VISTEON CORP
Form 10-Q
August 02, 2012

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, 2012, or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________
Commission file number 1-15827
VISTEON CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	38-3519512
(State of incorporation)	(I.R.S. employer 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 ü No __
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer ü Accelerated filer __ Non-accelerated filer __ Smaller reporting company __
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No ü
Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ü No__
As of July 27, 2012, the registrant had outstanding 52,684,731 shares of common stock.
Exhibit index located on page number 54.

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, Dollars in Millions Except Per Share Amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Sales	$1,693	$2,046	$3,410	$3,896
Cost of sales	1,565	1,854	3,148	3,561
Gross margin	128	192	262	335
Selling, general and administrative expenses	87	100	178	196
Restructuring and other expenses	11	26	74	28
Operating income	30	66	10	111
Interest expense	10	12	22	27
Interest income	4	5	7	11
Loss on debt extinguishment	—	24	—	24
Equity in net income of non-consolidated affiliates	103	43	145	87
Income from continuing operations before income taxes	127	78	140	158
Provision for income taxes	42	34	69	62
Income from continuing operations	85	44	71	96
(Loss) income from discontinued operations, net of tax	(1)	—	2	4
Net income	84	44	73	100
Net income attributable to non-controlling interests	9	18	27	35
Net income attributable to Visteon Corporation	$75	$26	$46	$65
Basic earnings (loss) per share:				
Continuing operations	$1.43	$0.51	$0.83	$1.20
Discontinued operations	(0.02)	—	0.04	0.08
Basic earnings attributable to Visteon Corporation	$1.41	$0.51	$0.87	$1.28
Diluted earnings (loss) per share:				
Continuing operations	$1.42	$0.50	$0.82	$1.17
Discontinued operations	(0.02)	—	0.04	0.08
Diluted earnings attributable to Visteon Corporation	$1.40	$0.50	$0.86	$1.25
Comprehensive income:				
Comprehensive income	$31	$93	$67	$212
Comprehensive income attributable to Visteon Corporation	$29	$66	$40	$158

See accompanying notes to the consolidated financial statements.

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

	June 30 2012	December 31 2011
ASSETS		
Cash and equivalents	$681	$723
Restricted cash	21	23
Accounts receivable, net	1,166	1,071
Inventories, net	380	381
Other current assets	430	296
Total current assets	2,678	2,494
Property and equipment, net	1,264	1,412
Equity in net assets of non-consolidated affiliates	714	644
Intangible assets, net	328	353
Other non-current assets	60	66
Total assets	$5,044	$4,969
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term debt, including current portion of long-term debt	$94	$87
Accounts payable	1,067	1,010
Accrued employee liabilities	171	189
Other current liabilities	227	267
Total current liabilities	1,559	1,553
Long-term debt	503	512
Employee benefits	408	495
Deferred tax liabilities	199	187
Other non-current liabilities	247	225
Shareholders' equity:		
Preferred stock (par value $0.01, 50 million shares authorized, none outstanding at June 30, 2012 and December 31, 2011)	—	—
Common stock (par value $0.01, 250 million shares authorized, 53 million and 52 million shares issued, 53 million and 52 million shares outstanding at June 30, 2012 and December 31, 2011, respectively)	1	1
Stock warrants	13	13
Additional paid-in capital	1,250	1,165
Retained earnings	212	166
Accumulated other comprehensive loss	(31)	(25)
Treasury stock	(12)	(13)
Total Visteon Corporation shareholders' equity	1,433	1,307
Non-controlling interests	695	690
Total shareholders' equity	2,128	1,997
Total liabilities and shareholders' equity	$5,044	$4,969

See accompanying notes to the consolidated financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, Dollars in Millions)

	Six Months Ended June 30	
	2012	2011
Operating Activities		
Net income	$73	$100
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	132	162
Equity in net income of non-consolidated affiliates, net of dividends remitted	(134)	(83)
Loss on debt extinguishment	—	24
Other non-cash items	42	16
Changes in assets and liabilities:		
Accounts receivable	(91)	(195)
Inventories	(32)	(40)
Accounts payable	64	79
Other assets and other liabilities	(47)	(43)
Net cash provided from operating activities	7	20
Investing Activities		
Capital expenditures	(102)	(126)
Proceeds from asset sales	80	10
Other	(2)	(5)
Net cash used by investing activities	(24)	(121)
Financing Activities		
Short-term debt, net	4	9
Proceeds from issuance of debt, net of issuance costs	2	502
Principal payments on debt	(4)	(506)
Cash restriction, net	—	52
Rights offering fees	—	(33)
Dividends to non-controlling interests	(22)	(24)
Net cash used by financing activities	(20)	—
Effect of exchange rate changes on cash and equivalents	(5)	35
Net decrease in cash and equivalents	(42)	(66)
Cash and equivalents at beginning of period	723	905
Cash and equivalents at end of period	$681	$839

See accompanying notes to the consolidated financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Basis of Presentation

Description of Business: Visteon Corporation (the “Company” or “Visteon”) is a 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 26,000 employees and a network of manufacturing operations, technical centers and joint ventures in every major geographic region of the world.

