VISTEON CORP
Form 10-Q
August 09, 2010

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010, 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)

	38-3519512
Delaware	(I.R.S. employer
(State of incorporation)	Identification number)
One Village Center Drive, Van Buren Township, Michigan	**48111**
(Address of principal executive offices)	(Zip code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ü No___

Indicate by check mark whether the registrant: has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes___ No___

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

Large Accelerated Filer ____ Accelerated Filer ____ Non-Accelerated Filer ____ Smaller Reporting Company _ü_
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes____ No_ü_

As of July 30, 2010, the Registrant had outstanding 130,245,880 shares of common stock, par value $1.00 per share.

Exhibit index located on page number 61.

VISTEON CORPORATION AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
	(Dollars in Millions, Except Per Share Data)			
Net sales				
Products	$ 1,889	$ 1,482	$ 3,735	$ 2,777
Services	56	87	114	144
	1,945	1,569	3,849	2,921
Cost of sales				
Products	1,785	1,403	3,214	2,654
Services	56	86	113	142
	1,841	1,489	3,327	2,796
Gross margin	104	80	522	125
Selling, general and administrative expenses	88	97	201	205
Reorganization expenses, net	39	7	69	7
Restructuring expenses	9	18	17	45
Reimbursement from escrow account				62
Deconsolidation gain				95
Asset impairments and loss on divestitures	4		25	
Operating (loss) income	(36)	(42)	210	25
Interest expense	129	47	135	102
Interest income	3	2	6	6
Equity in net income of non-consolidated affiliates	35	19	65	26
(Loss) income before income taxes	(127)	(68)	146	(45)
Provision for income taxes	50	31	75	45
Net (loss) income	(177)	(99)	71	(90)
Net income attributable to noncontrolling interests	24	13	39	20
Net (loss) income attributable to Visteon	$ (201)	$ (112)	$ 32	$ (110)

Per Share Data:				
Net (loss) earnings per share attributable to Visteon	$ (1.55)	$ (0.87)	$ 0.25	$ (0.85)

See accompanying notes to the consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30 2010	December 31 2009
	(Dollars in Millions)	
ASSETS		
Cash and equivalents	$ 979	$ 962
Restricted cash	181	133
Accounts receivable, net	1,032	1,055
Inventories, net	351	319
Other current assets	285	236
Total current assets	2,828	2,705
Property and equipment, net	1,721	1,936
Equity in net assets of non-consolidated affiliates	357	294
Other non-current assets	68	84
Total assets	$ 4,974	$ 5,019
LIABILITIES AND SHAREHOLDERS DEFICIT		
Short-term debt, including current portion of long-term debt	$ 207	$ 225
Accounts payable	997	977
Accrued employee liabilities	189	161
Other current liabilities	327	302
Total current liabilities	1,720	1,665
Long-term debt	11	6
Employee benefits	509	568
Deferred income taxes	173	159
Other non-current liabilities	237	257
Liabilities subject to compromise	3,094	2,819
Shareholders deficit:		
Preferred stock (par value $1.00, 50 million shares authorized, none outstanding)		
Common stock (par value $1.00, 500 million shares authorized, 131 million shares issued, 130 million shares outstanding)	131	131
Stock warrants	127	127
Additional paid-in capital	3,408	3,408
Accumulated deficit	(4,544)	(4,576)
Accumulated other comprehensive (loss) income	(215)	142
Other	(4)	(4)

Total Visteon shareholders deficit	(1,097)	(772)
Noncontrolling interests	327	317
Total shareholders deficit	(770)	(455)
Total liabilities and shareholders deficit	$ 4,974	$ 5,019

See accompanying notes to the consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30	
	2010	**2009**
	(Dollars in Millions)	
Operating activities		
Net income (loss)	$ 71	$ (90)
Adjustments to reconcile net income (loss) to net cash provided from (used by) operating activities:		
Depreciation and amortization	140	162
OPEB and pension amortization and curtailment	(315)	(12)
OPEB reinstatement	150	
Reorganization expenses, net	69	7
Equity in net income of non-consolidated affiliates, net of dividends remitted	(62)	(20)
Asset impairments and loss on divestitures	25	
Deconsolidation gain		(95)
Other non-cash items	14	4
Changes in assets and liabilities:		
Accounts receivable	(106)	(39)
Inventories	(50)	24
Accounts payable	54	(64)
Other assets and liabilities	183	(112)
Net cash provided from (used by) operating activities	173	(235)
Investing activities		
Capital expenditures	(66)	(58)
Cash associated with deconsolidation		(11)
Other, including proceeds from divestitures and asset sales	23	4
Net cash used by investing activities	(43)	(65)
Financing activities		
Increase in restricted cash, net	(48)	(95)
Short-term debt, net	(5)	(19)
Principal payments on debt	(12)	(119)
Proceeds from issuance of debt, net of issuance costs	8	56
Other, including overdrafts	(18)	(58)
Net cash used by financing activities	(75)	(235)
Effect of exchange rate changes on cash	(38)	2
Net increase (decrease) in cash and equivalents	17	(533)

Cash and equivalents at beginning of year	962	1,180
Cash and equivalents at end of period	$ 979	$ 647

See accompanying notes to the consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Description of Business and Company Background

Visteon Corporation (the Company or Visteon) is a leading global supplier of climate, interiors and electronics systems, modules and components to global automotive original equipment manufacturers (OEMs). Headquartered in Van Buren Township, Michigan, Visteon has a workforce of approximately 28,500 employees and a network of manufacturing operations, technical centers, sales offices and joint ventures in every major geographic region of the world.

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

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

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

Visteon UK Limited Administration

On March 31, 2009, in accordance with the provisions of the United Kingdom Insolvency Act of 1986 and pursuant to a resolution of the board of directors of Visteon UK Limited, a company organized under the laws of England and Wales (the UK Debtor) and an indirect, wholly-owned subsidiary of the Company, representatives from KPMG (the Administrators) were appointed as administrators in respect of the UK Debtor (the UK Administration). The UK Administration was initiated in response to continuing operating losses of the UK Debtor and mounting labor costs and their related demand on the Company s cash flows, and does not include the Company or any of the Company s other subsidiaries. The effect of the UK Debtor s entry into administration was to place the management, affairs, business and property of the UK Debtor under the direct control of the Administrators. Since their appointment, the Administrators have wound down the business of the UK Debtor and closed its operations in Enfield, UK, Basildon, UK and Belfast, UK, and made the employees redundant. The Administrators continue to realize the UK Debtor s assets, primarily comprised of receivables. No assurance can be provided that the Company will not be subject to future litigation and/or liabilities related to the UK Administration, including assertions by the UK Pensions

Regulator.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1. Description of Business and Company Background (Continued)

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

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

Transactions with Ford Motor Company

The Company transacts a significant amount of commercial activity with Ford Motor Company (Ford). The financial statement impact of these commercial activities is summarized in the table below.

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
	(Dollars in Millions)			
Net Sales				
Products	$ 500	$ 428	$ 991	$ 826
Services	$ 53	$ 86	$ 105	$ 143

	June 30 2010	December 31 2009
	(Dollars in Millions)	
Accounts receivable, net	$ 233	$ 230
Liabilities subject to compromise	$ 242	$ 245

NOTE 2. Basis of Presentation

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

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. Basis of Presentation (Continued)

Financial Statement Presentation: The accompanying consolidated financial statements have been prepared in accordance with GAAP and on a going concern basis, which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. The Company s financial statements do not include any adjustments related to assets or liabilities that may be necessary should the Company not be able to continue as a going concern. However, as a result of the Chapter 11 Proceedings, such realization of assets and liquidation of liabilities, without substantial adjustments to amounts and/or changes of ownership, is highly uncertain. Given this uncertainty, there is substantial doubt about the Company s ability to continue as a going concern. The appropriateness of using the going concern basis for the Company s financial statements is dependent upon, among other things, the Company s ability to: (i) comply with terms of DIP financing; (ii) comply with various orders entered by the Court in connection with the Chapter 11 Proceedings; (iii) maintain adequate cash on hand; (iv) generate sufficient cash from operations; (v) achieve confirmation of a plan of reorganization under the Bankruptcy Code; and (vi) achieve profitability following such confirmation.

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

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

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

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

Services revenues are recognized as services are rendered and associated costs of providing such services are recorded as incurred. Services revenues and related costs for the first half of 2010 included $3 million of contractual reimbursement from Ford under the Amended Reimbursement Agreement for costs associated with the separation of Automotive Components Holdings, LLC (ACH) leased employees no longer required to provide such services.

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VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. Basis of Presentation (Continued)

Restricted Cash: Restricted cash represents cash designated for uses other than current operations and includes approximately $80 million under the terms of the ABL Credit Agreement, $79 million pursuant to a cash collateral order of the Court, $13 million related to the Letter of Credit Reimbursement and Security Agreement and $9 million for other corporate purposes.

NOTE 3. New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance amending fair value disclosures for interim and annual reporting periods beginning after December 15, 2009. This guidance requires disclosures about transfers of financial instruments into and out of Level 1 and 2 designations and disclosures about purchases, sales, issuances and settlements of financial instruments with a Level 3 designation. The Company adopted this guidance with effect from January 1, 2010 without material impact on its consolidated financial statements.

In December 2009, the FASB amended the Accounting Standards Codification (ASC) to provide consolidation guidance that requires a more qualitative assessment of the primary beneficiary of a variable interest entity (VIE) based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The amended guidance also requires an ongoing reconsideration of the primary beneficiary. This guidance was adopted by the Company on a prospective basis as of January 1, 2010 without material impact on its consolidated financial statements.

In December 2009, the FASB amended the ASC to provide guidance on the accounting for transfers and servicing of financial assets. This guidance became effective for fiscal years beginning after November 15, 2009 and was adopted by the Company on a prospective basis as of January 1, 2010 without material impact on its consolidated financial statements.

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

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

Implications of Chapter 11 Proceedings

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

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

To successfully emerge from chapter 11, in addition to obtaining exit financing, the Court must confirm a plan of reorganization, which will depend upon the timing and outcome of numerous ongoing matters in the Chapter 11 Proceedings. A plan of reorganization determines the rights and satisfaction of claims of various creditors and security holders, but the ultimate settlement of certain claims will be subject to the uncertain outcome of litigation, negotiations and Court decisions up to and for a period of time after a plan of reorganization is confirmed. At this time, it is not possible to predict with certainty the effect of the Chapter 11 Proceedings on the Company s business.

Plan of Reorganization

On May 6, 2010, the Company entered into an Equity Commitment Agreement (the ECA) with a group of investors (together, the Investors), which provides, among other things, that the Company will conduct a rights offering whereby certain holders of existing unsecured notes of the Company may elect to purchase shares of the common stock of the reorganized Visteon, and the Investors severally agree to purchase shares of the common stock of the reorganized Visteon and any shares not purchased in connection with the rights offering. The Company also entered into a Plan Support Agreement (the PSA) with holders of more than two-thirds in amount of the 12.25% senior notes claims and two-thirds in aggregate amount of the 7.00% senior notes claims and the 8.25% senior notes claims, pursuant to which such holders will support the fourth amended joint plan of reorganization (the Fourth Amended Plan), except in certain limited circumstances. These agreements were approved by the Court on June 17, 2010.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

On June 24, 2010, the Debtors filed the Fourth Amended Plan and related fourth amended disclosure statement (the Fourth Amended Disclosure Statement) with the Court. The Debtors filed a revised Fourth Amended Disclosure Statement on June 30, 2010. The Fourth Amended Plan and Fourth Amended Disclosure Statement as filed with the Court outline a proposal for the settlement of claims against the estate of the Debtors based on an estimate of the overall enterprise value. The Fourth Amended Plan is comprised of two mutually exclusive sub plans the Rights Offering Sub Plan and the Claims Conversion Sub Plan. The Debtors will seek to consummate the Rights Offering Sub Plan in the event that up to $1.25 billion in new capital can be raised by the Investors and certain exit financing loans can be obtained by the Debtors. Under the Rights Offering Sub Plan, the term lenders secured claims would be paid in cash; the holders of the 12.25% senior notes, 7.00% senior notes and 8.25% senior notes together would receive between 4.9% and 5% of the distributable equity of reorganized Visteon and eligible holders thereof would be entitled to participate in the rights offering for between 93.1% and 95% of reorganized Visteon common stock (non-eligible holders would receive the lesser of $50 million or 40% of their allowed claim amount); holders of the 12.25% senior notes would also receive warrants to purchase reorganized Visteon common stock at an exercise price of $9.66 per share; and most holders of general unsecured claims would receive the lesser of their pro rata share of $141 million or 50% of their allowed claim amount. Holders of Visteon common stock would not be entitled to receive a distribution unless their class votes to accept the Fourth Amended Plan, in which case, the holders would receive 2% of the distributable equity and warrants to purchase shares of reorganized Visteon common stock.

Under the Claims Conversion Sub Plan, the following percentages of reorganized Visteon common stock would be distributed in satisfaction of claims: the secured term lenders would receive between 84.9% and 86.2%, the holders of the 12.25% senior notes would receive between 6.3% and 6.5%, the holders of the 7.00% and 8.25% senior notes would receive between 7.5% and 8.6%. Most holders of general unsecured claims would receive the lesser of their pro rata share of $141 million or 50% of their allowed claim amount. The Claims Conversion Sub Plan does not provide for any recovery to holders of the Company s existing equity securities.

On July 28, 2010 the Company signed a letter agreement (the Letter Agreement) with the four financial institutions comprising a steering committee of the Company s term loan lenders and the agent for the Company s term loan facility, in which the steering committee and the agent affirmed their support of the Company s Fourth Amended Plan. Pursuant to the Letter Agreement, holders of a majority of the $1.5 billion term loan (i.e., approximately 55 percent of the outstanding amount), including members of the steering committee as well as several other large term loan lenders, agreed to vote in favor of the Fourth Amended Plan. In addition, the steering committee has agreed to recommend voting in favor of the Fourth Amended Plan to the remaining term loan lenders. The term loan agent also agreed, at the direction of a majority of the term loan lenders, to cease all litigation efforts it is undertaking in connection with confirmation of the Fourth Amended Plan (including all of its discovery efforts), if the term lenders class votes to accept the Plan, and to withdraw with prejudice its currently pending appeal of the ECA and bondholder PSA. Finally, the term loan agent agreed to provide affirmative support of the Fourth Amended Plan throughout the remainder of the Chapter 11 Proceedings including at the confirmation hearing, if the term lenders class votes to accept the Plan.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

As part of the Letter Agreement, the Company acknowledged that the Fourth Amended Plan will provide term lenders with post-petition interest at the default rate set forth in the term loan credit agreement through the effective date of the Fourth Amended Plan (or such date payment of the term loan facility claim is made) on amounts due and owing under the term loan credit agreement from and as of the Petition Date. As of June 30, 2010 this amount of post-petition interest is estimated to be approximately $122 million. Additionally, the Company agreed to support compensation to the term lenders for certain professional fees and expenses. Preliminary voting results indicate that the term lenders class has voted to accept the Fourth Amended Plan.

