

VISTEON CORP
Form 10-K
February 28, 2007

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2006, or

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

For the transition period from _____ to _____

Commission file number 1-15827

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

Delaware
(State of incorporation)

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

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

48111
(Zip code)

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

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

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

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

Yes No

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

Yes No

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

Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2006 (the last business day of the most recently completed second fiscal quarter) was approximately \$923 million.

As of February 23, 2007, the registrant had outstanding 129,013,936 shares of common stock.

Document Incorporated by Reference*

Document	Where Incorporated
2007 Proxy Statement	Part III (Items 10, 11, 12, 13 and 14)

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

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PART I

ITEM 1. BUSINESS

The Company's Business

Visteon Corporation (Visteon or the Company) is a leading global supplier of automotive systems, modules and components to global vehicle manufacturers and the automotive aftermarket. The Company is headquartered in Van Buren Township, Michigan, with regional headquarters in Kerpen, Germany and Shanghai, China. The Company has a workforce of approximately 45,000 employees and a network of manufacturing sites, technical centers, sales offices and joint ventures located in every major geographic region of the world.

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

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

The Company's Industry

The Company supplies a range of integrated systems, modules and components to vehicle manufacturers for use in the manufacture of new vehicles, as well as to the aftermarket for use as replacement and enhancement parts. Historically, large vehicle manufacturers operated internal divisions to provide a wide range of component parts for their vehicles. Vehicle manufacturers have moved toward a competitive sourcing process for automotive parts, including increased purchases from independent suppliers, as they seek lower-priced and/or higher-technology products. Additional significant factors and trends in the automotive industry include:

Shift in Original Equipment Manufacturer (OEM) Market Share Vehicle manufacturers domiciled outside of the United States continue to gain market share at the expense of the domestic vehicle manufacturers. Many of these foreign vehicle manufacturers have strong existing relationships with foreign-based suppliers. This has increased the competitive pressure on domestically domiciled suppliers like Visteon. The Company also believes that this trend creates growth opportunities for domestically domiciled suppliers, such as Visteon, who possess innovative and competitively priced technologies as foreign vehicle manufacturers increasingly establish local manufacturing and assembly facilities in North America and seek ways to further differentiate their product offerings.

OEM Pricing Pressures Because vehicle manufacturers are under increasing competitive intensity, they must rapidly adjust to changing consumer preferences in order to differentiate their vehicles to maintain and grow their market share. These market pressures inhibit the ability of vehicle manufacturers to significantly increase vehicle prices,

leading vehicle manufacturers to intensify their cost-reduction efforts with their suppliers. In particular, vehicle manufacturers are increasingly searching for lower cost sources of components and systems and have established global benchmark pricing.

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ITEM 1. BUSINESS (Continued)

Financial Condition of Certain OEMs In light of market share and end consumer pricing trends, certain vehicle manufacturers, particularly in North America and Europe, report significant financial challenges driven by excess production capacity and high fixed cost structures. These vehicle manufacturers continue to implement actions to further reduce capacity and streamline cost structures while investing in new technologies and vehicle platforms. Vehicle manufacturers continue to look to the supply base to assume additional design, development and service responsibilities for products providing capable suppliers the opportunity to further their commercial position in the OEM s to the supply chain.

Raw Material and Component Costs The supply of certain commodities used in the production of automotive parts, primarily metals, resins and energy, continues to be constrained resulting in increased costs which cannot be wholly recovered from the vehicle manufacturers. Such constraints and/or disruptions in supply are likely to continue to pressure the Company s operating results.

Supplier Consolidation and Financial Condition The number of automotive suppliers worldwide has been declining due to continued industry consolidation. In the U.S., declining sales volumes of certain domestic automakers combined with high material and labor costs has adversely impacted the financial condition of several domestic automotive suppliers, resulting in several significant supplier bankruptcies. Automotive suppliers must continue to focus on diversifying their customer base, developing innovative products at competitive prices and following their customers as they expand globally.

Globalization To serve multiple markets more efficiently, vehicle manufacturers are assembling vehicle platforms globally. With this globalization, vehicle manufacturers are increasingly interested in buying components and systems from suppliers that can serve multiple markets, address local consumer preferences, control design costs and minimize import tariffs in local markets.

Demand for Safety-Related and Environmentally-Friendly Products Consumers are increasingly interested in products and technologies that make them feel safer and more secure and many governmental regulators are requiring more safety-related and environmentally-friendly products. To achieve sustainable profitable growth, automotive suppliers must effectively support their customers in developing and delivering such products and technologies to the end-consumer at competitive prices.

Increasing Electronics Integration and Technological Content Electronics integration, which typically involves replacing bulky mechanical components with electronic ones and/or adding new electrical functions and features to the vehicle, allows vehicle manufacturers improved control over vehicle weight, costs and functionality. Integrated electronic solutions help auto manufacturers improve fuel economy through weight reduction and reduce emissions through improved air and engine control systems. Also, consumer preferences for in-vehicle communication, navigation and entertainment capabilities and features continue to drive increased electronics content.

The Company s Business Strategy

By leveraging the Company s extensive experience, innovative technology and geographic strengths, the Company aims to grow leading positions in its key climate, interiors and electronics product groups and to improve overall margins, long-term operating profitability and cash flows. To achieve these goals and respond to industry factors and trends, the Company is working to improve its operations, restructure its business and achieve profitable growth.