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.

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

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

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and all subsidiaries that are more than 50% owned and over which the Company exercises control. Investments in affiliates of greater than 20% and for which the Company exercises significant influence but does not exercise control are accounted for using the equity method.

Revenue Recognition: The Company records revenue when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price is fixed or determinable and collectibility is reasonably assured. The Company ships product and records revenue pursuant to commercial agreements with its customers generally in the form of an approved purchase order, including the effects of contractual customer price productivity. The Company does negotiate discrete price changes with its customers, which are generally the result of unique commercial issues between the Company and its customers. 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.

Reorganization under Chapter 11 of the U.S. Bankruptcy Code: On May 28, 2009, 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”) in response to sudden and severe declines in global automotive production during the latter part of 2008 and early 2009 and the resulting adverse impact on the Company’s cash flows and liquidity. On August 31, 2010, the Court entered an order confirming the Debtors’ joint plan of reorganization. On October 1, 2010 (the “Effective Date”), all conditions precedent to the effectiveness of the Plan and related documents were satisfied or waived and the Company

emerged from bankruptcy. The Company adopted fresh-start accounting upon emergence from the Chapter 11 Proceedings and became a new entity for financial reporting purposes as of the Effective Date.

Restricted Cash: Restricted cash represents amounts designated for uses other than current operations and includes $11 million of collateral for the Letter of Credit Facility with US Bank National Association, and $10 million related to cash collateral for other corporate purposes at June 30, 2012.

New Accounting Pronouncements: In June 2011, the Financial Accounting Standards Board issued guidance amending comprehensive income disclosures retrospectively, for fiscal years, and interim reporting periods within those years, beginning after December 15, 2011. This guidance requires disclosures of all non-owner changes (components of comprehensive income) in stockholders' equity to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company adopted these new disclosure requirements with effect from January 1, 2012.

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NOTE 2. Discontinued Operations

In March 2012, the Company entered into an agreement for the sale of assets and liabilities associated with the Company's Lighting operations to Varroccorp Holding BV and Varroc Engineering Pvt. Ltd. (together, "Varroc Group") for proceeds of approximately $92 million, including $20 million related to the Company's 50% equity interest in Visteon TYC Corporation ("VTYC") (collectively the "Lighting Transaction"). On August 1, 2012, the Company completed the Lighting Transaction, excluding the Company's investment in VTYC, for proceeds of approximately $72 million, subject to purchase price adjustments. The Company's Lighting operations manufacture front and rear lighting systems, auxiliary lamps and key subcomponents such as projectors and electronic modules through facilities located in Novy Jicin and Rychvald, Czech Republic, Monterrey, Mexico and Pune, India. The Company's Lighting business recorded sales for the year ended December 31, 2011 of $531 million.

The Company determined that assets and liabilities subject to the Lighting Transaction, excluding the Company's investment in VTYC, met the "held for sale" criteria during the quarterly period ended March 31, 2012. The held for sale Lighting assets and liabilities were revalued to the lower of carrying amount or fair value less cost to sell, which resulted in asset impairment charges of approximately $11 million and $13 million for the three-month and six-month periods ended June 30, 2012, respectively. Additionally, the held for sale Lighting assets and liabilities were reclassified in the Consolidated Balance Sheets to "Other current assets" or "Other current liabilities," respectively, as the sale of such assets and liabilities closed during the third quarter of 2012.

Assets and liabilities held for sale are summarized as follows:

Assets	June 30 2012	Liabilities	June 30 2012
	(Dollars in Millions)		(Dollars in Millions)
Property and equipment, net	$35	Employee liabilities	$4
Inventories, net	30	Capital lease obligations	3
Definite-lived intangibles, net	5	Other liabilities	1
Other assets	6		$8
	$76		

Further, because the Lighting operations represent a component of the Company's business, the results of operations of the Lighting business have been reclassified to "Income from discontinued operations, net of tax" in the Consolidated Statements of Comprehensive Income for the three-month and six-month periods ended June 30, 2012 and 2011.