In August of 2010, the Company entered into an agreement with the Investors and the Ad Hoc Equity Committee (AHEC), pursuant to which the AHEC agreed to support and vote in favor of the Fourth Amended Plan, without any modifications to the Fourth Amended Plan, as well as withdraw its legal challenges to the Fourth Amended Plan, the ECA and supporting agreements, in exchange for the right to participate in the direct purchase commitment under the ECA for 144,456 shares and the payment on the date of the Company s exit from bankruptcy of up to $4.25 million of certain costs and expenses of the members of the AHEC and their respective advisors.

The Court approved the adequacy of the Fourth Amended Disclosure Statement on June 28, 2010, and the Debtors have completed the process of soliciting approval of the Fourth Amended Plan from eligible stakeholders. The Court has reserved August 31, 2010 to commence a hearing to confirm the Fourth Amended Plan to the extent that each class of unsecured claims and interests in Visteon votes to accept the plan pursuant to section 1126 of the Bankruptcy Code. To the extent that any such class does not vote to accept the Fourth Amended Plan, the hearing to confirm the Fourth Amended Plan is currently scheduled to begin on September 28, 2010. Preliminary voting results indicate that the Fourth Amended Plan is fully consensual on a class basis as all creditor and equity classes have voted to accept the Plan. Based on such preliminary voting results, the Company expects to go forward with the confirmation hearing on August 31, 2010.

Also, the subscription deadline for the Company s $950 million rights offering to eligible holders of its unsecured senior notes has now passed and preliminary results indicate that the rights offering has been oversubscribed.

Chapter 11 Reorganization Financing

The Debtors are currently funding post-petition operations under a temporary cash collateral order from the Court and a $150 million Senior Secured Super Priority Priming Debtor in Possession Credit and Guaranty Agreement (DIP Credit Agreement), under which the Company has borrowed $75 million and may borrow the remaining $75 million in one additional advance prior to maturity on August 18, 2010, subject to certain conditions. The Company is currently evaluating various alternatives including potential repayment, with respect to the maturity of the DIP Credit Agreement. The Company s non-debtor subsidiaries, primarily non-U.S. subsidiaries, have been excluded from the Chapter 11 Proceedings and are funding their operations through cash generated from operating activities supplemented by customer support agreements and local financing arrangements or through cash transfers from the Debtors subject to specific authorization from the Court.

There can be no assurance that cash on hand and other available funds will be sufficient to meet the Company s reorganization or ongoing cash needs or that the Company will be successful in extending the duration of the temporary cash collateral order with the Court or that the Company will remain in compliance with all necessary terms and conditions of the DIP Credit Agreement or that the lending

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

commitments under the DIP Credit Agreement will not be terminated by the lenders. Additionally, the Company believes that its presently outstanding equity securities will have little or no value and will be canceled under any plan of reorganization. For this reason, the Company urges that caution be exercised with respect to existing and future investments in any currently outstanding security of the Company.

Customer Agreements

In connection with the Chapter 11 Proceedings, the Company has entered into various accommodation, support and other agreements with certain North American and European customers that provide for additional liquidity through cash surcharge payments, payments for research and engineering costs, accelerated payment terms, asset sales and other commercial arrangements. Generally, in exchange for benefits under these agreements, the Company agreed to continue producing and delivering component parts to these customers during the term of the respective agreements. Additionally, under agreements with certain North American customers, the Company agreed to provide assistance in re-sourcing production to other suppliers; to build inventory banks, as necessary to support transition; to grant customers the option to purchase dedicated equipment and tooling owned by the Company; to grant a right of access to the Company s facilities if the Company ceases production; to grant a security interest in certain operating assets that would be necessary for component part production; and, to provide limited release of certain commercial and other claims and causes of actions, subject to exceptions.

Revenue associated with payments from customers pursuant to these agreements is being recorded in relation to the delivery of associated products, assets and/or services in accordance with the terms of the underlying agreement, or over the estimated duration of the respective benefit to the customer, generally representing the average duration of remaining production on current vehicle platforms. The Company recorded $15 million and $43 million of revenue associated with these settlement payments during the three and six months ended June 30, 2010, respectively, with $84 million deferred on the balance sheet at June 30, 2010. Pursuant to support agreements with certain European customers, the Company anticipates receipt of an additional non-refundable settlement payment of approximately $30 million on or before June 30, 2011, subject to the terms and conditions of these agreements.

Financial Statement Classification

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

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Reorganization expenses included in the consolidated financial statements are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
	(Dollars in Millions)			
Reorganization Expenses, Net:				
Professional fees	$ 38	$ 6	$ 58	$ 6
Other direct costs, net	1	1	11	1
	$ 39	$ 7	$ 69	$ 7
Cash Payments for Reorganization Expenses	$ 29	$	$ 47	$

Pre-petition liabilities subject to compromise under a plan of reorganization have been reported separately from both pre-petition liabilities that are not subject to compromise and from liabilities arising subsequent to the petition date. Liabilities that are expected to be affected by a plan of reorganization are reported at amounts expected to be allowed, even if they may be settled for lesser amounts. Liabilities subject to compromise as of June 30, 2010 and December 31, 2009 are set forth below and represent the Company s estimate of pre-petition claims to be resolved in connection with the Chapter 11 Proceedings. Such claims remain subject to future adjustments, which may result from (i) negotiations; (ii) actions of the Court; (iii) disputed claims; (iv) rejection of executory contracts and unexpired leases; (v) the determination as to the value of any collateral securing claims; (vi) proofs of claim; or (vii) other events.

Liabilities subject to compromise include the following:

	June 30 2010	December 31 2009
	(Dollars in Millions)	
Debt	$ 2,490	$ 2,490
Employee liabilities	329	170
Interest payable	153	31
Accounts payable	96	115
Other accrued liabilities	26	13
	$ 3,094	$ 2,819

Employee liabilities classified as Liabilities subject to compromise increased during the second quarter of 2010 due to the reinstatement of other postretirement employee benefits for certain former employees of the Company s Connersville and Bedford facilities pursuant to a July 13, 2010 ruling of the United States Court of Appeals for the Third Circuit. This reinstatement is discussed further in Note 12 Employee Benefits. Interest payable also increased during the second quarter of 2010 due the recognition of $122 million of previously unrecorded contractual interest on the Company s seven-year secured term loans, as described below.

Contractual Interest

The Company has not made principal and interest payments in connection with its pre-petition debt during the Chapter 11 Proceedings, including the $1.5 billion principal amount under the seven-year secured term loans due 2013; the $862 million principal amount under various unsecured notes due 2010, 2014 and 2016; and the $127 million of other secured and unsecured borrowings. Additionally, debt discounts of

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

$8 million, deferred financing costs of $14 million and terminated interest rate swaps of $23 million are no longer being amortized and have been included as a valuation adjustment to the related pre-petition debt.

Contractual interest expense represents amounts due under the contractual terms of outstanding debt, including debt subject to compromise. The Company ceased recording interest expense on outstanding pre-petition debt instruments classified as liabilities subject to compromise from the May 28, 2009 petition date as such amounts of contractual interest were not being paid and were not determined to be probable of being an allowed claim. Adequate protection amounts pursuant to the cash collateral order of the Court, and as related to the ABL Credit Agreement have been classified as Interest expense on the Company s consolidated statement of operations. Interest expense on a contractual basis would have been $55 million and $108 million for the three and six-month periods ended June 30, 2010, respectively.

During the second quarter of 2010, the Company recorded $122 million of prior contractual interest expense related to the seven-year secured term loans because it became probable that the interest would become an allowed claim in connection with the execution of the Letter Agreement. Additionally, effective July 1, 2010 the Company commenced recording interest expense at the default rate set forth in the credit agreements associated with the seven-year secured term loans. Absent developments that alter the Company s view of the likelihood of such amounts becoming an allowed claim, the Company expects to continue recording such interest expense through the effective date of the Fourth Amended Plan (or through the date of the seven-year secured term loans claim payment) on amounts due and owing under the seven-year secured term loans from and as of the Petition Date.

Pre-petition Claims

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

As of June 30, 2010 approximately 3,400 proofs of claim totaling approximately $8 billion in claims against the Debtors have been filed in connection with the Chapter 11 Proceedings as follows:

Approximately 60 claims, totaling about $6 billion, represent bond and secured debt claims (excluding the seven-year term loans), for which the Company has recorded approximately $1 billion as of June 30, 2010, and which is classified in the Company s consolidated balance sheet as Liabilities subject to compromise. The Company believes claim amounts in excess of those reflected in the financial statements at June 30, 2010 are duplicative and will ultimately be resolved through the plan of reorganization.

The Pension Benefit Guaranty Corporation (PBGC) has filed 16 claims totaling about $660 million in connection with the statutory liability for unfunded benefit and other obligations associated with the Debtor s pension plans. The

Company does not anticipate, nor does the Fourth Amended Plan contemplate, that the Debtors plan of reorganization will provide for the termination of the Debtors pension plans. Accordingly, the Company believes that such claims will become moot.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Approximately 300 claims, totaling about $115 million related to employees and retirees of the Debtors assert potential loss of benefits under various pension plans of the Debtors. The Company does not anticipate, nor does the Fourth Amended Plan contemplate, that the Debtors plan of reorganization will provide for the termination of the Debtors pension plans. Accordingly, the Company believes that claims alleging loss of benefits under the Debtors pension plans will become moot.

Approximately 140 claims, totaling about $10 million, are related to the Debtors other postretirement employee benefit (OPEB) plans which were terminated during 2010. Accordingly, the Company believes these claims will be expunged in connection with confirmation of the Debtors plan of reorganization.

Approximately 800 claims, totaling about $840 million, which the Company believes should be disallowed by the Court primarily because these claims appear to be duplicative or unsubstantiated claims. As of June 30, 2010, the Company has filed with the Court 12 omnibus objections to proofs of claim, through which claims totaling about $257 million have been expunged.

The Debtors have not completed their evaluation of the approximately 2,100 claims remaining, totaling about $330 million, alleging rights to payment for financing, trade accounts payable and other matters. The Company continues to investigate these unresolved proofs of claim, and intends to file objections to the claims that are inconsistent with its books and records. Additional claims may be filed after the October 15, 2009 bar date, which could be allowed by the Court. Accordingly, the ultimate number and allowed amount of such claims are not presently known and cannot be reasonably estimated at this time. The resolution of such claims could result in a material adjustment to the Company s financial statements. Additionally, a confirmed plan of reorganization could also materially change the amounts and classifications reported in the consolidated financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a plan of reorganization.

Debtors Financial Statements

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

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

CONDENSED COMBINED DEBTORS-IN-POSSESSION
STATEMENT OF OPERATIONS

	Three Months Ended June 30, 2010	May 28, 2009 to June 30, 2009	Six Months Ended June 30, 2010
		(Dollars in Millions)	
Net sales	$ 556	$ 233	$ 1,203
Cost of sales	615	243	953
Gross margin	(59)	(10)	250
Selling, general and administrative expenses	76	23	155
Restructuring expenses	1		8
Reorganization items	39	7	69
Asset impairments and loss on divestitures	4		6
Operating (loss) income	(179)	(40)	12
Interest expense, net	123	(1)	124
Equity in net income of non-consolidated affiliates	34	8	64
Loss before income taxes and earnings of non-Debtor subsidiaries	(268)	(31)	(48)
Provision for income taxes	8	1	17
Loss before earnings of non-Debtor subsidiaries	(276)	(32)	(65)
Earnings of non-Debtor subsidiaries	75	12	97
Net (loss) income	$ (201)	$ (20)	$ 32

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

CONDENSED COMBINED DEBTORS-IN-POSSESSION
BALANCE SHEET

	June 30, 2010	December 31, 2009
	(Dollars in Millions)	
ASSETS		
Cash and equivalents	$ 388	$ 430
Restricted cash	174	128
Accounts receivable, net	231	236
Accounts receivable, non-Debtor subsidiaries	532	576
Inventories, net	47	65
Other current assets	78	90
Total current assets	1,450	1,525
Property and equipment, net	252	313
Equity in net assets of non-consolidated affiliates	341	277
Investments in non-Debtor subsidiaries	584	554
Notes receivable, non-Debtor subsidiaries	424	512
Other non-current assets	8	11
Total assets	$ 3,059	$ 3,192
LIABILITIES AND SHAREHOLDERS DEFICIT		
Short-term debt, including current portion of long-term debt	$ 75	$ 78
Accounts payable	99	128
Accounts payable, non-Debtor subsidiaries	179	195
Accrued employee liabilities	58	58
Other current liabilities	75	78
Total current liabilities	486	537
Long-term debt		1
Employee benefits	352	405
Deferred income taxes	67	63
Other non-current liabilities	62	54
Liabilities subject to compromise	3,094	2,819
Liabilities subject to compromise, non-Debtor subsidiaries	95	85
Shareholders deficit	(1,097)	(772)
Total liabilities and shareholders deficit	$ 3,059	$ 3,192

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

CONDENSED COMBINED DEBTORS-IN-POSSESSION
STATEMENT OF CASH FLOWS

	Six Months Ended June 30, 2010	May 28, 2009 to June 30, 2009
	(Dollars in Millions)	
Net cash (used by) provided from operating activities	$ (15)	$ 28
Investing activities		
Capital expenditures	(7)	(3)
Other, including proceeds from assets sales and divestitures	26	
Net cash provided from (used by) investing activities	19	(3)
Financing activities		
Increase in restricted cash, net	(46)	(14)
Other, including overdrafts		1
Net cash used by financing activities	(46)	(13)
Net (decrease) increase in cash and equivalents	(42)	12
Cash and equivalents at beginning of period	430	215
Cash and equivalents at end of period	$ 388	$ 227

NOTE 5. Restructuring and Exit Activities

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

The following is a summary of the Company s consolidated restructuring reserves and related activity for the six months ended June 30, 2010.

	Interiors	Climate	Electronics	Central	Total
			(Dollars in Millions)		

December 31, 2009	$ 21	$	$ 16	$ 2	$ 39
Expenses	1		3	4	8
Currency exchange	(1)				(1)
Utilization	(5)		(12)	(3)	(20)
March 31, 2010	$ 16	$	$ 7	$ 3	$ 26
Expenses	4	1	2	2	9
Currency exchange	(2)				(2)
Utilization			(5)	(3)	(8)
June 30, 2010	$ 18	$ 1	$ 4	$ 2	$ 25

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. Restructuring and Exit Activities (Continued)

2010 Restructuring Actions

During the first half of 2010, the Company recorded $17 million of restructuring expenses, including $6 million of employee severance and termination benefits to streamline corporate administrative and support functions; $4 million of employee severance and termination benefits related to the closure of a European Interiors facility; $4 million of equipment move and relocation costs; $2 million of employee severance and termination benefits related to previously announced actions in connection with customer accommodation and support agreements; and approximately $1 million of additional employee severance and termination benefits related to a customer support agreement.

Utilization of $28 million includes $22 million of payments for severance and other employee termination benefits, $4 million for payment of equipment move and relocation costs and $2 million of special termination benefits reclassified to pension and other postretirement employee benefit liabilities.

2009 Restructuring Actions

During the first half of 2009, the Company recorded restructuring expenses of $45 million, including $30 million of employee severance and termination benefits to reduce the Company s global salaried workforce, $12 million under the previously announced multi-year improvement plan and $3 million related to the consolidation of Electronics operations in South America.