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ITEM 1. BUSINESS (Continued)

Improve Operations

Achieving cost efficiencies The Company continues to take actions to lower its manufacturing costs by increasing its focus on production utilization and related investment, closure and consolidation of facilities and relocation of production to lower cost environments to take further advantage of its global manufacturing footprint. The Company has consolidated its regional purchasing activities into a global commodity driven organization to provide increased spending leverage, optimize supplier relationships, and to further standardize its production and related material purchases. The Company has increased its focus and financial discipline in the evaluation of and bidding on new customer programs to improve operating margins, as well as taking actions to address lower margin customer programs.

Improve product quality and the health and safety of employees The Company has increased its efforts and focus on ensuring that the products provided to its customers are of the highest quality and specification. Processes and standards continue to be implemented to prevent the occurrence of non-conforming production as measured by various industry standard quality ratings such as defective parts per million. The Company's customers have recognized these efforts with various annual supplier quality awards. The health and safety of the Company's employees is of utmost importance and the Company continues to implement programs, training and awareness in all of its operations to limit safety related incidents and to improve lost time case rates.

Restructure the Business

Under performing and non-strategic operations In January 2006, the Company announced a multi-year improvement plan designed to further restructure the business and improve profitability. This improvement plan identified certain underperforming and non-strategic facilities that require significant restructuring or potential sale or exit, as well as other infrastructure and cost reduction initiatives. The majority of the cash expenses for this plan are expected to be funded by the \$400 million escrow account established pursuant to the ACH Transactions.

Reduce overhead costs To further improve the Company's administrative and engineering costs, the Company continues activities to build and redesign its engineering capability in more competitive cost locations, and re-examine its current third-party supplier arrangements for purchased services. Additionally, as the Company improves its base operations and restructures underperforming and non-strategic operations, certain administrative functions must be fundamentally reorganized to effectively and efficiently support the Company's business.

On October 31, 2006 the Company announced a plan to reduce its salaried workforce by approximately 900 people in response to significant reductions in vehicle production by a number of the Company's customers. As of December 31, 2006 the Company had taken action on approximately 800 positions at a cost of approximately \$19 million. The Company expects to complete the salaried workforce reduction during 2007 as additional elements of the plan are finalized and related actions become probable of occurrence.

Achieve Profitable Growth

Focused product portfolio The global automotive parts industry is highly competitive; winning and maintaining new business requires suppliers to rapidly produce new and innovative products on a cost-competitive basis. Because of the heavy capital and engineering investment needed to maintain this competitiveness, the Company re-examined its broad product portfolio to identify its key growth products considered core to its future success. Based on this assessment, the Company identified interiors, climate and electronics (including lighting) as its key growth products. The Company believes there are opportunities to capitalize on the continuing demand for additional electronics

integration and associated products with its product portfolio and technical capabilities.

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ITEM 1. BUSINESS (Continued)

Customer and geographic diversification The Company is well positioned globally, with a diverse customer base. Although Ford remains the Company's largest customer, the Company has been steadily diversifying its sales with growing OEMs. Following the ACH Transactions, the Company's regional sales mix has become more balanced, with a greater percentage of product sales outside of North America.

Financial Information about Segments

In late 2005, the Company announced a new operating structure to manage the business following the ACH Transactions. This operating structure is comprised of the following global product groups: Climate, Electronics, Interiors and Other. Additionally, the Company established and commenced operations of Visteon Services, a centralized administrative function to monitor and facilitate transactions with ACH for the costs of leased employees and other services provided to ACH by the Company. In 2006, the Company completed the process of realigning systems and reporting structures to facilitate financial reporting under the revised organizational structure. Accordingly, segment disclosures have been updated to reflect the current operating structure and comparable prior period segment data has been revised.

Further information relating to the Company's reportable segments can be found in Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K (Note 20, Segment Information, to the Company's consolidated financial statements).

The Company's Products

The following discussion describes the major product lines within each of the Company's segments that the Company produces or offers as of the date of this report.

Electronics Products & Systems

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

Electronics Product Lines

Audio Systems

Description

The Company produces a wide range of audio systems and components, ranging from base radio head units to integrated premium audio systems and amplifiers. Examples of the Company's latest electronics products include digital and satellite radios, HD Radio™ broadcast tuners and premium systems.

Driver Information Systems

The Company designs and manufactures a wide range of displays, from analog-electronic to high-impact instrument clusters that incorporate LCD displays.

Infotainment Information, Entertainment and Multimedia

The Company has developed numerous products to assist driving and provide in-vehicle entertainment. A sampling of these technologies

include: MACH(R) Voice Link Technology, connectivity solutions for portable devices, and a range of Family Entertainment Systems designed to support a variety of applications and vehicle segments.

Powertrain and Feature Control Modules

The Company designs and manufactures a wide range of powertrain and feature control modules for a worldwide customer base. Powertrain control modules cover a range of applications from single-cylinder small engine control systems to fully-integrated V8/V10 engine and transmission controllers. Feature control modules include products which manage a variety of electrical loads related to powertrain function, including controllers for fuel pumps, 4x4 transfer cases, intake manifold tuning valves, and voltage regulation systems.

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ITEM 1. BUSINESS (Continued)

Electronics Product Lines

Electronic Climate Controls

Description

The Company designs and manufactures a complete line of climate control modules with capability to provide full system integration. The array of modules available vary from single zone manual electronic modules to fully automatic multiple zone modules. The Company also provides integrated audio and climate control assemblies allowing styling and electrical architecture flexibility for various customer applications.

Lighting

The Company designs and builds a wide variety of headlamps (projector, reflector or Advanced Front Lighting Systems), Rear Combination Lamps, Center High-Mounted Stop Lamps (CHMSL) and Fog Lamps. The Company utilizes a variety of light-generating sources including Light Emitting Diode (LED), High Intensity Discharge (HID) and Halogen-based systems.