Discontinued operations are summarized as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(Dollars in Millions)			
Sales	$126	$132	$265	$255
Cost of sales	113	127	236	244
Gross margin	13	5	29	11
Selling, general and administrative expenses	3	4	6	6
Asset impairments	11	—	13	—
Other expenses	1	—	3	—
Operating (loss) income	(2)	1	7	5
Interest expense	1	1	1	1
	(3)	—	6	4

(Loss) income from discontinued operations before income taxes					
(Benefit) provision for income taxes	(2	)	—	4	—
Net (loss) income from discontinued operations attributable to Visteon Corporation	$(1	)	$—	$2	$4

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Note 3. Restructuring and Other Expenses

Restructuring and other expenses consist of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(Dollars in Millions)			
Restructuring expenses	$1	$19	$42	$17
Loss on asset contribution	—	—	14	—
Transformation costs	10	2	18	3
Bankruptcy related costs	—	5	—	8
	$11	$26	$74	$28

Restructuring Activities

The Company has undertaken various restructuring activities to achieve its strategic and financial objectives. Restructuring activities include, but are not limited to, plant closures, production relocation, administrative cost structure realignment and consolidation of available capacity and resources. The Company expects to finance restructuring programs through cash on hand, cash generated from its ongoing operations, reimbursements pursuant to customer accommodation and support agreements or through cash available under its existing debt agreements, subject to the terms of applicable covenants. Restructuring costs are recorded as elements of a plan are finalized and the timing of activities and the amount of related costs are not likely to change. However, such costs are estimated based on information available at the time such charges are recorded. In general, management anticipates that restructuring activities will be completed within a time frame such that significant changes to the plan are not likely. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially estimated.

Given the economically-sensitive and highly competitive nature of the automotive industry, the Company continues to closely monitor current market factors and industry trends taking action as necessary, including but not limited to, additional restructuring actions. However, there can be no assurance that any such actions will be sufficient to fully offset the impact of adverse factors on the Company or its results of operations, financial position and cash flows.

Restructuring reserves of $9 million and $26 million at June 30, 2012 and December 31, 2011, respectively, are classified as other current liabilities on the consolidated balance sheets. The Company anticipates that the activities associated with these reserves will be substantially completed by the end of 2012. The following is a summary of the Company's consolidated restructuring reserves and related activity for the six months ended June 30, 2012.

	Electronics	Interiors	Climate	Total
	(Dollars in Millions)			
December 31, 2011	$19	$6	$1	$26
Expenses	36	4	1	41
Utilization	(49)	(3)	(1)	(53)
March 31, 2012	6	7	1	14
Expenses	—	—	1	1
Utilization	(5)	—	(1)	(6)
June 30, 2012	$1	$7	$1	$9

During the first quarter of 2012, the Company recorded $41 million of restructuring expenses, including $36 million in connection with the previously announced closure of the Company's Cadiz Electronics operation in El Puerto de Santa Maria, Spain. In January 2012 the Company reached agreements with the local unions and Spanish government

for the closure of its Cadiz operation, which were subsequently ratified by the employees in February 2012. Pursuant to the agreements, the Company agreed to pay one-time termination benefits, in excess of the statutory minimum requirement, of approximately $31 million. Additionally, the Company agreed to transfer land, building and machinery with a net book value of approximately $14 million for the benefit of the employees. The Company also recorded $5 million of other exit costs related to the Cadiz exit including amounts payable to the Spanish

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government in connection with the asset contribution. Utilization during the three months ended March 31, 2012 includes $48 million of payments to former Cadiz employees for employee severance and termination benefits. Payment of $4 million to the Spanish government in connection with the asset contribution was included in utilization for the three months ended June 30, 2012. The Company recovered approximately $19 million of such costs during the first half of 2012 pursuant to the Release Agreement with Ford for an aggregate recovery of $23 million when considering the $4 million received during 2011. Amounts recovered have been recorded as deferred revenue on the Company's consolidated balance sheet as further described in Note 9, "Other Liabilities".

During the second quarter of 2011, the Company recorded approximately $21 million for severance and termination benefits representing the minimum amount of employee separation costs pursuant to statutory regulations related to the closure of its Cadiz Electronics operation. Additionally, the Company reversed approximately $2 million of previously recorded restructuring accruals due to lower than estimated severance and termination benefit costs associated with the consolidation of the Company's Electronics operations in South America.

During the first quarter of 2011, the Company recorded approximately $4 million for employee severance and termination benefits associated with previously announced actions at two European Interiors facilities. The Company also reversed approximately $6 million of previously established accruals for employee severance and termination benefits at a European Interiors facility pursuant to a March 2011 contractual agreement to cancel the related social plan.

Business Transformation Activities

Business transformation costs of $10 million and $18 million incurred during the three-month and six-month periods ended June 30, 2012, respectively, relate principally to financial and advisory fees associated with the Company's continued efforts to transform its business portfolio and to rationalize its cost structure including, among other things, the investigation of potential transactions for the sale, merger or other combination of certain businesses.

The Company recorded bankruptcy-related costs of $5 million and $8 million during the three-month and six-month periods ended June 30, 2011, which were the result of amounts directly associated with the bankruptcy claims settlement process under Chapter 11.