Asset Impairments and Loss on Divestitures

In June 2010, the Company reached an agreement to sell its entire 46.6% interest in the shares of Toledo Molding & Die, Inc. (TMD), a supplier of interior components, for proceeds of approximately $10 million. This agreement was subsequently approved by the Court on July 15, 2010. Accordingly, the Company recorded an impairment charge of approximately $4 million, representing the difference between the carrying value of the Company s investment in TMD and the expected share sale proceeds, during the second quarter of 2010 for the resulting other than temporary impairment of its investment in TMD.

On March 8, 2010, the Company completed the sale of substantially all of the assets of Atlantic Automotive Components, L.L.C., (Atlantic), to JVIS Manufacturing LLC, an affiliate of Mayco International LLC. During 2009, Atlantic operated on a break-even basis on sales of approximately $35 million. The Company recorded losses of approximately $21 million in connection with the sale of Atlantic assets during the first quarter of 2010.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6. Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market. A summary of inventories is provided below:

	June 30 2010	December 31 2009
	(Dollars in Millions)	
Raw materials	$ 132	$ 125
Work-in-process	183	159
Finished products	71	78
	$ 386	$ 362
Valuation reserves	(35)	(43)
	$ 351	$ 319

NOTE 7. Other Assets

Other current assets are summarized as follows:

	June 30 2010	December 31 2009
	(Dollars in Millions)	
Recoverable taxes	$ 88	$ 86
Pledged accounts receivable	74	19
Deposits	59	55
Current deferred tax assets	32	32
Prepaid assets	26	30
Other	6	14
	$ 285	$ 236

On December 9, 2009, a French subsidiary of the Company entered into an agreement to sell accounts receivable on an uncommitted basis. Primarily all accounts receivable of this subsidiary are pledged as security, therefore pledged accounts receivable increased from December 31, 2009 as the program became fully implemented during 2010.

Other non-current assets are summarized as follows:

	June 30 2010	December 31 2009
	(Dollars in Millions)	
Non-current deferred tax assets	$ 19	$ 17
Notes and other receivables	10	10
Assets held for sale		16
Other	39	41
	$ 68	$ 84

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7. Other Assets (Continued)

In November 2009, the Company entered into an accommodation agreement with Chrysler Group LLC (Chrysler), whereby the assets at the Highland Park, Michigan and Saltillo, Mexico facilities, would be sold to a mutually agreed buyer or Chrysler. Therefore, at December 31, 2009, approximately $4 million and $16 million were classified as assets held for sale in Other current assets and Other non-current assets, respectively. On April 30, 2010, the Company completed the sale of its Interiors operations located in Highland Park, Michigan and Saltillo, Mexico consisting of the facility, associated assets and certain purchase and supply contracts to Johnson Controls Interiors, LLC and Johnson Controls Automotriz Mexico, S De Rl De Cv.

NOTE 8. Property and Equipment

Property and equipment is stated at cost and is depreciated over the estimated useful lives of the assets, principally using the straight-line method. A summary of Property and equipment, net is provided below:

	June 30 2010	December 31 2009
	(Dollars in Millions)	
Land	$ 82	$ 82
Buildings and improvements	779	797
Machinery, equipment and other	2,513	2,764
Construction in progress	74	75
Total property and equipment	$ 3,448	$ 3,718
Accumulated depreciation	(1,790)	(1,860)
	$ 1,658	$ 1,858
Product tooling, net of amortization	63	78
Property and equipment, net	$ 1,721	$ 1,936

Depreciation and amortization expenses are summarized as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
	(Dollars in Millions)			
Depreciation	$ 62	$ 77	$ 129	$ 149
Amortization	5	7	11	13

	$ 67	$ 84	$ 140	$ 162

NOTE 9. Non-Consolidated Affiliates

The Company had $357 million and $294 million of equity in the net assets of non-consolidated affiliates at June 30, 2010 and December 31, 2009, respectively. The Company recorded equity in net income of non-consolidated affiliates of $35 million and $19 million for the three months ended June 30, 2010 and 2009, respectively. For the six-month periods ended June 30, 2010 and 2009, the Company recorded $65 million and $26 million, respectively.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9. Non-Consolidated Affiliates (Continued)

The following table presents summarized financial data for the Company s non-consolidated affiliates. Yanfeng Visteon Automotive Trim Systems Co., Ltd (Yanfeng), of which the Company owns a 50% interest, is considered a significant non-consolidated affiliate. Summarized financial information reflecting 100% of the operating results of the Company s equity investees are provided below for the three-month and six-month periods ended June 30.

	Three Months Ended June 30					
	Net Sales		Gross Margin		Net Income	
	2010	2009	2010	2009	2010	2009
	(Dollars in Millions)					
Yanfeng Visteon Automotive Trim Systems Co., Ltd.	$ 595	$ 349	$ 97	$ 59	$ 49	$ 23
All other	233	161	33	28	21	15
	$ 828	$ 510	$ 130	$ 87	$ 70	$ 38

	Six Months Ended June 30					
	Net Sales		Gross Margin		Net Income	
	2010	2009	2010	2009	2010	2009
	(Dollars in Millions)					
Yanfeng Visteon Automotive Trim Systems Co., Ltd.	$ 1,121	$ 619	$ 185	$ 92	$ 98	$ 40
All other	453	283	68	34	29	11
	$ 1,574	$ 902	$ 253	$ 126	$ 127	$ 51

NOTE 10. Other Liabilities

Other current liabilities are summarized as follows:

	June 30 2010	December 31 2009
	(Dollars in Millions)	
Deferred income	$ 59	$ 51
Non-income taxes payable	55	47
Product warranty and recall reserves	49	40

Accrued reorganization items	34	22
Income taxes payable	30	27
Restructuring reserves	25	39
Other accrued liabilities	75	76
	$ 327	$ 302

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10. Other Liabilities (Continued)

Other non-current liabilities are summarized as follows:

	June 30 2010	December 31 2009
	(Dollars in Millions)	
Income tax reserves	$ 94	$ 101
Non-income tax payable	51	62
Deferred income	33	27
Product warranty and recall reserves	30	39
Other accrued liabilities	29	28
	$ 237	$ 257

Current and non-current deferred income of $52 million and $32 million, respectively, relate to various customer accommodation, support and other agreements completed during 2009. Revenue associated with these agreements is being recorded in relation to the delivery of associated products, assets and/or services in accordance with the terms of the underlying agreement or over the estimated period of benefit to the customer, generally representing the duration of remaining production on current vehicle platforms. The Company expects to record approximately $23 million, $37 million, $17 million, $6 million and $1 million of these deferred amounts in 2010, 2011, 2012, 2013 and 2014, respectively.

NOTE 11. Debt

Pre-Petition Debt

As discussed in Note 4 Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code, due to the Chapter 11 Proceedings, substantially all of the Company s pre-petition debt is in default and has been reclassified to Liabilities subject to compromise on the consolidated balance sheets at June 30, 2010 and December 31, 2009, including the following:

	December 31, 2009 and June 30, 2010 (Dollars in Millions)
Pre-petition debt	
Senior Credit Agreements:	
Term loan due June 13, 2013	$ 1,000
Term loan due December 13, 2013	500
U.S. asset based lending (ABL) facility	89

Letters of credit		38
8.25% notes due August 1, 2010		206
7.00% notes due March 10, 2014		450
12.25% notes due December 31, 2016		206
Total		2,489
Deferred charges, debt issue fees and other, net		1
Total pre-petition debt classified as Liabilities subject to compromise	$	2,490

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11. Debt (Continued)

Current Capital Structure

As of June 30, 2010, the Company had $207 million and $11 million of debt outstanding classified as short-term debt and long-term debt, respectively. The Company s short and long-term debt balances consist of the following:

	June 30 2010	December 31 2009
	(Dollars in Millions)	
Short-term debt		
DIP credit facility	$ 75	$ 75
Current portion of long-term debt	59	65
Other short-term	73	85
Total short-term debt	207	225
Long-term debt		
Other	11	6
Total long-term debt	11	6
Total debt	$ 218	$ 231

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

Fair Value

The Company is unable to estimate the fair value of long-term debt of the Debtors that is subject to compromise at June 30, 2010 or December 31, 2009, due to the uncertainties associated with the Chapter 11 Proceedings. The fair value of the Company s debt that is not subject to compromise has been calculated based on quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. Fair value of such debt was $220 million and $230 million as of June 30, 2010 and December 31, 2009, respectively.

NOTE 12. Employee Retirement Benefits

In December of 2009, the Court granted the Debtors motion in part authorizing them to terminate or amend certain other postretirement employee benefits, including health care and life insurance. In connection with this ruling, the Company eliminated certain other postretirement employee benefits including Company-paid medical, prescription drug, dental and life insurance coverage, effective April 1, 2010, for current and future U.S. retirees, their spouses, surviving spouses, domestic partners and dependents, with the exception of participants covered by the current collective bargaining agreement (CBA) at the North Penn facility. This change resulted in a reduction in other postretirement employee benefit liabilities and an increase in Other comprehensive income of approximately $273 million establishing a new prior service cost base during the fourth quarter of 2009.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. Employee Retirement Benefits (Continued)

On December 29, 2009, the IUE-CWA, the Industrial Division of the Communications Workers of America, AFL-CIO, CLC, filed a notice of appeal of the Court s order with the District Court for the District of Delaware (the District Court) on behalf of certain former employees of the Company s Connersville and Bedford, Indiana facilities. On March 30, 2010, the District Court affirmed the Court s order in all respects. On April 1, 2010, the IUE filed a notice of appeal, and subsequently a motion for expedited treatment of the appeal and for a stay pending appeal, with the United States Court of Appeals for the Third Circuit (the Circuit Court). On April 13, 2010, the Circuit Court granted the motion to expedite and denied the motion for stay pending appeal.

On July 13, 2010, the Circuit Court reversed the order of the District Court and the Court permitting the Company to terminate other postretirement employee benefits without complying with the requirements of Bankruptcy Code Section 1114 and directed the District Court to, among other things, direct the Court to order the Company to take whatever action is necessary to immediately restore all terminated or modified benefits to their pre-termination/modification levels. The Circuit Court also ordered the District Court to direct the Court to consider arguments from the parties as to whether the Company should be required to reimburse retirees for any costs incurred due to the termination of their benefits between May 1, 2010 and the date the other postretirement employee benefits are restored. On July 27, 2010, the Company filed a Petition for Rehearing or Rehearing En Banc requesting that the Circuit Court grant a rehearing to review the panel s decision, which is pending.

During the second quarter of 2010, the Company recorded an increase in other postretirement employee benefit expense of $150 million for the reinstatement of these benefits for certain former employees of the Company s Connersville and Bedford facilities. No amounts have been recorded for reinstatement of any other previously terminated other postretirement employee benefits. Estimated amounts of any other previously terminated other postretirement employee benefit liabilities will be recorded in future periods if and when such amounts become probable and estimable.

On February 18, 2010, the Court issued an order confirming the Debtors authority to enter into an agreement with the International Union United Automobile, Aerospace and Agricultural Implement Workers of America and its local union 1695, in connection with the closing of the Debtors North Penn facility located in Lansdale, Pennsylvania (the Closure Agreement). Pursuant to terms of the Closure Agreement, the North Penn CBA expired in February 2010 and the Company communicated its intent to eliminate Company-paid medical, prescription drug, dental and life insurance benefits for participants associated with the North Penn CBA effective June 1, 2010. This change resulted in a reduction in other postretirement employee benefit liabilities and an increase in Other comprehensive income of approximately $50 million establishing a new prior service cost base.

Reductions associated with terminated other postretirement employee benefits, in addition to reductions for prior plan amendments and actuarial gains and losses, have been amortized as a net decrease to future postretirement employee benefit expense over the remaining period of expected benefit. This amortization resulted in a decrease to postretirement employee benefit expense and Other comprehensive income of approximately $75 million and $312 million during the three and six months ended June 30, 2010, respectively.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care Education and Affordability Reconciliation Act (the Acts) were signed into law. The Acts contain provisions which could impact the Company s accounting for retiree medical benefits. Accordingly, the Company completed an assessment of the Acts in connection with the reinstatement of other postretirement employee benefits for certain former employees of the Company s Connersville and Bedford facilities and increased the related benefit liability by an estimated $3 million based upon the Company s current interpretation of the Acts.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. Employee Retirement Benefits (Continued)

This amount may be revised upon issuance of final regulations and the Company may consider plan amendments in future periods.

Benefit Expenses

The components of the Company s net periodic benefit costs for the three-month periods ended June 30, 2010 and 2009 were as follows:

	Retirement Plans				Health Care and Life Insurance Benefits	
	U.S. Plans		Non-U.S. Plans			
	2010	2009	2010	2009	2010	2009
	(Dollars in Millions)					
Service cost	$ 2	$ 3	$ 1	$ 1	$	$ 1
Interest cost	19	19	6	5		4
Expected return on plan assets	(19)	(20)	(4)	(4)		
Reinstatement of benefits					150	
Amortization of:						
Plan amendments		(1)			(70)	(5)
Actuarial losses and other	1				(5)	1
Special termination benefits		3				
Visteon sponsored plan net periodic benefit costs	3	4	3	2	75	1
Expense for certain salaried employees whose pensions are partially covered by Ford	1	9			(2)	(2)
Net periodic benefits costs, excluding restructuring	$ 4	$ 13	$ 3	$ 2	$ 73	$ (1)
Special termination benefits		3				
Other		6				
Total employee retirement benefit related restructuring costs	$	$ 9	$	$	$	$

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. Employee Retirement Benefits (Continued)

The components of the Company s net periodic benefit costs for the six-month periods ended June 30, 2010 and 2009 were as follows:

	Retirement Plans				Health Care and Life Insurance Benefits	
	U.S. Plans		Non-U.S. Plans			
	2010	2009	2010	2009	2010	2009
	(Dollars in Millions)					
Service cost	$ 5	$ 7	$ 3	$ 4	$	$ 1
Interest cost	38	37	12	18	1	9
Expected return on plan assets	(37)	(40)	(9)	(16)		
Reinstatement of benefits					151	
Amortization of:						
Plan amendments	(1)	(1)	1	1	(356)	(11)
Actuarial losses and other	1				43	3
Special termination benefits		4				
Curtailments	(1)	(1)		6		(9)
Settlements					(1)	
Visteon sponsored plan net periodic benefit costs	5	6	7	13	(162)	(7)
Expense for certain salaried employees whose pensions are partially covered by Ford	1	10			(4)	(4)
Net periodic benefits costs, excluding restructuring	$ 6	$ 16	$ 7	$ 13	$ (166)	$ (11)
Special termination benefits	2	6		8		
Other		6				
Total employee retirement benefit related restructuring costs	$ 2	$ 12	$	$ 8	$	$

Retirement Benefit Related Restructuring Expenses

In addition to retirement benefit expenses, the Company recorded $2 million and $20 million for the six months ended June 30, 2010 and 2009, respectively, for retirement benefit related restructuring charges. Such charges generally relate to special termination benefits and voluntary termination incentives, resulting from various restructuring actions as described in Note 5 Restructuring and Exit Activities. Retirement benefit related restructuring charges are initially classified as restructuring expenses and are subsequently reclassified to retirement benefit expenses.