Climate Control Products & Systems

The Company is one of the leading global suppliers in the design and manufacturing of components, modules and systems that provide automotive heating, ventilation and air conditioning and powertrain cooling.

Climate Product Lines

Climate Systems

Description

The Company designs and manufactures fully integrated heating, ventilation and air conditioning (HVAC) systems. The Company's proprietary analytical tools and systems integration expertise enables the development of climate-oriented components, subsystems and vehicle-level systems. Products contained in this area include: Heat Exchangers, Climate Controls, Compressors, and Fluid Transport Systems.

Powertrain Cooling Systems

Cooling functionality and thermal management for the vehicle's powertrain system (engine and transmission) is provided by powertrain cooling-related technologies.

Interior Products & Systems

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

Interiors Product Lines

Cockpit Modules

Description

The Company's cockpit modules incorporate structural, electronic, climate control, mechanical and safety components. Customers are provided with a complete array of services including advanced

engineering and computer-aided design, styling concepts and modeling and in-sequence delivery of manufactured parts. The Company's Cockpit Modules are built around its instrument panels which consist of a substrate and the optional assembly of structure, ducts, registers, passenger airbag system (integrated or conventional), finished panels and the glove box assembly.

Door Panels and Trims

The Company provides a wide range of door panels / modules as well as a variety of interior trim products.

Console Modules

The Company's consoles deliver flexible and versatile storage options to the consumer. The modules are interchangeable units and offer consumers a wide range of storage options that can be tailored to their individual needs.

Other Products & Systems

The Company designs and manufactures an array of chassis-related products, from driveline systems for popular all-wheel drive vehicles to steering and suspension systems, as well as powertrain products and systems, which are designed to provide the automotive customer with solutions that enhance powertrain performance, fuel economy and emissions control.

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ITEM 1. BUSINESS (Continued)

The Company's Customers

The Company sells its products primarily to global vehicle manufacturers as well as to other suppliers and assemblers. In addition, it sells products for use as aftermarket and service parts to automotive original equipment manufacturers and others for resale through their own independent distribution networks. The Company records revenue when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price or fee is fixed or determinable and collectibility is reasonably assured.

Vehicle Manufacturers

The Company sells to all of the world's largest vehicle manufacturers including BMW, DaimlerChrysler, Ford, General Motors, Honda, Hyundai/Kia, Mazda, Nissan, Peugeot, Renault, Toyota, and Volkswagen. Ford is the Company's largest customer, and product sales to Ford, including those sales to Auto Alliance International, a joint venture between Ford and Mazda, accounted for approximately 45% of 2006 total product sales. In addition, product sales to Hyundai/Kia accounted for approximately 12% of 2006 total product sales, primarily concentrated in the Company's Climate product group. Sales to customers other than Ford include sales to Mazda, of which Ford holds a 33.4% equity interest.

Price reductions are typically negotiated on an annual basis between suppliers and vehicle manufacturers. Such reductions are intended to take into account expected annual reductions in the overall cost to the supplier of providing products and services to the customer, through such factors as overall increases in manufacturing productivity, material cost reductions, and design-related cost improvements. The Company has agreed to provide specific average price reductions to its largest customer, Ford, for most North America sales through 2008. The Company has an aggressive cost reduction program that focuses on reducing its total costs, which are intended to offset customer price reductions. However, there can be no assurance that such cost reduction efforts will be sufficient to do so, especially considering recent increases in the costs of certain commodities used in the manufacture of the Company's products. The Company records such price reductions when specific facts and circumstances indicate that a price reduction is probable and the amounts are reasonably estimable.

Other Customers

The Company sells products to various customers in the worldwide aftermarket as replacement or enhancement parts, such as body appearance packages and in-car entertainment systems, for current production and older vehicles. The Company's service revenues relate to the supply of leased personnel and transition services to ACH in connection with various agreements pursuant to the ACH Transactions.

The Company's Competition

The Company conducts its business in a complex and highly competitive industry. The global automotive parts industry principally involves the supply of systems, modules and components to vehicle manufacturers for the manufacture of new vehicles. Additionally, suppliers provide components to other suppliers for use in their product offerings and to the aftermarket for use as replacement or enhancement parts. As the supplier industry consolidates, the number of competitors decreases fostering extremely competitive conditions. Vehicle manufacturers rigorously evaluate suppliers on the basis of product quality, price competitiveness, technical expertise and development capability, new product innovation, reliability and timeliness of delivery, product design and manufacturing capability and flexibility, customer service and overall management.

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ITEM 1. BUSINESS (Continued)

A summary of the Company's primary independent competitors is provided below.

Electronics The Company's principal competitors in the Electronics segment included the following: Robert Bosch GmbH; Delphi Corporation; Denso Corporation; Hella KGaA; Koito Manufacturing Co., Ltd (North American Lighting); Matsushita Electric Industrial Co., Ltd. (Panasonic); and Siemens VDO Automotive AG.

Climate The Company's principal competitors in the Climate segment included the following: Behr GmbH & Co. KG; Delphi Corporation; Denso Corporation; and Valéo S.A.

Interiors The Company's principal competitors in the Interiors segment included the following: Faurecia Group; Johnson Controls, Inc.; Lear Corporation; Magna International Inc.; International Automotive Components Group; and Delphi Corporation.

