of 2004 because of costs that either should have been expensed as incurred or capitalized and amortized to expense over the terms of the related supply agreement.

Table of Contents

ITEM 9A. CONTROLS AND PROCEDURES (Continued)

The errors resulting from this control deficiency impacted cost of sales in Visteon's consolidated statement of operations and accounts receivable, net property, and stockholders' equity in Visteon's consolidated balance sheets for the respective periods. The errors relating to 2001, 2002, 2003 and for the first nine months of 2004 were corrected in connection with the restatement of financial statements for the respective periods. The impact of the correction of these errors was to increase the net loss by approximately \$2 million, \$10 million, \$3 million, and \$5 million for the first nine months of 2004, and for the years ended December 31, 2003, 2002 and 2001, respectively. Additionally, this control deficiency could result in a misstatement to the aforementioned accounts that would result in a material misstatement to annual or interim financial statements.

Management has formulated remediation plans and initiated actions designed to address each of the material weaknesses in internal control over financial reporting described above.

Visteon's remediation plans include the implementation of additional monitoring and oversight controls to ensure that all necessary actions required to implement any future changes in the accounting for the valuation of our employee postretirement health care liability accounts have been completed prior to recording such changes. These controls are expected to specifically include a focus on controls over communication and responsibility for actions requiring inter-departmental cooperation.

Further, Visteon's remediation plans include enhanced training for relevant personnel and the strengthening of existing controls regarding determinations, and supporting documentation for, the valuation and rights and obligations relating to deferred costs for tools used in production. Additionally, Visteon plans to implement additional controls over the complete and timely review of these items and the associated accounts, including monthly reviews of aging of unbilled items.

The changes to internal control over financial reporting described above are in the process of being implemented beginning in the first quarter of 2005. Except as otherwise discussed below, there have been no changes in Visteon's internal control over financial reporting during the fiscal quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, Visteon's internal control over financial reporting.

As discussed previously under Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, we have entered into a global IT outsourcing arrangement with IBM, which provides for, among other things, the transition of Visteon applications from Ford's IT systems, upon which we have relied since our spin-off. In October 2003, we successfully completed the first major migration of applications from Ford's IT systems, including selected financial reporting applications. The second major phase of this transition has begun, with the migration of all remaining applications from Ford's IT systems expected to be substantially completed in 2004. This transition may affect Visteon's existing business processes including Visteon's internal control over financial reporting. As this transition continues it will be monitored and evaluated with regard to Visteon's ability to process, record, summarize and report financial information.

Table of Contents

ITEM 9A. CONTROLS AND PROCEDURES (Continued)

Certain of Visteon's applications now reside within IBM's data centers and are run by IBM. IBM has contracted with an independent third party to perform a review (SAS 70 Type II) of the control environment at its data centers, including physical security and environmental control; organization and administration; logical access controls; computer operations; and problem and change management. This review is available to the clients of IBM's data centers in the normal course of business, for their reliance with respect to these controls. However, IBM and its independent reviewer are not able to make available this SAS 70 report to Visteon for 2003, because our applications did not commence operating within this environment until October. IBM has confirmed to Visteon that it has maintained the security controls as previously maintained, and Visteon has observed the physical security and environmental controls of the primary data center location.

Table of Contents

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF VISTEON

Except as set forth herein, the information required by Item 10 regarding our directors is incorporated by reference from the information under the captions Item 1. Election of Directors, Corporate Governance Committees and Section 16(a) Beneficial Ownership Reporting Compliance in our 2004 Proxy Statement. The information required by Item 10 regarding our executive officers appears as Item 4A under Part I of this Annual Report on Form 10-K.

Visteon has adopted a code of ethics, as such phrase is defined in Item 406 of Regulation S-K, that applies to all directors, officers and employees of Visteon and its subsidiaries, including the Chairman and Chief Executive Officer, the Executive Vice President and Chief Financial Officer and the Vice President and Chief Accounting Officer. The code, entitled A Pledge of Integrity, is available on our website at www.visteon.com and has been filed as an exhibit hereto.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference from the information under the captions Item 1. Election of Directors, Organization and Compensation Committee Report on Executive Compensation, Executive Compensation and Stock Performance Graph in our 2004 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is incorporated by reference from the information under the caption Stockholdings and Item 3. Amendment to 2000 Incentive Plan in our 2004 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is incorporated by reference from the information under the caption Corporate Governance Related Party Transactions in our 2004 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference from the information under the caption Audit Committee Report in our 2004 Proxy Statement.