Curtailments and Settlements

Curtailment and settlement gains and losses are classified in the Company s consolidated statements of operations as Cost of sales or Selling, general and administrative expenses. The Company recorded curtailment gains of $10 million for the six months ended June 30, 2009 associated with the U.S. salaried pension and OPEB plans in connection with employee headcount reductions under previously announced restructuring actions. Additionally, the Company recorded pension curtailment losses of $6 million for the six months ended June 30, 2009 related to the reduction of future service in the UK pension plan in connection with employee headcount reductions in the UK.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. Employee Retirement Benefits (Continued)

Contributions

During the six-month period ended June 30, 2010, contributions to the Company s U.S. OPEB plans were $11 million and contributions to non-U.S. retirement plans were $9 million. The Company anticipates additional contributions to its U.S. retirement plans and OPEB plans of $14 million and $12 million, respectively, during 2010. Of the $14 million for U.S. retirement plans, $12 million relates to liabilities subject to compromise and may not be paid in full. The Company also anticipates additional 2010 contributions to non-U.S. retirement plans of $9 million.

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

NOTE 13. Income Taxes

The Company s provision for income taxes in interim periods is computed by applying an estimated annual effective tax rate against income before income taxes, excluding equity in net income of non-consolidated affiliates for the period. Effective tax rates vary from period to period as separate calculations are performed for those countries where the Company s operations are profitable and whose results continue to be tax-effected and for those countries where full deferred tax valuation allowances exist and are maintained. The Company is also required to record the tax impact of certain other non-recurring tax items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur. The need to maintain valuation allowances against deferred tax assets in the U.S. and other affected countries will continue to cause variability in the Company s quarterly and annual effective tax rates. Full valuation allowances against deferred tax assets in the U.S. and applicable foreign countries will be maintained until sufficient positive evidence exists to reduce or eliminate them.

The Company s provision for income tax of $50 million and $75 million for the three-month and six-month periods ended June 30, 2010 reflects income tax expense related to those countries where the Company is profitable, accrued withholding taxes, ongoing assessments related to the recognition and measurement of uncertain tax benefits, the inability to record a tax benefit for pre-tax losses in the U.S. and certain other jurisdictions, and other non-recurring tax items.

Unrecognized Tax Benefits

Gross unrecognized tax benefits were $184 million at June 30, 2010 and $190 million at December 31, 2009, of which approximately $70 million and $76 million, respectively, represent the amount of unrecognized benefits that, if recognized, would impact the effective tax rate. The decrease in unrecognized tax benefits during both the three and six-month periods ended June 30, 2010 is primarily attributable to foreign currency. The Company records interest and penalties related to uncertain tax positions as a component of income tax expense. Accrued interest and penalties related to uncertain tax positions was $24 million at June 30, 2010 and $25 million at December 31, 2009.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13. Income Taxes (Continued)

The Company operates in multiple jurisdictions throughout the world and the income tax returns of its subsidiaries in various tax jurisdictions are subject to periodic examination by respective tax authorities. With few exceptions, the Company is no longer subject to U.S. federal tax examinations for years before 2006 or state and local, or non-U.S. income tax examinations for years before 2002. It is reasonably possible that the amount of the Company s unrecognized tax benefits may change within the next twelve months due to the conclusion of ongoing audits or the expiration of tax statutes. Given the number of years, jurisdictions and positions subject to examination, the Company is unable to estimate the full range of possible adjustments to the balance of unrecognized tax benefits. However, the Company believes it is reasonably possible it will reduce the amount of its existing unrecognized tax benefits impacting the effective tax rate by $5 million to $10 million within the next 12 months.

NOTE 14. Shareholders Deficit and Noncontrolling Interests

The table below provides a reconciliation of the carrying amount of total shareholders deficit, including shareholders deficit attributable to Visteon and equity attributable to noncontrolling interests (NCI).

	Three Months Ended June 30					
	2010			2009		
	Visteon	NCI	Total	Visteon	NCI	Total
	(Dollars in Millions)					
Shareholders (deficit) equity beginning balance	$ (732)	$ 324	$ (408)	$ (995)	$ 245	$ (750)
Net (loss) income	(201)	24	(177)	(112)	13	(99)
Other comprehensive (loss) income:						
Foreign currency translation adjustment	(88)	(15)	(103)	90	12	102
Pension and other postretirement benefits	(73)		(73)	6		6
Other	(3)		(3)	22	2	24
Total other comprehensive (loss) income	(164)	(15)	(179)	118	14	132
Dividends to noncontrolling interests		(6)	(6)		(5)	(5)
Shareholders (deficit) equity ending balance	$ (1,097)	$ 327	$ (770)	$ (989)	$ 267	$ (722)

	Six Months Ended June 30					
	2010			2009		
	Visteon	NCI	Total	Visteon	NCI	Total
	(Dollars in Millions)					
Shareholders (deficit) equity beginning balance	$ (772)	$ 317	$ (455)	$ (887)	$ 264	$ (623)
Net income (loss)	32	39	71	(110)	20	(90)
Other comprehensive (loss) income:						

Foreign currency translation adjustment	(107)	(10)	(117)	(158)	(2)	(160)
Pension and other postretirement benefits	(250)		(250)	152		152
Other		2	2	14	(3)	11
Total other comprehensive (loss) income	(357)	(8)	(365)	8	(5)	3
Dividends to noncontrolling interests		(21)	(21)		(12)	(12)
Shareholders (deficit) equity ending balance	$ (1,097)	$ 327	$ (770)	$ (989)	$ 267	$ (722)

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Shareholders Deficit and Noncontrolling Interests (Continued)

The Accumulated other comprehensive (loss) income (AOCI) category of Shareholders deficit, includes:

	June 30 2010	December 31 2009
	(Dollars in Millions)	
Foreign currency translation adjustments, net of tax	$ (18)	$ 89
Pension and other postretirement benefit adjustments, net of tax	(197)	53
Total Visteon Accumulated other comprehensive (loss) income	$ (215)	$ 142

NOTE 15. Earnings Per Share

Basic (loss) earnings per share of common stock is calculated by dividing reported net (loss) income by the average number of shares of common stock outstanding during the applicable period, adjusted for restricted stock. In addition to restricted stock, the calculation of diluted earnings per share takes into account the effect of dilutive potential common stock, such as stock warrants and stock options.

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
	(Dollars in Millions)			
Numerator:				
Net (loss) income attributable to Visteon common shareholders	$ (201)	$ (112)	$ 32	$ (110)
Denominator:				
Average common stock outstanding	130.3	130.4	130.3	130.4
Less: Average restricted stock outstanding	(0.9)	(1.0)		(1.0)
Basic and diluted shares	129.4	129.4	130.3	129.4
(Loss) earnings per share:				
Basic and diluted (loss) earnings per share	$ (1.55)	$ (0.87)	$ 0.25	$ (0.85)

For the three and six months ended June 30, 2010, stock options to purchase approximately 8 million and 9 million shares, respectively, of common stock and stock warrants to purchase 25 million shares of common stock were not included in the computation of diluted (loss) earnings per share as the effect of including them would have been anti-dilutive. Stock warrants to purchase 25 million shares of common stock and stock options to purchase approximately 11 million and 12 million shares, respectively, of common stock for the three and six months ended June 30, 2009 were not included in the computation of diluted loss per share as the effect would have been anti-dilutive.

NOTE 16. Fair Value Measurements and Financial Instruments

Fair Value Hierarchy

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

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

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. Fair Value Measurements and Financial Instruments (Continued)

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

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

Financial Instruments

The Company is exposed to various market risks including, but not limited to, changes in foreign currency exchange rates. In part, the Company manages these risks through the use of derivative financial instruments. The Company s use of derivative financial instruments is limited to hedging activities and such instruments are not used for speculative or trading purposes. The use of derivative financial instruments creates exposure to credit loss in the event of nonperformance by the counterparty to the derivative financial instruments. The Company limits this exposure by entering into agreements directly with a variety of major financial institutions with high credit standards that are expected to fully satisfy their obligations under the contracts. Additionally, the Company s ability to utilize derivatives to manage risks is dependent on credit and market conditions.

Foreign Currency Exchange Rate Risk

The Company s net cash inflows and outflows exposed to the risk of changes in foreign currency 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. Where possible, the Company utilizes derivative financial instruments, including forward and option contracts, to protect the Company s cash flow from changes in exchange rates. Foreign currency exposures are reviewed monthly and any natural offsets are considered prior to entering into a derivative financial instrument. The Company s primary foreign currency exposures include the Euro, Korean Won, Czech Koruna, Hungarian Forint and Mexican Peso. Where possible, the Company utilizes a strategy of partial coverage for transactions in these currencies.

As of June 30, 2010 and December 31, 2009, the Company had forward contracts to hedge changes in foreign currency exchange rates with notional amounts of approximately $256 million and $289 million, respectively. Estimates of the fair values of these contracts are based on quoted market prices. The maximum length of time over which the Company hedges the variability in future cash flows for forecasted transactions is up to one year from the date of the forecasted transaction. During the three months ended June 30, 2009, all foreign currency forward contracts entered into by the Debtors were terminated or settled for a gain of approximately $4 million, which was recorded as an adjustment to Accumulated other comprehensive income and has been reclassified to the consolidated statement of operations as the hedged transactions affected the Company s results of operations.

The Company s foreign currency instruments are classified as Level 2, Other Observable Inputs in the fair value hierarchy and are measured at fair value on a recurring basis and are represented by an asset of $2 million and a liability of $2 million as of June 30, 2010. These financial instruments are valued under an income approach using industry-standard models that consider various assumptions, including time value, volatility factors, current market and contractual prices for the underlying and non-performance risk. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. Fair Value Measurements and Financial Instruments (Continued)

Interest Rate Risk

During 2009, the Company terminated interest rate swaps with a notional amount of $100 million related to a portion of the $1 billion seven-year term loan due 2013. These interest rate swaps had been designated as cash flow hedges and were settled for a loss of $10 million, which was recorded as an adjustment to Accumulated other comprehensive income. As of the Petition Date, the underlying interest payments were no longer probable of occurring therefore, this loss was recorded as interest expense. Additionally, interest rate swaps with a notional amount of $100 million related to a portion of the $1 billion seven-year term loan due 2013 were terminated by the counterparty. These interest rate swaps had been designated as cash flow hedges and as the underlying interest payments were not probable of occurring, a loss of approximately $3 million was recorded as interest expense.

During 2009, the Company entered into an agreement to terminate interest rate swaps with a notional amount of $225 million related to a portion of the 7.00% notes due March 10, 2014. These interest rate swaps had been designated as fair value hedges and during the three months ended June 30, 2009 were settled for a gain of $18 million, which was recorded as a valuation adjustment of the underlying debt. Additionally, interest rate swaps with a notional amount of $125 million related to a portion of the 8.25% notes due August 1, 2010 were terminated by the counterparty. These interest rate swaps had been designated as fair value hedges, resulting in a loss of approximately $3 million, which was recorded as a valuation adjustment of the underlying debt.

Financial Statement Presentation

The Company presents its derivative positions and any related material collateral under master netting agreements on a net basis. Derivative financial instruments designated as hedging instruments are included in the Company s consolidated balance sheets at June 30, 2010 and December 31, 2009 as follows:

	Assets			Liabilities		
Risk Hedged	**Classification**	**2010**	**2009**	**Classification**	**2010**	**2009**
		(Dollars in Millions)				
Foreign currency	Other current assets	$ 5	$ 2	Other current assets	$ 3	$ 2
Foreign currency	Other current liabilities	1		Other current liabilities	3	
		$ 6	$ 2		$ 6	$ 2

The impact of derivative financial instruments on the Company s financial statements, as recorded in Cost of sales, for the three months ended June 30, 2010 and 2009 is as follows:

	Amount of Gain (Loss)	
	Recorded in AOCI	**Reclassified from**

			AOCI into Income		Recorded in Income	
	2010	2009	2010	2009	2010	2009
			(Dollars in Millions)			
Foreign currency risk						
Cash flow hedges	$ (5)	$ 6	$ (1)	$ 1	$	$
Non-designated cash flow hedges					(3)	(2)
Total	$ (5)	$ 6	$ (1)	$ 1	$ (3)	$ (2)
Interest rate risk						
Cash flow hedges	$	$ 10	$	$ (13)	$	$

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. Fair Value Measurements and Financial Instruments (Continued)

The impact of derivative financial instruments on the Company s financial statements, as recorded in Cost of sales, for the six months ended June 30, 2010 and 2009 is as follows:

	Recorded in AOCI		Amount of Gain (Loss) Reclassified from AOCI into Income		Recorded in Income	
	2010	2009	2010	2009	2010	2009
	(Dollars in Millions)					
Foreign currency risk						
Cash flow hedges	$	$ (1)	$ 2	$ (7)	$	$
Non-designated cash flow hedges					(1)	1
Total	$	$ (1)	$ 2	$ (7)	$ (1)	$ 1
Interest rate risk						
Fair value hedges	$	$	$	$	$	$ 2
Cash flow hedges		7		(15)		
Total	$	$ 7	$	$ (15)	$	$ 2

Concentrations of Credit Risk

Financial instruments, including cash equivalents, marketable securities, derivative contracts and accounts receivable, expose the Company to counterparty credit risk for non-performance. The Company s counterparties for cash equivalents, marketable securities and derivative contracts are banks and financial institutions that meet the Company s requirement of high credit standing. The Company s counterparties for derivative contracts are substantial investment and commercial banks with significant experience using such derivatives. The Company manages its credit risk through policies requiring minimum credit standing and limiting credit exposure to any one counterparty, and through monitoring counterparty credit risks. The Company s concentration of credit risk related to derivative contracts at June 30, 2010 was not significant.

With the exception of the customers below, the Company s credit risk with any individual customer does not exceed ten percent of total accounts receivable at June 30, 2010 and December 31, 2009, respectively.

	June 30 2010	December 31 2009
Ford and affiliates	23%	22%

Hyundai Motor Company	15%	17%
Hyundai Mobis Company	13%	14%
PSA Peugeot Citroën	7%	10%

Management periodically performs credit evaluations of its customers and generally does not require collateral.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17. Commitments and Contingencies

Guarantees

The Company has guaranteed approximately $29 million for lease payments related to its subsidiaries. In connection with the January 2009 PBGC Agreement, the Company agreed to provide a guarantee by certain affiliates of certain contingent pension obligations of up to $30 million.