Other The Company's principal competitors in the Other segment included the following: American Axle & Manufacturing Holdings, Inc; Robert Bosch GmbH; Dana Corporation; Delphi Corporation; Denso Corporation; Magna International Inc.; Siemens VDO Automotive AG; TRW Automotive Holdings Corp.; Valéo S.A.; GKN Plc.; JTEKT Corporation; ZF Friedrichshafen AG; NTN Corporation; Kautex Textron GmbH&Co KG; Inergy Automotive Systems; and TI Automotive.

The Company's Product Sales Backlog

Anticipated net product sales for 2007 through 2009 from new and replacement programs, less net sales from phased-out and canceled programs are approximately \$1 billion. The Company's estimate of anticipated net sales may be impacted by various assumptions, including vehicle production levels on new and replacement programs, customer price reductions, foreign exchange rates and the timing of program launches. In addition, the Company typically enters into agreements with its customers at the beginning of a vehicle's life for the fulfillment of a customer's purchasing requirements for the entire production life of the vehicle. Although instances of early termination have historically been rare, these agreements generally may be terminated by customers at any time. Therefore, this anticipated net sales information does not represent firm orders or firm commitments.

Table of Contents**ITEM 1. BUSINESS (Continued)****The Company's International Operations**

Financial information about sales and net property by major geographic region can be found in Note 20, Segment Information, to the Company's consolidated financial statements included in Item 8 of this Annual Report on Form 10-K. The attendant risks of the Company's international operations are primarily related to currency fluctuations, changes in local economic and political conditions, and changes in laws and regulations. The following table sets forth the Company's net sales and net property and equipment by geographic region as a percentage of total consolidated net sales and total consolidated net property and equipment, respectively:

	Net Sales			Net Property and Equipment	
	Year Ended December 31			December 31	
	2006	2005	2004	2006	2005
Geographic region:					
United States	39%	61%	68%	32%	34%
Mexico	2%	2%	2%	4%	5%
Canada	1%	1%	1%	1%	1%
Intra-region eliminations	(1)%	(1)%	(1)%		
Total North America	41%	63%	70%	37%	40%
Germany	7%	4%	3%	5%	6%
France	8%	5%	5%	7%	7%
United Kingdom	5%	4%	4%	4%	3%
Portugal	5%	4%	3%	4%	4%
Spain	6%	4%	3%	4%	4%
Czech Republic	4%	2%	2%	7%	6%
Hungary	2%	1%	1%	3%	3%
Other Europe	1%	1%	1%	2%	1%
Intra-region eliminations	(2)%	(1)%	(1)%		
Total Europe	36%	24%	21%	36%	34%
Korea	16%	9%	6%	15%	14%
China	2%	1%	1%	3%	2%
India	2%	1%	1%	3%	3%
Japan	2%	1%	1%	2%	2%
Other Asia	1%	1%	1%		1%
Intra-region eliminations	(1)%	(1)%	(1)%		
Total Asia	22%	12%	9%	23%	22%
South America	4%	3%	2%	4%	4%
All Other	1%	1%	1%		
Intra-region eliminations	(4)%	(3)%	(3)%		

100%

100%

100%

100%

100%

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ITEM 1. BUSINESS (Continued)

Seasonality of the Company's Business

The Company's business is moderately seasonal because its largest North American customers typically halt operations for approximately two weeks in July for model year changeovers and approximately one week in December during the winter holidays. Customers in Europe historically shut down vehicle production during a portion of August and one week in December. In addition, third quarter automotive production traditionally is lower as new vehicle models enter production. Accordingly, the Company's third and fourth quarter results may reflect these trends. Refer to Note 21, Summary Quarterly Financial Data to the Company's consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

The Company's Workforce and Employee Relations

The Company's workforce as of December 31, 2006 included approximately 45,000 persons, of which approximately 16,000 were salaried employees and 29,000 were hourly workers. As of December 31, 2006, the Company leased approximately 2,800 employees to ACH under the terms of the Salaried Employee Lease Agreement.

A substantial number of the Company's hourly workforce in the U.S. are represented by unions and operate under collective bargaining agreements. In connection with the ACH Transactions, the Company terminated its lease from Ford of its UAW Master Agreement hourly workforce. Many of the Company's European and Mexican employees are members of industrial trade unions and confederations within their respective countries. Many of these organizations operate under collectively bargained contracts that are not specific to any one employer. The Company constantly works to establish and maintain positive, cooperative relations with its unions around the world and believes that its relationships with unionized employees are satisfactory. There have been no significant work stoppages in the past five years, except for a brief work stoppage by employees represented by the IUE-CWA Local 907 at a manufacturing facility located in Bedford, Indiana during June 2004.

The Company's Product Research and Development

The Company's research and development efforts are intended to maintain leadership positions in core product lines and provide the Company with a competitive edge as it seeks additional business with new and existing customers. Total research and development expenditures were approximately \$594 million in 2006, decreasing from \$804 million in 2005 and \$896 million in 2004 due to the ACH Transactions. The Company also works with technology development partners, including customers, to develop technological capabilities and new products and applications.

The Company's Intellectual Property

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

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

important to such businesses and products.

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ITEM 1. BUSINESS (Continued)

The Company's Raw Materials and Suppliers

Raw materials used by the Company in the manufacture of its products primarily include steel, aluminum, resins, precious metals, urethane chemicals and electronics components. All of the materials used are generally available from numerous sources. However, the automotive supply industry has experienced significant inflationary pressures, which have placed significant operational and financial burdens on suppliers at all levels and has adversely impacted their financial condition.

Although the Company does not anticipate significant interruption in the supply of raw materials, the cost of ensuring the continued supply of certain raw materials, in particular steel, aluminum and resins, has increased significantly. This increase has had an adverse impact on the Company's results of operations and will continue to adversely affect results of operations unless the Company's customers share in these increased costs. To date, the Company has not been able to fully recover increased raw material costs from all of its customers, and the Company cannot provide assurance that it will be able to recover those costs in the future.