Table of Contents

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

	<u>Page No.</u>
(a) 1. Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	50
Consolidated Statement of Operations for the years ended	
December 31, 2003, 2002 and 2001 Restated	51
Consolidated Balance Sheet at December 31, 2003 and 2002 Restated	52
Consolidated Statement of Cash Flows for the years ended	
December 31, 2003, 2002 and 2001 Restated	53
Consolidated Statement of Stockholders Equity for the years ended	
December 31, 2003, 2002 and 2001 Restated	54
Notes to Financial Statements Restated	55
2. Financial Statement Schedule	
Schedule of Valuation and Qualifying Accounts Restated	101
3. Exhibits	
Refer to the Exhibit Index on pages 102-104 of this report.	
(b) Reports on Form 8-K	

Visteon filed the following Current Reports on Form 8-K during the quarter ended December 31, 2003:

Current Report on Form 8-K dated October 14, 2003, relating to the payment of a cash dividend.

Current Report on Form 8-K dated October 17, 2003, relating to Visteon's third quarter 2002 financial results.

Current Report on Form 8-K dated November 18, 2003, relating to an officer appointment.

Current Report on Form 8-K dated November 26, 2003, relating to a previously announced officer appointment.

Current Report on Form 8-K dated December 22, 2003, relating to new commercial agreements with Ford Motor Company.

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/s/ JAMES D. THORNTON*

Director

James D. Thornton
/s/ KENNETH B. WOODROW*

Director

Kenneth B. Woodrow
*By: /s/ STACY L. FOX

Stacy L. Fox
Attorney-in-Fact

49

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Visteon Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Visteon Corporation and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 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. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company restated its financial statements as of December 31, 2003 and December 31, 2002 and for each of the three years in the period ended December 31, 2003.

As discussed in Note 15 to the consolidated financial statements, the Company changed its method of accounting for goodwill resulting from its adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Detroit, Michigan

January 22, 2004, except as to the effects of the matters described in Note 2, which are as of March 16, 2005

Table of Contents**VISTEON CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF OPERATIONS**

	For the Years Ended December 31,		
	2003	2002	2001
	(Restated)	(Restated) (in millions, except per share amounts)	(Restated)
Sales (Notes 3 and 12)			
Ford and affiliates	\$ 13,475	\$ 14,779	\$ 14,656
Other customers	4,185	3,616	3,187
Total sales	17,660	18,395	17,843
Costs and expenses (Notes 3, 12 and 14)			
Costs of sales	17,821	17,599	17,111
Selling, administrative and other expenses	1,008	893	855
Total costs and expenses	18,829	18,492	17,966
Operating (loss)	(1,169)	(97)	(123)
Interest income	17	23	55
Interest expense	94	103	131
Net interest expense	(77)	(80)	(76)
Equity in net income of affiliated companies (Note 3)	55	44	24
(Loss) before income taxes, minority interests and change in accounting	(1,191)	(133)	(175)
Provision (benefit) for income taxes (Note 6)	23	(64)	(74)
(Loss) before minority interests and change in accounting	(1,214)	(69)	(101)
Minority interests in net income of subsidiaries	29	28	21
(Loss) before change in accounting	(1,243)	(97)	(122)
Cumulative effect of change in accounting, net of tax (Note 15)		(265)	
Net (loss)	\$ (1,243)	\$ (362)	\$ (122)
Basic and diluted loss per share (Note 3)			
Before cumulative effect of change in accounting	\$ (9.88)	\$ (0.77)	\$ (0.94)
Cumulative effect of change in accounting		(2.07)	
Basic and diluted	\$ (9.88)	\$ (2.84)	\$ (0.94)
Cash dividends per share	\$ 0.24	\$ 0.24	\$ 0.24

The accompanying notes are part of the financial statements.

Table of Contents**VISTEON CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**