Litigation and Claims

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

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

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

On March 31, 2009, Visteon UK Limited, a company organized under the laws of England and Wales and an indirect, wholly-owned subsidiary of the Company, filed for administration under the United Kingdom Insolvency Act of 1986 with the High Court of Justice, Chancery division in London, England. The UK Administration does not include the Company or any of the Company s other subsidiaries. The UK Administration is discussed in Note 1, Description of the Business and Basis of Presentation.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17. Commitments and Contingencies (Continued)

In June of 2009, the UK Pensions Regulator advised the Administrators of the UK Debtor that it was investigating whether there were grounds for regulatory intervention under various provisions of the UK Pensions Act 2004 in relation to an alleged funding deficiency in respect of the UK Debtor pension plan. That investigation is ongoing and the Debtors have been cooperating with the UK Pensions Regulator. In October of 2009, the trustee of the UK Debtor pension plan filed proofs of claim against each of the Debtors asserting contingent and unliquidated claims pursuant to the UK Pensions Act 2004 and the UK Pensions Act 1995 for liabilities related to a funding deficiency of the UK Debtor pension plan of approximately $555 million as of March 31, 2009. The trustee of the Visteon Engineering Services Limited (VES) pension plan also submitted proofs of claim against each of the Debtors asserting contingent and unliquidated claims pursuant to the UK Pensions Act 2004 and the UK Pensions Act 1995 for liabilities related to an alleged funding deficiency of the VES pension plan of approximately $118 million as of March 31, 2009. The Debtors dispute that any basis exists for the UK Pensions Regulator to seek contribution or financial support from any of the affiliated entities outside the UK with respect to their claims, and the Debtors believe that these claims will not ultimately be allowed. On April 9, 2010, the Debtors filed an objection to the UK Debtor Pension Trustees Limited s proofs of claim filed against the Debtors. On May 11, 2010, the UK Debtor Pension Trustees Limited, the creditors committee, and the Debtors entered in a stipulation whereby the UK Debtor Pension Trustees Limited agreed to withdraw all claims asserted against the Debtors with prejudice, which the Court approved on May 12, 2010.

Several current and former employees of Visteon Deutschland GmbH (Visteon Germany) filed civil actions against Visteon Germany in various German courts beginning in August 2007 seeking damages for the alleged violation of German pension laws that prohibit the use of pension benefit formulas that differ for salaried and hourly employees without adequate justification. Several of these actions have been joined as pilot cases. In a written decision issued in April 2010, the Federal Labor Court issued a declaratory judgment in favor of the plaintiffs in the pilot cases. To date, more than 200 current and former employees have filed similar actions, and an additional 1,100 current and former employees are similarly situated. The Company has reserved approximately $20 million relating to these claims based on the Company s best estimate as to the number and value of the claims that will be made in connection with the pension plan. However, the Company s estimate is subject to many uncertainties which could result in Visteon Germany incurring amounts in excess of the reserved amount of up to approximately $10 million.

In December of 2009, the Court granted the Debtors motion in part authorizing them to terminate or amend certain postretirement employee benefits, including health care and life insurance. On December 29, 2009, the IUE-CWA, the Industrial Division of the Communications Workers of America, AFL-CIO, CLC, filed a notice of appeal of the Court s order with the District Court. On March 30, 2010, the District Court affirmed the Court s order in all respects. On April 1, 2010, the IUE filed a notice of appeal, and subsequently a motion for expedited treatment of the appeal and for a stay pending appeal, with the Circuit Court. On April 13, 2010, the Circuit Court granted the motion to expedite and denied the motion for stay pending appeal. On July 13, 2010, the Circuit Court reversed the order of the District Court and the Court and directed the District Court to, among other things, direct the Court to order the Company to take whatever action is necessary to immediately restore all terminated or modified benefits to their pre-termination/modification levels. On July 27, 2010, the Company filed a Petition for Rehearing or Rehearing En Banc requesting that the Circuit Court grant a rehearing to review the panel s decision, which is pending. See Note 12, Employee Benefits, for further discussion of the impacts of this matter.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17. Commitments and Contingencies (Continued)

Product Warranty and Recall

Amounts accrued for product warranty and recall claims are based on management s best estimates of the amounts that will ultimately be required to settle such items. The Company s estimates for product warranty and recall obligations are developed with support from its sales, engineering, quality and legal functions and include due consideration of contractual arrangements, past experience, current claims and related information, production changes, industry and regulatory developments and various other considerations. The Company can provide no assurances that it will not experience material claims in the future or that it will not incur significant costs to defend or settle such claims beyond the amounts accrued or beyond what the Company may recover from its suppliers.

The following table provides a reconciliation of changes in product warranty and recall liability for the six months ended June 30, 2010 and 2009:

	Product Warranty and Recall	
	2010	2009
	(Dollars in Millions)	
Beginning balance	$ 79	$ 100
Accruals for products shipped	15	13
Changes in estimates	(4)	(8)
Settlements	(11)	(15)
Ending balance	$ 79	$ 90

Environmental Matters

The Company is subject to the requirements of federal, state, local and foreign environmental and occupational safety and health laws and regulations. These include laws regulating air emissions, water discharge and waste management. The Company is also subject to environmental laws requiring the investigation and cleanup of environmental contamination at properties it presently owns or operates and at third-party disposal or treatment facilities to which these sites send or arranged to send hazardous waste.

The Company is aware of contamination at some of its properties and relating to various third-party superfund sites at which the Company or its predecessor has been named as a potentially responsible party. The Company is in various stages of investigation and cleanup at these sites and at June 30, 2010, had recorded an accrual of approximately $1 million for this environmental investigation and cleanup. However, estimating liabilities for environmental investigation and cleanup is complex and dependent upon a number of factors beyond the Company s control and which may change dramatically. Although the Company believes its accrual is adequate based on current information, the Company cannot provide assurance that the eventual environmental investigation, cleanup costs and related liabilities will not exceed the amount of its current accrual.

Other Contingent Matters

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

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17. Commitments and Contingencies (Continued)

Contingencies are subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Reserves have been established by the Company for matters discussed in the immediately foregoing paragraph where losses are deemed probable and reasonably estimable. It is possible, however, that some of the matters discussed in the foregoing paragraph could be decided unfavorably to the Company and could require the Company to pay damages or make other expenditures in amounts, or a range of amounts, that cannot be estimated at June 30, 2010 and that are in excess of established reserves. The Company does not reasonably expect, except as otherwise described herein, based on its analysis, that any adverse outcome from such matters would have a material effect on the Company s financial condition, results of operations or cash flows, although such an outcome is possible.

The Company enters into agreements that contain indemnification provisions in the normal course of business for which the risks are considered nominal and impracticable to estimate.

NOTE 18. Segment Information

Segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision-maker, or a decision-making group, in deciding the allocation of resources and in assessing performance. The Company s chief operating decision making group, comprised of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), evaluates the performance of the Company s segments primarily based on net sales, before elimination of inter-company shipments, gross margin and operating assets. Gross margin is defined as total sales less costs to manufacture and product development and engineering expenses. Operating assets include inventories and property and equipment utilized in the manufacture of the segments products.

The Company s operating structure is organized by global product groups, including: Climate, Electronics and Interiors. These global product groups have financial and operating responsibility over the design, development and manufacture of the Company s product portfolio. Within each of the global product groups, certain facilities manufacture a broader range of the Company s total product line offering and are not limited to the primary product line. Global customer groups are responsible for the business development of the Company s product portfolio and overall customer relationships. Certain functions such as procurement, information technology and other administrative activities are managed on a global basis with regional deployment.

Overview of Segments

Climate: The Climate product group manufactures climate air handling modules, powertrain cooling modules, heat exchangers, compressors, fluid transport and engine induction systems.

Electronics: The Electronics product group manufactures audio systems, infotainment systems, driver information systems, powertrain and feature control modules, climate controls, electronic control modules and lighting.

Interiors: The Interiors product group manufactures instrument panels, cockpit modules, door trim and floor consoles.

Services: The Company s Services operations provide a centralized administrative function to monitor and facilitate various transition services in support of divestiture transactions, principally related to ACH.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18. Segment Information (Continued)

Segment Net Sales, Gross Margin and Operating Assets

	Net Sales				Gross Margin			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Dollars in Millions)							
Climate	$ 855	$ 591	$ 1,625	$ 1,082	$ (20)	$ 50	$ 206	$ 79
Electronics	532	464	1,111	870	102	23	243	32
Interiors	570	472	1,132	900	22	6	72	12
Eliminations	(68)	(45)	(133)	(75)				
Total products	1,889	1,482	3,735	2,777	104	79	521	123
Services	56	87	114	144		1	1	2
Total consolidated	$ 1,945	$ 1,569	$ 3,849	$ 2,921	$ 104	$ 80	$ 522	$ 125

	Inventories, net		Property and Equipment, net	
	June 30 2010	December 31 2009	June 30 2010	December 31 2009
	(Dollars in Millions)			
Climate	$ 190	$ 153	$ 733	$ 774
Electronics	104	104	486	525
Interiors	55	56	191	291
Central/Elimination	2	6		
Total segments	351	319	1,410	1,590
Reconciling Item Corporate			311	346
Total consolidated	$ 351	$ 319	$ 1,721	$ 1,936

Reconciling Item and Reclassification

Certain adjustments are necessary to reconcile segment information to the Company s consolidated amounts. Corporate reconciling items are related to the Company s technical centers, corporate headquarters and other administrative and support functions. Segment information for the quarterly and year-to-date periods ended June 30, 2009 and as of December 31, 2009 has been recast to reflect the Company s facility located in Sao Paulo, Brazil as part of the Interiors segment. Previously, this facility was reported as part of the Electronics segment. This operation has been reclassified consistent with the Company s current management reporting structure.

NOTE 19. Subsequent Event

On July 26, 2010, the Company, Visteon Global Technologies, Inc., ACH and Ford entered into an agreement to terminate, effective August 31, 2010, each of (i) the Master Services Agreement, dated September 30, 2005 (as amended); (ii) the Visteon Salaried Employee Lease Agreement, dated October 1, 2005 (as amended); and, (iii) the Visteon Hourly Employee Lease Agreement, dated October 1, 2005 (as amended). The termination of these agreements is subject to the approval of the Court as well as other conditions.

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 19. Subsequent Event (Continued)

From the effective date of the ACH Transactions, the Company has provided transition services to ACH under these agreements, including the supply of leased personnel, certain information technology and other services to enable ACH to conduct its business. The Company recorded services revenue, which approximated the Company s cost, in connection with these agreements of $53 million and $105 million for the three and six-month periods ended June 30, 2010. While the services provided by the Company to ACH under these agreements comprise the substantial majority of the Company s current Services operations, the Company has previously provided similar transition services in support of other divestiture transactions and continues to do so.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management s Discussion and Analysis (MD&A) is intended to help the reader understand the results of operations, financial condition and cash flows of Visteon Corporation (Visteon or the Company). MD&A is provided as a supplement to, and should be read in conjunction with, the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed with the Securities and Exchange Commission on February 26, 2010 and the financial statements and accompanying notes to the financial statements included elsewhere herein. The financial data presented herein are unaudited, but in the opinion of management reflect all adjustments, including normal recurring adjustments (except as otherwise disclosed), necessary for a fair presentation of such information.

Executive Summary

Visteon Corporation is a leading global supplier of climate, interiors and electronics systems, modules and components to global automotive original equipment manufacturers (OEMs) including BMW, Chrysler Group LLC, Daimler AG, Fiat, Ford, General Motors, Honda, Hyundai / Kia, Nissan, PSA Peugeot Citroën, Renault, Toyota and Volkswagen. The Company has a broad network of manufacturing, technical engineering and joint venture operations in every major geographic region of the world, supported by approximately 28,500 employees dedicated to the design, development, manufacture and support of its product offering and its global customers. The Company conducts its business across four segments: Climate, Interiors, Electronics and Services.

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

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

On May 6, 2010, the Company entered into an Equity Commitment Agreement (the ECA) with a group of investors (together, the Investors), which provides, among other things, that the Company will conduct a rights offering whereby certain holders of existing unsecured notes of the Company may elect to purchase shares of the common stock of the reorganized Visteon, and the Investors severally agree to purchase shares of the common stock of the reorganized Visteon and any shares not purchased in connection with the rights offering. The Company also entered into a Plan Support Agreement (PSA) with holders of more than two-thirds in amount of the 12.25% senior notes claims and two-thirds in aggregate amount of the 7.00% senior notes claims and the 8.25% senior notes claims, pursuant to which such holders will support the fourth amended joint plan of reorganization (the Fourth Amended Plan), except in certain limited circumstances. These agreements were approved by the Court on June 17, 2010. The ECA has been included as an exhibit to this Quarterly Report on Form 10-Q to provide investors and security holders with information regarding its terms. The terms of the ECA (such as the representations and warranties) govern the contractual rights and relationships, and allocate risks, between the parties thereto and may be subject to important limitations and qualifications as set forth therein, including a contractual standard of materiality different from that generally applicable under federal securities laws. The filing of the ECA as an exhibit is not intended to provide any factual information about the Company other than the terms of the ECA itself.

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On June 24, 2010, the Debtors filed the Fourth Amended Plan and related fourth amended disclosure statement (the Fourth Amended Disclosure Statement) with the Court. The Debtors filed a revised Fourth Amended Disclosure Statement on June 30, 2010. The Fourth Amended Plan and Fourth Amended Disclosure Statement as filed with the Court outline a proposal for the settlement of claims against the estate of the Debtors based on an estimate of the overall enterprise value. The Fourth Amended Plan is comprised of two mutually exclusive sub plans the Rights Offering Sub Plan and the Claims Conversion Sub Plan. The Debtors will seek to consummate the Rights Offering Sub Plan in the event that up to $1.25 billion in new capital can be raised by the Investors and certain exit financing loans can be obtained by the Debtors. Under the Rights Offering Sub Plan, the term lenders secured claims would be paid in cash; the holders of the 12.25% senior notes, 7.00% senior notes and 8.25% senior notes together would receive between 4.9% and 5% of the distributable equity of reorganized Visteon and eligible holders thereof would be entitled to participate in the rights offering for between 93.1% and 95% of reorganized Visteon common stock (non-eligible holders would receive the lesser of $50 million or 40% of their allowed claim amount); holders of the 12.25% senior notes would also receive warrants to purchase reorganized Visteon common stock at an exercise price of $9.66 per share; and most holders of general unsecured claims would receive the lesser of their pro rata share of $141 million or 50% of their allowed claim amount. Holders of Visteon common stock would not be entitled to receive a distribution unless their class votes to accept the Fourth Amended Plan, in which case, the holders would receive 2% of the distributable equity and warrants to purchase shares of reorganized Visteon common stock.

Under the Claims Conversion Sub Plan, the following percentages of reorganized Visteon common stock would be distributed in satisfaction of claims: the secured term lenders would receive between 84.9% and 86.2%, the holders of the 12.25% senior notes would receive between 6.3% and 6.5%, the holders of the 7.00% and 8.25% senior notes would receive between 7.5% and 8.6%. Most holders of general unsecured claims would receive the lesser of their pro rata share of $141 million or 50% of their allowed claim amount. The Claims Conversion Sub Plan does not provide for any recovery to holders of the Company s existing equity securities.