Impact of Environmental Regulations on the Company

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

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

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. It is in various stages of investigation and cleanup at these sites. At December 31, 2006, the Company had recorded a reserve of approximately \$9 million for this environmental investigation and cleanup. However, estimating liabilities for environmental investigation and cleanup is complex and dependent upon a number of factors beyond the Company's control and which may change dramatically. Accordingly, although the Company believes its reserve is adequate based on current information, the Company cannot provide any assurance that its ultimate environmental investigation and cleanup costs and liabilities will not exceed the amount of its current reserve.

During 2006, the Company did not make any material capital expenditures relating to environmental compliance.

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ITEM 1. BUSINESS (Continued)

The Company's Website and Access to Available Information

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

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ITEM 1A. RISK FACTORS

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

A decline in automotive sales could reduce the Company's sales and harm its operations.

Demand for the Company's products is directly related to automotive vehicle production. Automotive sales and production can be affected by general economic conditions, such as employment levels and trends, fuel prices and interest rates, labor relations issues, regulatory requirements, trade agreements and other factors. Automotive industry conditions in North America and Europe continue to be challenging. In North America, the domestic automotive industry is characterized by significant overcapacity, fierce competition, high fixed cost structures and significant employee pension and health care obligations for the domestic automakers. Domestic automakers continue to report market share loss to other vehicle manufacturers resulting in lower annual production volumes and the need to further address their production capacity and cost structure. Any decline in automotive production levels of its current and future customers could reduce the Company's sales and harm its results of operations and financial condition.

Further, certain automakers, particularly in North America and Europe, report significant financial challenges due to the factors described above. These automakers continue to implement actions to further reduce capacity and streamline their cost structure while at the same time investing in new technologies and vehicle platforms. In the United States, DaimlerChrysler Corporation, Ford Motor Company, and General Motors Corporation have announced restructuring plans aimed at realigning their cost structure in light of current and projected market share and production volumes for the North American market. A significant element of these cost reduction actions includes closing factories, reducing the number of production shifts at open factories and the negotiation with and participation of the respective unionized workforces in addressing legacy costs related to health care, pensions, wages and other employee benefits. The results and effects of these actions and related negotiations are uncertain and, accordingly, could have a material adverse effect on the Company's results of operations and financial condition.

The Company is highly dependent on Ford. Ford is currently undergoing a restructuring plan and further decreases in Ford's vehicle production volume would adversely affect the Company's results.

Ford is the Company's largest customer and accounted for approximately 45% of total product sales in 2006, 62% of total product sales in 2005 and 70% of total product sales in 2004. The Company has made significant progress in diversifying its customer base with other automakers and reducing its sales concentration with Ford as a result of the completion of the ACH Transactions in 2005. Ford will continue to be the Company's largest customer for the foreseeable future. Further, Ford has recently announced a restructuring plan and may ultimately restructure its operations in a way that could be adverse to the Company's interests. As in the past, any change in Ford's vehicle production volume will have a significant impact on the Company's sales volume and restructuring efforts.

The Company currently leases approximately 2,800 salaried employees to ACH, a company controlled by Ford, and has an agreement with Ford to reimburse the Company for up to \$150 million of the costs related to separating any of the leased employees should they be returned to the Company for any reason. In the event that Ford is unable or unwilling to fulfill its obligations under this agreement, the Company could be adversely affected.

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ITEM 1A. RISK FACTORS (Continued)

The discontinuation of, the loss of business with respect to, or a lack of commercial success of a particular vehicle model for which the Company is a significant supplier could affect our estimates of anticipated net sales.

Although the Company has purchase orders from many of its customers, these purchase orders generally provide for the supply of a customer's annual requirements for a particular model and assembly plant and are renewable on a year-to-year basis, rather than for the purchase of a specific quantity of products. Therefore, the discontinuation, loss of business with respect to, or a lack of commercial success, of a particular vehicle model for which the Company is a significant supplier could reduce the Company's sales and affect its estimates of anticipated net sales.

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

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

The automotive supplier environment in which the Company operates continues to evolve and be uncertain.

In recent years, the competitive environment among suppliers to the global automotive manufacturers has changed significantly as these manufacturers have sought to outsource more vehicular components, modules and systems. In addition, the number of suppliers worldwide has been declining due to continued consolidation. In the United States, declining sales volumes of certain domestic automakers combined with high raw material and labor costs has adversely impacted the financial condition of several domestic automotive suppliers, including resulting in several significant supplier bankruptcies. The Company expects to respond to these developments by continuing to diversify its customer base through the continued development of innovative products at competitive prices as well as through strategic alliances, joint ventures, acquisitions and divestitures. However, there is no assurance that the Company's efforts will be successful or that competitors with lower cost structures and better access to liquidity sources will not significantly impact the Company's business, results of operations and financial condition.

Severe inflationary pressures impacting ferrous and non-ferrous metals and petroleum-based commodities may adversely affect the Company's profitability and the profitability of the Company's Tier 2 and Tier 3 supply base.

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

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ITEM 1A. RISK FACTORS (Continued)

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

The Company could be adversely affected by shortages of components from suppliers.

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

Work stoppages or similar difficulties could significantly disrupt the Company's operations.

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

Table of Contents**ITEM 1A. RISK FACTORS (Continued)**

The Company has a history of significant losses; the Company is in the process of implementing a multi-year improvement plan but may be unable to successfully improve its performance or attain profitability.