	December 31,	
	2003	2002
	(Restated)	(Restated)
	(in millions)	
Assets		
Cash and cash equivalents	\$ 953	\$ 1,204
Marketable securities	3	74
	<hr/>	<hr/>
Total cash and marketable securities	956	1,278
Accounts receivable - Ford and affiliates	1,175	1,382
Accounts receivable - other customers	1,185	837
	<hr/>	<hr/>
Total receivables, net (Notes 3 and 5)	2,360	2,219
Inventories (Note 4)	761	878
Deferred income taxes (Note 6)	163	199
Prepaid expenses and other current assets	143	136
	<hr/>	<hr/>
Total current assets	4,383	4,710
Equity in net assets of affiliated companies	215	191
Net property (Note 5)	5,365	5,448
Deferred income taxes (Note 6)	700	587
Other assets	270	233
	<hr/>	<hr/>
Total assets	\$ 10,933	\$ 11,169
Liabilities and Stockholders' Equity		
Trade payables	\$ 2,270	\$ 2,038
Accrued liabilities (Note 7)	930	1,022
Income taxes payable	31	18
Debt payable within one year (Note 9)	351	393
	<hr/>	<hr/>
Total current liabilities	3,582	3,471
Long-term debt (Note 9)	1,467	1,298
Postretirement benefits other than pensions (Note 8)	515	431
Postretirement benefits payable to Ford (Note 8)	2,090	1,874
Other liabilities (Note 7)	1,508	1,145
	<hr/>	<hr/>
Total liabilities	9,162	8,219
Stockholders' equity		
Capital stock (Note 10)		
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, 131 million and 129 million shares outstanding, respectively	131	131
Capital in excess of par value of stock	3,288	3,298
Accumulated other comprehensive (loss)	(54)	(144)
Other	(19)	(33)
Accumulated deficit	(1,575)	(302)
	<hr/>	<hr/>

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Total stockholders' equity	1,771	2,950
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 10,933	\$ 11,169
	<u> </u>	<u> </u>

The accompanying notes are part of the financial statements.

Table of Contents**VISTEON CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS**

	For the Years Ended December 31,		
	2003	2002	2001
	(Restated)	(Restated) (in millions)	(Restated)
Cash and cash equivalents at January 1	\$ 1,204	\$ 1,024	\$ 1,412
Cash flows provided by operating activities (Note 16)	363	1,103	440
Cash flows from investing activities			
Capital expenditures	(872)	(725)	(756)
Acquisitions and investments in joint ventures, net	(4)		(7)
Purchases of securities	(48)	(508)	(346)
Sales and maturities of securities	118	588	260
Other	25	36	102
Net cash used in investing activities	(781)	(609)	(747)
Cash flows from financing activities			
Commercial paper (repayments) issuances, net	(85)	(194)	8
Other short-term debt, net	55	45	
Proceeds from issuance of other debt	238	115	114
Principal payments on other debt	(121)	(245)	(144)
Purchase of treasury stock	(5)	(24)	(25)
Cash dividends	(31)	(31)	(31)
Other, including book overdrafts	77	(4)	3
Net cash provided by (used in) financing activities	128	(338)	(75)
Effect of exchange rate changes on cash	39	24	(6)
Net (decrease) increase in cash and cash equivalents	(251)	180	(388)
Cash and cash equivalents at December 31	\$ 953	\$ 1,204	\$ 1,024

The accompanying notes are part of the financial statements.

Table of Contents**VISTEON CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(Restated)**

	Common Stock		Capital In Excess of Par Value	Earnings Retained for Use in Business (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Other		Total
	Shares	Amount				Treasury Stock	Unearned Stock Compensation	
(in millions)								
Year Ended December 31, 2001								
Beginning balance, as originally reported	131	\$ 131	\$ 3,311	\$ 254	\$ (179)	\$	\$ (12)	\$ 3,505
Error corrections				(10)	(3)			(13)
Beginning balance, as restated	131	131	3,311	244	(182)		(12)	3,492
Comprehensive income (loss)								
Net (loss)				(122)				(122)
Foreign currency translation, net of tax					(16)			(16)
Realized and unrealized gains/losses on derivatives, net of tax					5			5
Change in unrealized loss on marketable securities, net of tax					(2)			(2)
Minimum pension liability, net of tax					(2)			(2)
Comprehensive (loss)								(137)
Purchase of treasury stock						(25)		(25)
Deferred stock-based compensation						13	(13)	
Amortization and adjustment of deferred stock- based compensation, net							9	9
Exercise of common stock options						3		3
Cash dividends				(31)				(31)
Ending balance	131	\$ 131	\$ 3,311	\$ 91	\$ (197)	\$ (9)	\$ (16)	\$ 3,311
Year Ended December 31, 2002								
Beginning balance	131	\$ 131	\$ 3,311	\$ 91	\$ (197)	\$ (9)	\$ (16)	\$ 3,311
Comprehensive income (loss)								
Net (loss)				(362)				(362)
Foreign currency translation, net of tax					132			132
Realized and unrealized gains/losses on derivatives, net of tax					(13)			(13)
Change in unrealized loss on marketable securities, net of tax					1			1
Minimum pension liability, net of tax					(67)			(67)
Comprehensive (loss)								(309)
Purchase of treasury stock						(24)		(24)
Deferred stock-based compensation						16	(16)	
Amortization and adjustment of deferred stock- based compensation, net			(13)			(1)		