On July 28, 2010 the Company signed a letter agreement (the Letter Agreement) with the four financial institutions comprising a steering committee of the Company s term loan lenders and the agent for the Company s term loan facility, in which the steering committee and the agent affirmed their support of the Company s Fourth Amended Plan. Pursuant to the Letter Agreement, holders of a majority of the $1.5 billion term loan (i.e., approximately 55 percent of the outstanding amount), including members of the steering committee as well as several other large term loan lenders, agreed to vote in favor of the Fourth Amended Plan. In addition, the steering committee has agreed to recommend voting in favor of the Fourth Amended Plan to the remaining term loan lenders. The term loan agent also agreed, at the direction of a majority of the term loan lenders, to cease all litigation efforts it is undertaking in connection with confirmation of the Fourth Amended Plan (including all of its discovery efforts), if the term lenders class votes to accept the Plan, and to withdraw with prejudice its currently pending appeal of the ECA and bondholder PSA. Finally, the term loan agent agreed to provide affirmative support of the Fourth Amended Plan throughout the remainder of the Chapter 11 Proceedings including at the confirmation hearing, if the term lenders class votes to accept the Plan.

As part of the Letter Agreement, the Company acknowledged that the Fourth Amended Plan will provide term lenders with post-petition interest at the default rate set forth in the term loan credit agreement through the effective date of the Fourth Amended Plan (or such date payment of the term loan facility claim is made) on amounts due and owing under the term loan credit agreement from and as of the Petition Date. As of June 30, 2010 this amount of post-petition interest is estimated to be approximately $122 million. Additionally, the Company agreed to support compensation to the term lenders for certain professional fees and expenses. Preliminary voting results indicate that the term lender class has voted to accept the Fourth Amended Plan.

In August of 2010, the Company entered into an agreement with the Investors and the Ad Hoc Equity Committee (AHEC), pursuant to which the AHEC agreed to support and vote in favor of the Fourth Amended Plan, without any modifications to the Fourth Amended Plan, as well as withdraw its legal challenges to the Fourth Amended Plan, the ECA and supporting agreements, in exchange for the right to participate in the direct purchase commitment under the ECA for 144,456 shares and the payment on the date of the Company s exit from bankruptcy of up to $4.25 million of certain costs and expenses of the members of the AHEC and their respective advisors.

The Court approved the adequacy of the Fourth Amended Disclosure Statement on June 28, 2010, and the Debtors have completed the process of soliciting approval of the Fourth Amended Plan from eligible stakeholders. The Court has reserved August 31, 2010 to commence a hearing to confirm the Fourth Amended Plan to the extent that each class of unsecured claims and interests in Visteon votes to accept the plan pursuant to section 1126 of the Bankruptcy Code. To the extent that any such class does not vote to accept the Fourth Amended Plan, the hearing to confirm the Fourth Amended Plan is currently scheduled to begin on September 28, 2010. Preliminary voting results indicate that the Fourth Amended Plan is fully consensual on a class basis as all creditor and equity classes have voted to accept the Plan. Based on such preliminary voting results, the Company expects to go forward with the confirmation hearing on August 31, 2010.

Also, the subscription deadline for the Company s $950 million rights offering to eligible holders of its unsecured senior notes has now passed and preliminary results indicate that the rights offering has been oversubscribed. For further information, please refer to Note 4, Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code, to the Company s consolidated financial statements included herein.

Visteon UK Limited Administration

On March 31, 2009, in accordance with the provisions of the United Kingdom Insolvency Act of 1986 and pursuant to a resolution of the board of directors of Visteon UK Limited, a company organized under the laws of England and Wales (the UK Debtor) and an indirect, wholly-owned subsidiary of the Company, representatives from KPMG (the Administrators) were appointed as administrators in respect of the UK Debtor (the UK Administration). The UK Administration was initiated in response to continuing operating losses of the UK Debtor and mounting labor costs and their related demand on the Company s cash flows, and does not include the Company or any of the Company s other subsidiaries.

The effect of the UK Debtor s entry into administration was to place the management, affairs, business and property of the UK Debtor under the direct control of the Administrators. Since their appointment, the Administrators have wound down the business of the UK Debtor and closed its operations in Enfield, UK, Basildon, UK and Belfast, UK, and made the employees redundant. The Administrators continue to realize the UK Debtor s assets, primarily comprised of receivables. No assurance can be provided that the Company will not be subject to future litigation and/or liabilities related to the UK Administration, including assertions by the UK Pensions Regulator. For further information, please refer to Note 1, Description of Business and Company Background, to the Company s consolidated financial statements included herein.

Second Quarter and Year to Date 2010 Financial Overview

	Three Months Ended June 30			**Six Months Ended June 30**		
	2010	**2009**	**Change**	**2010**	**2009**	**Change**
			(Dollars in Millions)			
Net Sales	$ 1,945	$ 1,569	$ 376	$ 3,849	$ 2,921	$ 928
Product Sales	1,889	1,482	407	3,735	2,777	958

Gross Margin	104	80	24	522	125	397
Net (Loss) Income	(177)	(99)	(78)	71	(90)	161
Adjusted EBITDA*	166	73	93	327	95	232
Cash provided from (used by) Operations	133	40	93	173	(235)	408
Free Cash Flow*	92	7	85	107	(293)	400

* The terms included in the table above constitute Non-GAAP measures and are explained and reconciled to their nearest respective GAAP measure in the following text.

The Company s consolidated net sales during the three months ended June 30, 2010 increased $376 million or 24% when compared to the same period of 2009, including an increase in product sales of $407 million, which was partially offset by a decrease of $31 million in services revenue. The increase in product sales includes $408 million associated with higher OEM production volumes, and $64 million of favorable currency primarily related to the Korean Won, partially offset by plant divestitures and closures of $81 million and net price reductions.

The Company s consolidated net sales during the six months ended June 30, 2010 increased $928 million or 32% when compared to the same period of 2009, including an increase in product sales of $958 million, which was partially offset by a decrease of $30 million in services revenue. Significant production volume increases across all key customers globally resulted in an increase of $901 million, while favorable currency of $210 million, primarily related to the strengthening of the Korean Won and the Euro, further increased sales. These increases were partially offset by plant divestitures and closures of $160 million and net price reductions.

The Company s gross margin was $104 million for the three-month period ended June 30, 2010, compared with $80 million in the same period of 2009, representing an increase of $24 million. The increase includes $112 million associated with higher production levels, $15 million associated with customer accommodation and support agreements, $11 million of net cost reductions including restructuring savings and a customer commercial settlement for $6 million. These increases were partially offset by a net $75 million charge associated with the termination of Company-paid benefits under certain U.S. other postretirement employee benefit (OPEB) plans, unfavorable currency of $28 million, plant closures and divestitures of $17 million and other net cost increases.

The Company s gross margin for the six-month period ended June 30, 2010 was $522 million, compared with $125 million in the same period of 2009, representing an increase of $397 million. The increase includes $273 million associated with higher production levels, $177 million net benefit associated with the termination of Company-paid benefits under certain U.S. OPEB plans, $43 million associated with customer accommodation and support agreements, $25 million of net cost reductions including restructuring savings and a customer commercial settlement for $6 million. These increases were partially offset by $60 million of unfavorable currency, the non-recurrence of a favorable customer settlement in 2009 of $27 million, plant closures and divestitures of $23 million, employee benefit litigation of $17 million and other net cost increases.

Net losses were $177 million and $99 million for the three-month periods ended June 30, 2010 and 2009, respectively, representing an increase of $78 million. Net income was $71 million for the six-month period ended June 30, 2010, representing an increase of $161 million when compared with the net loss of $90 million for the same period of 2009. During the second quarter of 2010, the Company recorded $122 million of prior contractual interest expense related to the seven-year secured term loans because it became probable that the interest would become an allowed claim in connection with the execution of the Letter Agreement. The Company reported Adjusted EBITDA of $166 million and $327 million for the three and six-month periods ended June 30, 2010, representing increases of $93 million and $232 million, respectively when compared with Adjusted EBITDA of $73 million and $95 million for the same periods of 2009. The Company s Adjusted EBITDA has improved in both the three and six-month periods of 2010 as compared with 2009 due in large part to higher production levels.

Adjusted EBITDA is presented as a supplemental measure of the Company s financial performance that management believes is useful to investors because the excluded items may vary significantly in timing or amounts and/or may obscure trends useful in evaluating and comparing the Company s continuing operating activities across reporting periods. The Company defines Adjusted EBITDA as net (loss) income attributable to the Company, plus net interest expense, provision for income taxes and depreciation and amortization, as further adjusted to eliminate the impact of asset impairments, gains or losses on divestitures, net restructuring expenses and other reimbursable costs, certain non-recurring employee charges and benefits, reorganization items and other non-operating gains and losses. Not all

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companies use identical calculations, so the Company s presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

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

A reconciliation of net (loss) income to Adjusted EBITDA is provided in the following table.

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
	(Dollars in Millions)			
Net (loss) income attributable to Visteon	$ (201)	$ (112)	$ 32	$ (110)
Interest expense, net	126	45	129	96
Provision for income taxes	50	31	75	45
Depreciation and amortization	67	84	140	162
Impairments and net transaction gains and losses	4		25	(95)
Restructuring and other related costs, net	6	18	2	(10)
Net OPEB and other employee charges	75		(145)	
Reorganization items	39	7	69	7
Adjusted EBITDA	$ 166	$ 73	$ 327	$ 95

As of June 30, 2010 the Company had total cash of $1.2 billion, including restricted cash of $181 million, representing an increase in total cash from December 31, 2009 of approximately $65 million. Total cash of the Debtors was approximately $562 million as of June 30, 2010 of which approximately $174 million was restricted. For the six months ended June 30, 2010 the Company generated $173 million of cash from operations, compared to a use of $235 million for the same period of 2009. The improvement was primarily attributable to improved operating results, as adjusted for non-cash items and customer accommodation and support agreement payments, partially offset by bankruptcy related professional fee payments. The Company generated Free Cash Flow of $107 million during the six months ended June 30, 2010, compared with a use of $293 million in the same period of 2009.

Free Cash Flow is presented as a supplemental measure of the Company s liquidity that management believes is useful to investors in analyzing the Company s ability to service and repay its debt. The Company defines Free Cash Flow as cash flow from operating activities less capital expenditures. Not all companies use identical calculations, so this presentation of Free Cash Flow may not be comparable to other similarly titled measures of other companies.

Free Cash Flow is not a recognized term under GAAP and does not purport to be a substitute for cash flows from operating activities as a measure of liquidity. Free Cash Flow has limitations as an analytical tool and does not reflect cash used to service debt and does not reflect funds available for investment or other discretionary uses. In addition, the Company uses Free Cash Flow (i) as a factor in incentive compensation decisions and (ii) for planning and forecasting future periods.

A reconciliation of Free Cash Flow to cash provided from (used by) operating activities is provided in the following table.

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
	(Dollars in Millions)			
Cash provided from (used by) operating activities	$ 133	$ 40	$ 173	$ (235)
Capital expenditures	(41)	(33)	(66)	(58)
Free Cash Flow	$ 92	$ 7	$ 107	$ (293)

Results of Operations

Three Months Ended June 30, 2010 and 2009

	Net Sales			Gross Margin		
	2010	2009	Change	2010	2009	Change
	(Dollars in Millions)					
Climate	$ 855	$ 591	$ 264	$ (20)	$ 50	$ (70)
Electronics	532	464	68	102	23	79
Interiors	570	472	98	22	6	16
Eliminations	(68)	(45)	(23)			
Total product	1,889	1,482	407	104	79	25
Services	56	87	(31)		1	(1)
Total consolidated	$ 1,945	$ 1,569	$ 376	$ 104	$ 80	$ 24

Net Sales

Net sales for the Climate product group were $855 million for the quarter ended June 30, 2010, compared with $591 million for the same period of 2009, representing an increase of $264 million or 45%. Higher production volumes in all regions increased net sales by $221 million. The Company s Climate operations in Asia, North America and Europe contributed $105 million, $69 million and $35 million, respectively, to this increase, which is primarily related to Hyundai/Kia and Ford. Favorable currency, primarily related to the Korean Won, further increased sales by $41 million.

Net sales for Electronics were $532 million in the second quarter of 2010, compared with $464 million for the second quarter of 2009, representing an increase of $68 million or 15%. Higher global production volumes increased net sales by $106 million, including $64 million in Europe and $21 million in Asia. The closure of the Company s Lansdale, Pennsylvania (North Penn) facility in 2010 reduced net sales by $23 million during the quarter ended June 30, 2010, while unfavorable currency and customer price reductions further reduced net sales.

Net sales for Interiors were $570 million in the second quarter of 2010, compared with $472 million for the second quarter of 2009, representing an increase of $98 million or 21%. Higher production volumes in all regions increased sales by $111 million, while favorable currency, primarily related to the strengthening of the Korean Won and Brazilian Real and partially offset by Euro, further increased sales by $32 million. Net sales also increased during the second quarter of 2010 as a result of a $6 million commercial settlement with a customer in Europe. The divestiture and/or closure of the Company s North American Interiors facilities supporting Nissan and Chrysler, combined with effect of the sale of the Company s Atlantic facility, resulted in a $56 million decline in sales.

Services revenues primarily relate to information technology, engineering, administrative and other business support services provided by the Company to ACH, under the terms of various agreements with ACH. Such services are generally provided at an amount that approximates cost. Total services revenues were $56 million in the second quarter of 2010, compared with $87 million in 2009. The decline in services revenue represents lower ACH utilization of the Company s services in connection with the terms of various agreements. On July 26, 2010, the Company, Visteon Global Technologies, Inc., Automotive Components Holdings, LLC, (ACH) and Ford Motor Company (Ford) entered into an agreement to terminate, effective August 31, 2010, each of (i) the Master Services Agreement, dated September 30, 2005 (as amended); (ii) the Visteon Salaried Employee Lease Agreement, dated October 1, 2005 (as amended); and, (iii) the Visteon Hourly Employee Lease Agreement, dated October 1, 2005 (as amended). The termination of these agreements is subject to the approval of the Court as well as other conditions. From the effective date of the ACH Transactions, the Company has provided transition services to ACH under these agreements, including the supply of leased personnel, certain information technology and other services to enable ACH to conduct its business.

Gross Margin

Gross margin for Climate was a loss of $20 million in the second quarter of 2010, compared with $50 million in the second quarter of 2009, representing a decrease of $70 million. Higher global production volumes, net of the impact of plant closures, increased margin $59 million. However, the Climate product group was adversely impacted during the second quarter of 2010 by the reinstatement of $116 million of other postretirement employee benefits previously terminated for certain former employees of the Company s Connersville and Bedford, Indiana facilities pursuant to a ruling of the United States Court of Appeals for the Third Circuit. Gross margin for the Climate product group was further reduced by $11 million for unfavorable currency.

Gross margin for Electronics was $102 million in the second quarter of 2010, compared with $23 million in the second quarter of 2009, representing an increase of $79 million. Net cost efficiencies achieved through manufacturing performance, purchasing improvement efforts and restructuring activities and the benefits associated with the termination of Company-paid benefits under certain U.S. OPEB plans improved gross margin by $77 million. Higher global production volumes, net of the impact of plant closures, increased gross margin by $16 million. Currency reduced gross margin by $14 million, primarily related to the strengthening of the Mexican Peso and Brazilian Real and the weakening of the Euro. The Company s Electronics product group continues to incur increased costs associated with premium shipping and manufacturing inefficiencies related to semiconductor material supply shortages. While the Company is working with its customers and suppliers to manage the industry supply shortage, this condition is expected to continue into the foreseeable future. No assurance can be provided that the Company will be successful in managing this shortage and if the Company was to experience a significant or prolonged shortage of critical components and could not otherwise procure necessary components, the Company would be unable to meet its production schedules for some of its key products. Failing to meet production schedules would adversely affect the Company s results of operations, financial position and cash flows.