The Company incurred net losses of \$163 million, \$270 million and \$1,536 million for 2006, 2005 and 2004, respectively. The Company's ability to improve its financial performance and return to profitability is dependent on its ability to implement its multi-year improvement plan, and realize the benefits of such plan. The Company expects to fund the majority of the cash restructuring costs contemplated by its multi-year plan with reimbursements from the \$400 million escrow account established by Ford upon the completion of the ACH Transactions. However, it is possible that actual cash restructuring costs could vary significantly from the Company's initial projections as the plan progresses, which could result in unexpected costs in future periods that may be in excess of amounts available from the escrow account resulting in an adverse impact on the Company's financial results. Further, the Company cannot provide assurances that it will realize the expected benefits in the time periods projected, or at all, from its restructuring actions, or that such actions will improve its financial performance or return the Company to profitability in the near term or at all. In addition, a majority of the Company's hourly workforce is unionized. Labor contracts with these unions can significantly restrict the Company's ability to restructure or close plants and divest unprofitable, noncompetitive businesses as well as limit its ability to change local work rules and practices at a number of the Company's facilities, constraining the implementation of cost-saving measures. These restrictions and limitations could have adverse effects on the Company's results of operations and competitive position and could slow or alter the Company's improvement plans.

Moreover, the Company recorded asset impairment charges of \$22 million, \$1,511 million and \$314 million in 2006, 2005 and 2004, respectively, to adjust the carrying value of certain assets to their estimated fair value. Additional asset impairment charges in the future may result in the event that the Company does not achieve its internal financial plans, and such charges could materially affect the Company's results of operations and financial condition in the period(s) recognized. In addition, the Company cannot provide assurance that it will be able to recover its remaining net deferred tax assets which is dependent upon achieving future taxable income in certain foreign jurisdictions. Failure to achieve its taxable income targets may change the Company's assessment of the recoverability of its remaining net deferred tax assets and would likely result in an increase in the valuation allowance in the applicable period. Any increase in the valuation allowance would result in additional income tax expense, would reduce stockholders' equity and could have a significant impact on the Company's earnings going forward.

Sources of financing may not be available to the Company in the amount or terms required.

The Company's business is highly dependent upon the ability to access the credit and capital markets. Access to, and the costs of borrowing in, these markets depend in part on the Company's credit ratings, which are currently below investment grade. There can be no assurance that the Company's credit ratings will not decline further in the future. Further downgrades of these ratings would increase the Company's costs of borrowing and could imperil its liquidity.

The Company's working capital requirements and cash provided by operating activities can vary greatly from quarter to quarter and from year to year, depending in part on the level, variability and timing of its customers' worldwide vehicle production and the payment terms with the Company's customers and suppliers. The Company cannot provide assurance that it will be able to satisfy its capital expenditure requirements during 2007 or subsequent years, or during any particular quarter, from cash provided by operating activities. If the Company's working capital needs and capital expenditure requirements exceed its cash flows 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, which may not be available on satisfactory terms and in adequate amounts. For a discussion of these and other factors affecting the Company's liquidity, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources.

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ITEM 1A. RISK FACTORS (Continued)

The Company's pension and other postretirement employee benefits expense and underfunding levels of pension plans could materially increase.

Substantially all of the Company's employees participate in defined benefit pension plans or retirement/termination indemnity plans. The Company has previously experienced declines in interest rates and pension asset values. Future declines in interest rates or the market values of the securities held by the plans, or certain other changes, could materially increase the underfunded status of the Company's plans and affect the level and timing of required contributions in 2007 and beyond. Additionally, a material increase in the underfunded status of the plans could significantly increase pension expenses and reduce the Company's profitability.

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

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

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

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

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

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ITEM 1A. RISK FACTORS (Continued)

The Company's international operations, including Asian joint ventures, are subject to various risks that could adversely affect the Company's business, results of operations and financial condition.

The Company has operating facilities, and conducts a significant portion of its business, outside the United States. The Company has invested significantly in joint ventures with other parties to conduct business in South Korea, China and elsewhere in Asia. The Company's ability to repatriate funds from these joint ventures depends not only upon their uncertain cash flows and profits, but also upon the terms of particular agreements with the Company's joint venture partners and maintenance of the legal and political *status quo*. The Company risks expropriation in China and the instability that would accompany civil unrest or armed conflict within the Asian region. More generally, the Company's Asian joint ventures and other foreign investments could be adversely affected by changes in the political, economic and financial environments in host countries, including fluctuations in exchange rates, political instability, changes in foreign laws and regulations (or new interpretations of existing laws and regulations) and changes in trade policies, import and export restrictions and tariffs, taxes and exchange controls. Any one of these factors could have an adverse effect on the Company's business, results of operations and financial condition. In addition, the Company's consolidated financial statements are denominated in U.S. dollars and require translation adjustments, which can be significant, for purposes of reporting results from, and the financial condition of, its foreign investments.

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

The Company faces inherent business risk of exposure to warranty and product liability claims in the event that its products fail to perform as expected or such failure results, or is alleged to result, in bodily injury or property damage (or both). In addition, if any of the Company's designed products are defective or are alleged to be defective, the Company may be required to participate in a recall campaign. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, automakers are increasingly expecting them to warrant their products and are increasingly looking to them for contributions when faced with product liability claims or recalls. A successful warranty or product liability claim against the Company in excess of its available insurance coverage and established reserves, or a requirement that the Company participate in a product recall campaign, would have adverse effects that could be material on the Company's business, results of operations and financial condition.