Gross margin for Interiors was $22 million in the second quarter of 2010, compared with $6 million in the second quarter of 2009, representing an increase of $16 million. Global production volume improvement, net of the impact of plant closures, increased gross margin by $21 million. Currency reduced gross margin by $3 million, primarily related to the weakening of the Euro.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $88 million in the second quarter of 2010, compared with $97 million in the second quarter of 2009, a decrease of $9 million. The reduction includes $13 million related to net cost efficiencies resulting from the Company s ongoing restructuring activities and $9 million related to the non-recurrence of 2009 professional fees, partially offset by $6 million of increased employee costs, $5 million related to the non-recurrence of prior year bad debt recovery and employee benefit plan curtailment gains and $2 million associated with unfavorable currency.

Reorganization Items

Costs directly attributable to the Chapter 11 Proceedings were $39 million for the three months ended June 30, 2010, compared to $7 million for the same period of 2009, representing an increase of $32 million. The increase is primarily related to professional service fees.

Restructuring Expenses

The following is a summary of the Company s consolidated restructuring reserves and related activity for the three months ended June 30, 2010. The Company s restructuring expenses are primarily related to employee severance and termination benefit costs.

	Interiors	Climate	Electronics	Central	Total
	(Dollars in Millions)				
March 31, 2010	$ 16	$	$ 7	$ 3	$ 26
Expenses	4	1	2	2	9
Currency exchange	(2)				(2)
Utilization			(5)	(3)	(8)
June 30, 2010	$ 18	$ 1	$ 4	$ 2	$ 25

During the second quarter of 2010, the Company recorded approximately $4 million in employee severance and termination benefits related to the closure of a European Interiors facility. Additionally, the Company recorded approximately $5 million, including $3 million in employee severance and termination benefit costs and $2 million in equipment move and relocation costs, related to facility wind down and consolidation actions in connection with customer accommodation and support agreements.

Utilization of $8 million includes $6 million of payments for severance and other employee termination benefits and $2 million related to equipment move and relocation costs.

Asset Impairments and Loss on Divestitures

In June 2010, the Company reached an agreement to sell its entire 46.6% interest in the shares Toledo Molding & Die, Inc. (TMD), a supplier of interior components, for proceeds of approximately $10 million. This agreement was subsequently approved by the Court on July 15, 2010. Accordingly, the Company recorded an impairment charge of approximately $4 million, representing the difference between the carrying value of the Company s investment in TMD and the expected share sale proceeds, during the second quarter of 2010 for the resulting other than temporary impairment of its investment in TMD.

Interest

Interest expense was $129 million for the quarterly period ended June 30, 2010 compared to $47 million for the same period of 2009. The increase in interest expense includes $122 million of prior contractual interest expense related to the seven-year secured term loans that was recorded during the second quarter of 2010 because it became probable that the interest would become an allowed claim in connection with the execution of the Letter Agreement. This increase was partially offset by $26 million related to interest on pre-petition debt that the Company recorded prior to the May 28, 2009 petition date and the non-recurrence of $14 million of losses on the termination of interest rate swaps from the second quarter of 2009. Interest income was approximately $3 million for the three-month period ended June 30, 2010, compared to $2 million for the same period of 2009, due to higher global cash balances in 2010.

Contractual interest represents amounts due under the contractual terms of outstanding debt, including debt subject to compromise. The Company ceased recording interest expense on outstanding pre-petition debt instruments classified as liabilities subject to compromise from the May 28, 2009 petition date as such amounts of contractual interest were not being paid and were not determined to be probable of being an allowed claim. Contractual interest expense for the three month period ended June 30, 2010 was $55 million. Adequate protection amounts pursuant to the cash collateral order of the Court, and as related to the ABL Credit Agreement have been classified as Interest expense on the Company s consolidated statement of operations.

Equity in Net Income of Non-consolidated Affiliates

Equity in net income of non-consolidated affiliates of $35 million represents an increase of $16 million when compared to the same period of 2009. The increase is principally attributable to higher OEM production levels driven by government stimulus programs, particularly in China. The increase was primarily attributable to Yanfeng Visteon Automotive Trim Systems Co, Ltd. and its related affiliates.

Income Taxes

The provision for income taxes of $50 million for the second quarter of 2010, represents an increase of $19 million when compared with $31 million in the same period of 2009. The increase in tax expense is primarily attributable to overall higher earnings in those countries where the Company is profitable, which includes the year-over-year impact of changes in the mix of earnings and differing tax rates between jurisdictions.

Six Months Ended June 30, 2010 and 2009

	Net Sales			Gross Margin		
	2010	2009	Change	2010	2009	Change
	(Dollars in Millions)					
Climate	$ 1,625	$ 1,082	$ 543	$ 206	$ 79	$ 127
Electronics	1,111	870	241	243	32	211
Interiors	1,132	900	232	72	12	60
Eliminations	(133)	(75)	(58)			
Total products	3,735	2,777	958	521	123	398
Services	114	144	(30)	1	2	(1)
Total consolidated	$ 3,849	$ 2,921	$ 928	$ 522	$ 125	$ 397

Net Sales

Net sales for Climate were $1,625 million for the six months ended June 30, 2010, compared with $1,082 million for the same period of 2009, representing an increase of $543 million or 50%. Higher production volumes in all regions improved sales by $459 million, including $241 million, $125 million and $86 million in Asia, North America and Europe, respectively. Additionally, favorable currency, primarily related to the Korean Won, increased sales $104 million. Plant closures, including the Company s Basildon, UK, Belfast, UK, and Springfield, Ohio facilities reduced sales $18 million.

Net sales for Electronics were $1,111 million for the six months ended June 30, 2010, compared with $870 million for the first half of 2009, representing an increase of $241 million or 28%. Higher global production volumes increased sales by $270 million, including $155 million and $43 million in Europe and Asia, respectively. Favorable currency increased sales $13 million, primarily related to the Euro. The closure of the Company s Lansdale, Pennsylvania

(North Penn) facility in 2010 reduced sales by $34 million and net customer price reductions further reduced sales.

Net sales for Interiors were $1,132 million in the first half of 2010, compared with $900 million for the first half of 2009, representing an increase of $232 million or 26%. Higher production volumes in all regions increased sales by $254 million while favorable currency, primarily related to the Euro, further increased sales by $94 million. The divestiture and/or closure of the Company s North American Interiors facilities supporting Nissan and Chrysler, combined with effect of the closure of the Company s Enfield, UK facility and Atlantic facility, resulted in a $108 million decline in sales.

Services revenues primarily relate to information technology, engineering, administrative and other business support services provided by the Company to ACH, under the terms of various agreements with ACH. Such services are generally provided at an amount that approximates cost. Total services revenues were $114 million in the first half of 2010, compared with $144 million for the same period in 2009. The decline in services revenue represents lower ACH utilization of the Company s services in connection with the terms of various agreements.

Gross Margin

Gross margin for Climate was $206 million for the six months ended June 30, 2010, compared with $79 million in the same period of 2009, representing an increase of $127 million. Higher global production volumes, net of the impact of plant closures, increased gross margin by $127 million, while net cost efficiencies achieved through manufacturing performance, purchasing improvement efforts and restructuring activities and the net benefits associated with the termination of Company-paid benefits under certain U.S. OPEB plans further improved gross margin by $25 million. Currency reduced gross margin by $25 million, primarily related to the Korean Won.

Gross margin for Electronics was $243 million for the six months ended June 30, 2010, compared with $32 million in the first half of 2009, representing an increase of $211 million. Net cost efficiencies achieved through manufacturing performance, purchasing improvement efforts and restructuring activities and the benefits associated with the termination of Company-paid benefits under certain U.S. OPEB plans improved gross margin by $172 million. Higher global production volumes, net of the impact of plant closures, increased gross margin by $67 million. Currency reduced gross margin by $28 million, primarily related to the strengthening of the Mexican Peso, Czech Koruna, Euro and Brazilian Real.

Gross margin for Interiors was $72 million in the first half of 2010, compared with $12 million in the first half of 2009, representing an increase of $60 million. Global production volume improvement, net of the impact of plant closures, increased gross margin by $57 million. Net cost efficiencies achieved through manufacturing performance, purchasing improvement efforts and restructuring activities and the benefits associated with the termination of Company-paid benefits under certain U.S. OPEB plans improved gross margin by $37 million. The non-recurrence of a favorable customer settlement in 2009 reduced margin by $27 million. Currency further reduced gross margin by $7 million, primarily related to the Korean Won.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $201 million in the first half of 2010, compared with $205 million in the first half of 2009, a decrease of $4 million. The reduction includes $32 million related to net cost efficiencies resulting from the Company s ongoing restructuring activities and $19 million related to the non-recurrence of 2009 professional fees. These reductions were partially offset by $23 million of increased employee compensation costs, $14 million of actuarial losses associated with the termination of Company-paid benefits under certain U.S. OPEB plans and $8 million associated with unfavorable currency.

Reorganization Items

Costs directly attributable to the Chapter 11 Proceedings were $69 million for the six months ended June 30, 2010, compared to $7 million for the six months ended June 30, 2009, for an increase of $62 million. This increase includes $52 million related to professional service fees, $6 million related to settlement agreements authorized by the Court and $4 million of allowed amounts under executory contract rejection claims.

Restructuring Expenses

The following is a summary of the Company s consolidated restructuring reserves and related activity for the six months ended June 30, 2010. The Company s restructuring expenses are primarily related to employee severance and termination benefit costs.

	Interiors	Climate	Electronics	Central	Total
	(Dollars in Millions)				
December 31, 2009	$ 21	$	$ 16	$ 2	$ 39
Expenses	5	1	5	6	17
Currency exchange	(3)				(3)
Utilization	(5)		(17)	(6)	(28)
June 30, 2010	$ 18	$ 1	$ 4	$ 2	$ 25

During the first half of 2010, the Company recorded $17 million of restructuring expenses, including $6 million of employee severance and termination benefits to streamline corporate administrative and support functions; $4 million of employee severance and termination benefits related to the closure of a European Interiors facility; $4 million of equipment move and relocation costs; $2 million of employee severance and termination benefits related to previously announced actions in connection with customer accommodation and support agreements; and approximately $1 million of additional employee severance and termination benefits related to a customer support agreement.

Utilization of $28 million includes $22 million of payments for severance and other employee termination benefits, $4 million for payment of equipment move and relocation costs and $2 million of special termination benefits reclassified to pension and other postretirement employee benefit liabilities.

Deconsolidation Gain

On March 31, 2009, in accordance with the provisions of the United Kingdom Insolvency Act of 1986 and pursuant to a resolution of the board of directors of Visteon UK Limited, a company organized under the laws of England and Wales and an indirect, wholly-owned subsidiary of the Company, representatives from KPMG were appointed as administrators in respect of the UK Debtor. The effect of the UK Debtor s entry into administration was to place the management, affairs, business and property of the UK Debtor under the direct control of the Administrators. As of March 31, 2009, total assets of $64 million, total liabilities of $132 million and related amounts deferred as Accumulated other comprehensive income of $84 million, were deconsolidated from the Company s balance sheet resulting in a deconsolidation gain of $152 million. The Company also recorded $57 million for contingent liabilities related to the UK Administration, including $45 million of costs associated with former employees of the UK Debtor, for which the Company was reimbursed from the escrow account on a 100% basis.

Asset Impairments and Loss on Divestitures

In June 2010, the Company reached an agreement to sell its entire 46.6% interest in the shares Toledo Molding & Die, Inc. (TMD) for proceeds of approximately $10 million. This agreement was subsequently approved by the Court on July 15, 2010. Accordingly, the Company recorded an impairment charge of approximately $4 million, representing the difference between the carrying value of the Company s investment in TMD and the expected share sale proceeds, during the second quarter of 2010 for the resulting other than temporary impairment of its investment in TMD.

On March 8, 2010, the Company completed the sale of substantially all of the assets of Atlantic Automotive Components, L.L.C., (Atlantic) to JVIS Manufacturing LLC, an affiliate of Mayco International LLC. During 2009, Atlantic operated on a break-even basis on sales of approximately $35 million. The Company recorded losses of approximately $21 million in connection with the sale of Atlantic assets during the first quarter of 2010.

Interest

Interest expense was $135 million for the six months ended June 30, 2010 compared to $102 million for the same period of 2009. The increase in interest expense includes $122 million of prior contractual interest on the seven-year term loans, partially offset by the Company ceasing to record interest expense on debt instruments as of the May 28, 2009 petition date and the non-recurrence of debt waiver fees and losses from the termination of interest rate swaps during 2009.

Equity in Net Income of Non-consolidated Affiliates

Equity in net income of non-consolidated affiliates of $65 million represents an increase of $39 million when compared to the same period of 2009. The increase is principally attributable to higher OEM production levels driven by government stimulus programs, particularly in China. The increase was primarily attributable to Yanfeng Visteon Automotive Trim Systems Co, Ltd. and its related affiliates.

Income Taxes

The provision for income taxes of $75 million for the first half of 2010, represents an increase of $30 million when compared with $45 million in the same period of 2009. The increase in tax expense is primarily attributable to overall higher earnings in those countries where the Company is profitable, which includes the year-over-year impact of changes in the mix of earnings and differing tax rates between jurisdictions, offset by a net reduction in unrecognized tax benefits year-over-year.

Cash Flows

Operating Activities

Cash provided from operating activities during the first half of 2010 totaled $173 million, compared with a use of $235 million for the same period in 2009. The increase is primarily due to improved operating results, as adjusted for non-cash items, the accrual of post-petition interest on the seven-year term loans, customer accommodation and support agreement payments and lower restructuring cash payments, partially offset by bankruptcy professional fee payments, higher trade working capital outflow and non-recurrence of a 2009 reduction in recoverable tax assets.

Investing Activities

Cash used by investing activities was $43 million during the first half of 2010, compared with $65 million for the same period in 2009. The decrease resulted from proceeds associated with the sale of the Company s Interiors operations located in Highland Park, Michigan and Saltillo, Mexico and the non-recurrence of the $11 million of cash associated with the deconsolidation of the UK Debtor, partially offset by an $8 million increase in capital expenditures.

Financing Activities

Cash used by financing activities totaled $75 million in the first half of 2010, compared with $235 million in the same period of 2009. The decrease in cash usage includes the non-recurrence of an $87 million payment on the outstanding balance of a secured debt in Europe made in the first half of 2009 and $47 million lower amount of cash that became restricted in first half of 2010 compared to first half of 2009.

Liquidity

Over the long-term, the Company expects to fund its working capital, restructuring and capital expenditure needs with cash flows from operations. To the extent that the Company s liquidity needs exceed cash from operations, the Company would look to its cash balances and availability for borrowings to satisfy those needs, as well as the need to raise additional capital. However, the Company s ability to fund its working capital, restructuring and capital expenditure needs may be adversely affected by many factors including, but not limited to, general economic conditions, specific industry conditions, financial markets, competitive factors and legislative and regulatory changes. In general, the Company s cash and liquidity needs are impacted by the level, variability and timing of its customers worldwide vehicle production, which varies based on economic conditions and market shares in major markets. The Company s intra-year needs are impacted by seasonal effects in the industry, such as mid-year shutdowns, the subsequent ramp-up of new model production and the additional year-end shutdowns by its primary customers. These seasonal effects normally require use of liquidity resources during the first and third quarters.