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

The Company is involved in legal proceedings and commercial or contractual disputes that, from time to time, are significant. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes (including disputes with suppliers), intellectual property matters, personal injury claims and employment matters. In addition, the Company, certain directors, officers and employees have been named in lawsuits alleging violations of the federal securities laws, ERISA and fiduciary obligations. No assurances can be given that such proceedings and claims will not have a material adverse impact on the Company's profitability and financial position.

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ITEM 1A. RISK FACTORS (Continued)

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents**ITEM 2. PROPERTIES**

The Company's principal executive offices are located in Van Buren Township, Michigan. The Company also maintains regional headquarters in Kerpen, Germany and Shanghai, China. Set forth below is a listing of the Company's most significant manufacturing and/or assembly facilities that are owned or leased by the Company and its consolidated subsidiaries as of December 31, 2006.

Interiors

Alabama	Tuscaloosa(L)
Illinois	Chicago(L)
Michigan	Benton Harbor(O)
Michigan	Benton Harbor(L)
Mississippi	Canton(L)
Mississippi	Durant(L)
Tennessee	LaVergne(L)
Belgium	Genk(L)
Brazil	Camacari, Bahia(L)
France	Aubergenville(L)
France	Blainville(L)
France	Brebieres(L)
France	Carvin(O)
France	Gondécourt(O)
France	Noyal-Chatillon-sur-Seiche(L)
France	Oyonnax(L)
France	Rougegoutte(O)
Germany	Berlin(L)
Poland	Swarzedz(L)
Slovakia	Nitra(L)
South Korea	Choongnam, Asan(O)
South Korea	Kangse-gu, Busan-si(L)
South Korea	Shinam-myon, Yesan-gun, Choongnam(O)
South Korea	Ulsan-si, Ulsan(O)
Spain	Almussafes, Valencia(L)
Spain	Barcelona(L)
Spain	Igualada(O)
Spain	Medina de Rioseco, Valladolid(O)
Spain	Pontevedra(O)
Thailand	Amphur Pluakdaeng, Rayong(O)
Thailand	Bangsaothoong, Samutprakam(L)
United Kingdom	Enfield, Middlesex(L)
United Kingdom	Enfield, Middlesex(O)
United Kingdom	Liverpool(L)

Climate

Alabama	Shorter(L)
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Indiana	Connersville(O)
Argentina	General Pacheco, Buenos Aires(O)
Argentina	Quilmes, Buenos Aires(O)
Argentina	Rio Grande, Terra del Fuego(O)
Canada	Belleville, Ontario(O)
China	Chongqing(L)
China	Dalian(O)
China	Nanchang, Jiangxi Province(O)
China	Beijing(L)
France	Charleville, Mezieres Cedex(O)
India	Chennai(L)
India	Bhiwadi(L)
India	Maharashtra(L)
Mexico	Juarez, Chihuahua(O)
Mexico	Juarez, Chihuahua(L)
Portugal	Palmela(O)
Slovakia	Dubnica(L)(M)
South Africa	Port Elizabeth(L)
South Korea	Pyungtaek(O)
South Korea	Namgo, Ulsan(O)
South Korea	Taedok-Gu, Taejon(O)
Thailand	Amphur Pluakdaeng, Rayong(O)
Turkey	Gebze, Kocaeli(L)
United Kingdom	Basildon(O)

Table of Contents**ITEM 2. PROPERTIES (Continued)****Electronics**

Pennsylvania	Lansdale(L)
Brazil	Guarulhos, Sao Paulo(O)
Brazil	Manaus, Amazonas(L)
Czech Republic	Hluk(O)
Czech Republic	Rychvald(O)
France	Valbonne(L)
Hungary	Szekesfehervar(O))
Japan	Higashi, Hiroshima(O)
Mexico	Apodaca, Nuevo Leon(O)
Mexico	Apodaca, Nuevo Leon(O)
Mexico	Chihuahua, Chihuahua(L)
Portugal	Palmela(O)
Spain	Cadiz(O)

Other

Indiana	Bedford(O)
Missouri	Concordia(L)
New York	West Seneca(L)
Ohio	Springfield(L)
Virginia	Chesapeake(L)
Germany	Dueren(O)
Germany	Emden, Niedersachsen(L)
Germany	Glauchau, North Rhine Westfalia(L)
Germany	Wuelfrath(O)
India	Chengalpattu District, Chennai(L)
Mexico	Tamaulipas, Reynosa(L)
Philippines	Santa Rosa, Laguna(L)
Poland	Praszka(O)
United Kingdom	Belfast, Northern Ireland(O)
United Kingdom	Swansea(O)

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

As of December 31, 2006, the Company also owned or leased 37 corporate and sales offices, technical and engineering centers and customer service centers in fifteen countries around the world, 30 of which were leased and 7 were owned. Although the Company believes that its facilities are suitable and adequate, and have sufficient productive capacity to meet its present needs, additional facilities may be needed to meet future needs. The majority of the Company's facilities are operating at normal levels based on respective capacities, with the exception of facilities that are in the process of being closed or restructured.

In addition, the Company's non-consolidated affiliates operate over 40 manufacturing and/or assembly locations, primarily in the Asia-Pacific region.

ITEM 3. LEGAL PROCEEDINGS

Securities and Related Matters

In February 2005, a shareholder lawsuit was filed in the U.S. District Court for the Eastern District of Michigan against the Company and certain current and former officers of the Company. In July 2005, the Public Employees Retirement System of Mississippi was appointed as lead plaintiff in this matter. In September 2005, the lead plaintiff filed an amended complaint, which alleges, among other things, that the Company and its independent registered public accounting firm, PricewaterhouseCoopers LLP, made misleading statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The named plaintiff seeks to represent a class consisting of purchasers of the Company's securities during the period between June 28, 2000 and January 31, 2005. Class action status has not yet been certified in this litigation. On August 31, 2006, the defendants motion to dismiss the amended complaint for failure to state a claim was granted. The plaintiffs have appealed this decision.

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ITEM 3. LEGAL PROCEEDINGS (Continued)

In March 2005, a number of current and former directors and officers were named as defendants in two shareholder derivative suits pending in the State of Michigan Circuit Court for the County of Wayne. As is customary in derivative suits, the Company has been named as a defendant in these actions. As a nominal defendant, the Company is not liable for any damages in these suits nor is any specific relief sought against the Company. The complaints allege that, among other things, the individual defendants breached their fiduciary duties of good faith and loyalty and aided and abetted such breaches during the period between January 23, 2004 and January 31, 2005 in connection with the Company's conduct concerning, among other things, the matters alleged in the securities class action discussed immediately above. The derivative matters have been stayed pending resolution of defendants motion to dismiss the securities matter pending in the Eastern District of Michigan and any related appeal.

In March and April 2005, the Company and a number of current and former employees, officers and directors were named as defendants in three class action lawsuits brought under the Employee Retirement Income Security Act (ERISA) in the U.S. District Court for the Eastern District of Michigan. In September 2005, the plaintiffs filed an amended and consolidated complaint, which generally alleges that the defendants breached their fiduciary duties under ERISA during the class period by, among other things, continuing to offer the Company stock as an investment alternative under the Visteon Investment Plan (and the Visteon Savings Plan for Hourly Employees, together the Plans), failing to disclose complete and accurate information regarding the prudence of investing in the Visteon stock, failing to monitor the actions of certain of the defendants, and failing to avoid conflicts of interest or promptly resolve them. These ERISA claims are predicated upon factual allegations similar to those raised in the derivative and securities class actions described immediately above. The consolidated complaint was brought on behalf of a named plaintiff and a putative class consisting of all participants or beneficiaries of the Plans whose accounts included Visteon stock at any time from July 20, 2001 through May 25, 2005. Class action status has not yet been certified in this litigation. In November 2005, the defendants moved to dismiss the consolidated amended complaint on various grounds. Prior to resolution of the defendants' motion, the parties tentatively agreed to a settlement, which has been preliminarily approved by the judge assigned to this proceeding. The settlement is subject to final approval by the court.

In June 2006, the Company and Ford Motor Company were named as defendants in a purported class action lawsuit brought under ERISA in the United States District Court for the Eastern District of Michigan on behalf of certain former salaried employees of the Company associated with two plants located in Michigan. The complaint alleges that the Company and Ford violated their fiduciary duties under ERISA when they established and spun off the Company and allocated certain pension liabilities between them, and later when they transferred the subject employees to Ford as new hires in 2006 after Ford acquired the plants. In August 2006, the Company and Ford moved to dismiss the complaint for failure to state a claim, which is currently pending.

The Company and its current and former directors and officers intend to contest the foregoing lawsuits vigorously. However, at this time the Company is not able to predict with certainty the final outcome of each of the foregoing lawsuits or its potential exposure with respect to each such lawsuit. In the event of an unfavorable resolution of any of these matters, the Company's financial results and cash flows in one or more periods could be materially affected to the extent any such loss is not covered by insurance or applicable reserves.

Table of Contents**ITEM 3. LEGAL PROCEEDINGS (Continued)***Other Matters*

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

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Reserves have been established by the Company for matters discussed in the immediately foregoing paragraph where losses are deemed probable and reasonably estimable. It is possible, however, that some of the matters discussed in the foregoing paragraph could be decided unfavorably to the Company and could require the Company to pay damages or make other expenditures in amounts, or a range of amounts, that cannot be estimated at December 31, 2006 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.

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

None.

ITEM 4A. EXECUTIVE OFFICERS OF VISTEON

The following table shows information about the executive officers of the Company. All ages are as of February 1, 2007:

Name	Age	Position
Michael F. Johnston	59	Chairman and Chief Executive Officer
Donald J. Stebbins	49	President and Chief Operating Officer
James F. Palmer	57	Executive Vice President and Chief Financial Officer
John Donofrio	45	Senior Vice President and General Counsel
John F. Kill	57	Senior Vice President and President, North America Customer Group and Global Advanced Product Development
Robert Pallash	55	Senior Vice President and President, Asia Customer Group
Dorothy L. Stephenson	57	Senior Vice President, Human Resources
Joel Coque	54	Vice President, Interiors Product Group
Joy M. Greenway	46	Vice President, Climate Product Group
Jonathan K. Maples	49	Vice President, Global Purchasing and Visteon Services
Steve Meszaros	43	Vice President, Electronics Product Group
William G. Quigley III	45	Senior Vice President, Corporate Controller and Chief Accounting Officer

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ITEM 4A. EXECUTIVE OFFICERS OF VISTEON (Continued)

Michael F. Johnston has been Visteon's Chairman of the Board and Chief Executive Officer since June 2005, and a member of the Board of Directors since May 2002. Prior to that, he was Chief Executive Officer and President since July 2004, and President and Chief Operating Officer since joining the Company in September 2000. Before joining Visteon, Mr. Johnston served as President, e-business for Johnson Controls, Inc., and previously as President-North America and Asia of Johnson Control's Automotive Systems Group, and as President of its automotive interior systems and battery operations. Mr. Johnston is also a director of Flowserve Corporation and Whirlpool Corporation.