The Company had total cash balances of $1.2 billion and $1.1 billion as of June 30, 2010 and December 31, 2009, including restricted cash of $181 million and $133 million, respectively. As of June 30, 2010 the Debtors total cash was $562 million, of which $174 million was restricted. As of December 31, 2009 the Debtors total cash was $558 million, of which $128 million was restricted.

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

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

DIP Credit Agreement

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

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

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

Credit Agreement.

Letter of Credit Reimbursement and Security Agreement

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

Cash Collateral Order and Term Loan Stipulation

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

On June 19, 2009, the Court entered a first supplemental interim order authorizing the use of Ford s cash collateral and granting adequate protection on substantially the same terms as those set forth in the interim cash collateral order previously entered. Thereafter, the Debtors sought, and the Court approved numerous supplemental interim orders extending the consensual use of Ford s Cash Collateral, generally on a monthly basis and materially consistent with the terms of preceding interim cash collateral orders. As of June 30, 2010, such cash collateral amounted to approximately $322 million, which includes restricted cash for the ABL obligations of $80 million.

On May 29, 2009, Wilmington Trust FSB, as administrative agent for the Debtors term loan secured lenders, filed a motion with the Court seeking adequate protection of these lenders collateral including, but not limited to, intellectual property, equity in foreign subsidiaries and intercompany debt owed by foreign subsidiaries, as well as certain cash flows associated with such collateral (the Motion for Adequate Protection). Contemporaneously with entering the Third Supplemental Interim Cash Collateral Order, the Court entered a final order in connection with the Motion for Adequate Protection (the Stipulation, Agreement, and Final Order). The Stipulation, Agreement, and Final Order authorizes the Debtors to use the cash collateral and certain other pre-petition collateral (as defined in the Stipulation, Agreement, and Final Order) of the term loan secured lenders and grants adequate protection to these lenders for any diminution in the value of their interests in their collateral, whether from the use of the cash collateral or the use, sale, lease, depreciation or other diminution in value of their collateral, or as a result of the imposition of the automatic stay under section 362(a) of the Bankruptcy Code. Specifically, subject to certain conditions, adequate protection provided to the term loan secured lenders included, but was not limited to, replacement liens and adequate protection payments in the form of cash payments of the reasonable and documented fees, costs and expenses of the term loan secured lenders professionals (as defined in the Stipulation, Agreement, and Final Order) employed in connection with the Debtors chapter 11 cases. As of June 30, 2010, the term loan secured lenders cash collateral amounted to approximately $79 million, which was recorded as Restricted cash on the Company s consolidated balance sheet.

Foreign Funding Order

On May 29, 2009, the Court entered an interim order authorizing the Debtors to maintain funding to, and the guarantee of, cash pooling arrangements in Europe, or, alternatively, to fund participants of such arrangements directly, and to continue to honor pre-petition obligations owing to certain non-Debtor

subsidiaries in Mexico and Europe up to an aggregate amount of $92 million. On July 16, 2009, such interim order was replaced with a final order. On July 28, 2009, the Court entered a final order increasing the amount which the Debtors are authorized to pay to honor pre-petition obligations owing to certain non-Debtor subsidiaries in Mexico and Europe up to an aggregate amount of $138 million (which amount includes the $92 million previously authorized by the Court).

Customer Accommodation Agreements

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

Fourth Amended Plan of Reorganization and Exit Financing

The Fourth Amended Plan is comprised of two mutually exclusive sub plans the Rights Offering Sub Plan and the Claims Conversion Sub Plan. The Rights Offering Sub Plan contemplates that the Company would, in the event that $1.25 billion in new capital can be raised by the Investors, enter into exit financing loans in an aggregate amount of not less than $450 million and a new $300 million working capital facility to be undrawn upon emergence. Borrowings under these exit financing loans, together with proceeds from the rights offering and cash on hand, would be used to pay the term loan secured claims, ABL claims, other secured claims and priority claims, general unsecured claims and certain unclassified claims including administrative claims, professional claims and DIP facility claims to the extent not previously paid. Borrowings, if any, under the new working capital facility would be used for general corporate purposes.

The Claims Conversion Sub Plan contemplates that the Company would enter into a new $150 million working capital facility. This working capital facility is projected to be undrawn upon emergence from chapter 11 as the Claims Conversion Sub Plan contemplates the use of cash on hand to pay the ABL claims, other secured claims and priority claims, general unsecured claims and certain unclassified claims including administrative claims, professional claims and DIP facility claims to the extent not previously paid. Borrowings, if any, under the new working capital facility would be used for general corporate purposes.

The Company has not yet entered into commitments for any of the exit or working capital facilities discussed above, and no assurance can be given that facilities in the amounts stated will be obtained.

Debt and Capital Structure

Under section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against a debtor, including most actions to collect pre-petition indebtedness or to exercise control over the property of the debtor s estate. Absent an order of the Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization. The Company has not made principal and interest payments in connection with its pre-petition debt during the Chapter 11 Proceedings, including in connection with the $1.5 billion principal amount due under the seven-year secured term loans due 2013; $862 million principal amount under various unsecured notes due 2010, 2014 and 2016; and $127 million of other secured and unsecured borrowings. Additionally, Debt discounts of $8 million, deferred financing costs of $14 million and losses on terminated interest rate swaps of $23 million are no longer being amortized and have been included as adjustments to the net carrying value of the related pre-petition debt. Additional information related to the Company s debt is set forth in Note 11, Debt, to the consolidated financial statements included herein under Item 1.

Covenants and Restrictions

Refer to the Company s December 31, 2009 Annual Report on Form 10-K for information related to the covenants and restrictions associated with pre-petition debt.

Off-Balance Sheet Arrangements

The Company has guaranteed approximately $29 million for lease payments related to its subsidiaries. In connection with the January 2009 PBGC Agreement, the Company agreed to provide a guarantee by certain affiliates of certain contingent pension obligations of up to $30 million.

Fair Value Measurements

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

The Company s use of derivative instruments creates exposure to credit loss in the event of nonperformance by the counterparty to the derivative financial instruments. The Company limits this exposure by entering into agreements directly with a variety of major financial institutions with high credit standards and that are expected to fully satisfy their obligations under the contracts. Fair value measurements related to derivative assets take into account the non-performance risk of the respective counterparty, while derivative liabilities take into account the non-performance risk of Visteon and its foreign affiliates. The hypothetical gain or loss from a 100 basis point change in non-performance risk would be less than $1 million for the fair value of foreign currency derivatives as of June 30, 2010.

New Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance amending fair value disclosures for interim and annual reporting periods beginning after December 15, 2009. This guidance requires disclosures about transfers of financial instruments into and out of Level 1 and 2 designations and disclosures about purchases, sales, issuances and settlements of financial instruments with a Level 3 designation. The Company adopted this guidance with effect from January 1, 2010 without material impact on its consolidated financial statements.

In December 2009, the FASB amended the Accounting Standards Codification (ASC) to provide consolidation guidance that requires a more qualitative assessment of the primary beneficiary of a variable interest entity (VIE) based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The amended guidance also requires an ongoing reconsideration of the primary beneficiary. This guidance was adopted by the Company on a prospective basis as of January 1, 2010 without material impact on its consolidated financial statements.

In December 2009, the FASB amended the ASC to provide guidance on the accounting for transfers and servicing of financial assets. This guidance became effective for fiscal years beginning after November 15, 2009 and was adopted by the Company on a prospective basis as of January 1, 2010 without material impact on its consolidated financial statements.

Cautionary Statements Regarding Forward-Looking Information

Certain statements contained or incorporated in this Quarterly Report on Form 10-Q which are not statements of historical fact constitute Forward-Looking Statements within the meaning of the Private Securities Litigation Reform

Act of 1995 (the Reform Act). Forward-looking statements give current expectations or forecasts of future events. Words such as anticipate , expect , intend , plan , believe , seek , estimate and other words and terms of simila connection with discussions of future operating or financial performance signify forward-looking statements. These statements reflect the Company s current views with respect to future events and are based on assumptions and estimates, which are subject to risks and uncertainties including those discussed in Item 1A under the heading Risk Factors in this Quarterly Report on Form 10-Q and in the Company s Annual Report on Form 10-K for fiscal year 2009 as well as elsewhere in this report. Accordingly, the reader should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent the Company s estimates and assumptions only as of the date of this report. The Company does not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statement is made. The Company qualifies all of its forward-looking statements by these cautionary statements. The reader should understand that various factors, in addition to those discussed elsewhere in this document, could affect the Company s future results and could cause results to differ materially from those expressed in such forward-looking statements, including:

Visteon s ability to satisfy its future capital and liquidity requirements; Visteon s ability to access the credit and capital markets at the times and in the amounts needed and on terms acceptable to Visteon; Visteon s ability to comply with covenants applicable to it; and the continuation of acceptable supplier payment terms.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The cyclical and seasonal nature of the automotive industry.

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

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

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

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

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

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

Accordingly, the Company urges that caution be exercised with respect to existing and future investments in any of these liabilities or currently outstanding securities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports the Company files with the SEC under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

The Company s management carried out an evaluation, under the supervision and with the participation of the CEO and the CFO, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of June 30, 2010. Based upon that evaluation, the CEO and CFO concluded that the Company s disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in the Company s internal controls over financial reporting during the quarterly period ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company s internal controls over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the information above under Note 17, Commitments and Contingencies, to the consolidated financial statements which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

For information regarding factors that could affect the Company s results of operations, financial condition and liquidity, see the risk factors discussed in Part I, Item 1A. Risk Factors in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. See also, Cautionary Statements Regarding Forward-Looking Information included in Part I, Item 2 of this Quarterly Report on Form 10-Q.

ITEM 5. OTHER INFORMATION

In accordance with the Fourth Amended Disclosure Statement, on August 6, 2010, the Company amended certain defined benefit nonqualified deferred compensation plans, namely the Visteon Corporation Supplemental Executive Retirement Plan, the Visteon Corporation Pension Parity Plan and the Visteon Corporation Executive Separation Allowance Plan, to eliminate all benefits for all participants under such plans, including, without limitation, benefits that are distributable but unpaid, and all future benefit payments for all participants, whether or not in pay status in accordance with the terms of such plans.

ITEM 6. EXHIBITS

See Exhibit Index on Page 61.

SIGNATURE

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

VISTEON CORPORATION

By: /s/ MICHAEL J. WIDGREN
Michael J. Widgren
Vice President, Corporate Controller and Chief
Accounting Officer

Date: August 9, 2010

EXHIBIT INDEX

Exhibit Number	Exhibit Name
2.1	Equity Commitment Agreement, dated as of May 6, 2010, by and among Visteon Corporation, Alden Global Distressed Opportunities Fund, L.P., Allen Arbitrage, L.P., Allen Arbitrage Offshore, Armory Master Fund Ltd., Capital Ventures International, Caspian Capital Partners, L.P., Caspian Select Credit Master Fund, Ltd., Citadel Securities LLC, CQS Convertible and Quantitative Strategies Master Fund Limited, CQS Directional Opportunities Master Fund Limited, Crescent 1 L.P., CRS Fund Ltd., CSS, LLC, Cumber International S.A., Cumberland Benchmarked Partners, L.P., Cumberland Partners, Cyrus Europe Master Fund Ltd., Cyrus Opportunities Master Fund II, Ltd., Cyrus Select Opportunities Master Fund, Ltd., Deutsche Bank Securities Inc. (solely with respect to the Distressed Products Group), Elliott International, L.P., Goldman, Sachs & Co. (solely with respect to the High Yield Distressed Investing Group), Halbis Distressed Opportunities Master Fund Ltd., Kivu Investment Fund Limited, LongView Partners B, L.P., Mariner LDC *(Caspian),* Mariner LDC *(Riva Ridge),* Merced Partners II, L.P., Merced Partners Limited Partnership, Monarch Master Funding Ltd., NewFinance Alden SPV, Oak Hill Advisors, L.P., Quintessence Fund L.P., QVT Fund LP, Riva Ridge Master Fund, Ltd., Seneca Capital LP, Silver Point Capital, L.P., SIPI Master Ltd., Solus Alternative Asset Management LP, Spectrum Investment Partners, L.P., Stark Criterion Master Fund Ltd., Stark Master Fund Ltd., The Liverpool Limited Partnership, The Seaport Group LLC Profit Sharing Plan, UBS Securities LLC, Venor Capital Management, Whitebox Combined Partners, L.P., and Whitebox Hedged High Yield Partners, L.P.
2.2	First Amendment, dated as of June 13, 2010, to the Equity Commitment Agreement, by and among Visteon Corporation, Alden Global Distressed Opportunities Fund, L.P., Allen Arbitrage, L.P., Allen Arbitrage Offshore, Armory Master Fund Ltd., Capital Ventures International, Caspian Capital Partners, L.P., Caspian Select Credit Master Fund, Ltd., Citadel Securities LLC, CQS Convertible and Quantitative Strategies Master Fund Limited, CQS Directional Opportunities Master Fund Limited, Crescent 1 L.P., CRS Fund Ltd., CSS, LLC, Cumber International S.A., Cumberland Benchmarked Partners, L.P., Cumberland Partners, Cyrus Europe Master Fund Ltd., Cyrus Opportunities Master Fund II, Ltd., Cyrus Select Opportunities Master Fund, Ltd., Deutsche Bank Securities Inc. (solely with respect to the Distressed Products Group), Elliott International, L.P., Goldman, Sachs & Co. (solely with respect to the High Yield Distressed Investing Group), Halbis Distressed Opportunities Master Fund Ltd., Kivu Investment Fund Limited, LongView Partners B, L.P., Mariner LDC *(Caspian),* Mariner LDC *(Riva Ridge),* Merced Partners II, L.P., Merced Partners Limited Partnership, Monarch Master Funding Ltd., NewFinance Alden SPV, Oak Hill Advisors, L.P., Quintessence Fund L.P., QVT Fund LP, Riva Ridge Master Fund, Ltd., Seneca Capital LP, Silver Point Capital, L.P., SIPI Master Ltd., Solus Alternative Asset Management LP, Spectrum Investment Partners, L.P., Stark Criterion Master Fund Ltd., Stark Master Fund Ltd., The Liverpool Limited Partnership, The Seaport Group LLC Profit Sharing Plan, UBS Securities LLC, Venor Capital Management, Whitebox Combined Partners, L.P., and Whitebox Hedged High Yield Partners, L.P.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer dated August 9, 2010.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer dated August 9, 2010.
32.1	Section 1350 Certification of Chief Executive Officer dated August 9, 2010.
32.2	Section 1350 Certification of Chief Financial Officer dated August 9, 2010.

In lieu of filing certain instruments with respect to long-term debt of the kind described in Item 601(b)(4) of Regulation S-K, Visteon agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.