NOTE 4. 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 2012	December 31 2011
	(Dollars in Millions)	
Raw materials	$142	$167
Work-in-process	182	174
Finished products	79	64
	403	405
Valuation reserves	(23)	(24)
	$380	$381

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NOTE 5. Other Assets

Other current assets are summarized as follows:

	June 30 2012	December 31 2011
	(Dollars in Millions)	
Recoverable taxes	$111	$99
Assets held for sale	76	—
Pledged accounts receivable	67	82
Dividends receivable	60	—
Deposits	30	32
Non-consolidated affiliates receivable	29	32
Deferred tax assets	24	30
Prepaid assets	24	17
Foreign currency hedges	8	—
Other	1	4
	$430	$296

Other non-current assets are summarized as follows:

	June 30 2012	December 31 2011
	(Dollars in Millions)	
Deferred tax assets	$17	$18
Income tax receivable	10	11
Debt issuance costs	7	8
Deposits	6	7
Notes receivable	4	6
Other	16	16
	$60	$66

NOTE 6. Property and Equipment

Property and equipment, net consists of the following:

	June 30 2012	December 31 2011
	(Dollars in Millions)	
Land	$153	$184
Buildings and improvements	258	311
Machinery, equipment and other	1,031	985
Construction in progress	76	106
Total property and equipment	1,518	1,586
Accumulated depreciation	(334)	(254)
	1,184	1,332
Product tooling, net of amortization	80	80
Property and equipment, net	$1,264	$1,412

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Property and equipment is depreciated principally using the straight-line method of depreciation over an estimated useful life. Generally, buildings and improvements are depreciated over a 40-year estimated useful life and machinery, equipment and other assets are depreciated over estimated useful lives ranging from 3 to 15 years. Product tooling is amortized using the straight-line method over the estimated life of the tool, generally not exceeding 6 years.

Depreciation and amortization expenses are summarized as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(Dollars in Millions)			
Depreciation	$54	$70	$107	$131
Amortization	3	4	5	9
	$57	$74	$112	$140

On April 17, 2012, the Company sold its corporate headquarters, which had a net book value of approximately $60 million, for proceeds of approximately $80 million. In connection with the sale, the Company entered into an agreement to lease back the corporate offices over a period of 15 years. The resulting gain on the sale of $20 million is being recognized into income over the lease term on a straight-line basis.

NOTE 7. Non-Consolidated Affiliates

The Company recorded equity in net income of non-consolidated affiliates of $103 million and $43 million for the three-month periods ended June 30, 2012 and 2011, respectively. For the six-month periods ended June 30, 2012 and 2011, the Company recorded $145 million and $87 million, respectively. Equity in the net income of non-consolidated affiliates for the three-month and six-month periods ended June 30, 2012 includes $63 million representing Visteon's equity interest in a non-cash gain recorded by Yanfeng Visteon Automotive Trim Systems Co., Ltd (“Yanfeng”), a 50% owned non-consolidated affiliate of the Company, during the second quarter 2012. The gain resulted from the excess of fair value over carrying value of a former equity investee of Yanfeng that was consolidated effective June 1, 2012 pursuant to changes in the underlying joint venture agreement. The amounts recorded by Yanfeng are based on preliminary estimates of enterprise value, which remain subject to finalization. Final determination of the values may result in adjustments to the amount of the gain reported herein. The Company had $714 million and $644 million of equity in the net assets of non-consolidated affiliates at June 30, 2012 and December 31, 2011, respectively.

The following table presents summarized financial data for the Company’s non-consolidated affiliates, including Yanfeng, of which the Company owns a 50% interest and which 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.

	Three Months Ended June 30					
	Net Sales		Gross Margin		Net Income	
	2012	2011	2012	2011	2012	2011
	(Dollars in Millions)					
Yanfeng	$991	$739	$178	$128	$185	$63
All other	467	205	52	37	27	22
	$1,458	$944	$230	$165	$212	$85

	Six Months Ended June 30					
	Net Sales		Gross Margin		Net Income	
	2012	2011	2012	2011	2012	2011
	(Dollars in Millions)					
Yanfeng	$1,784	$1,459	$300	$237	$257	$132

All other	880	392	94	70	44	41
	$2,664	$1,851	$394	$307	$301	$173

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Yanfeng sales and gross margin for the three and six months ended June 30, 2012 include approximately $200 million and $40 million, respectively, related to June 2012 activity of a former equity investee that was consolidated effective June 1, 2012. Yanfeng net income for the three and six months ended June 30, 2012 includes approximately $130 million associated with a non-cash gain on the consolidation of a former equity investee. Net sales for all other non-consolidated affiliates for the three and six months ended June 30, 2012 included $215 million and $408 million, respectively, related to Duckyang. The Company commenced equity method accounting for Duckyang from October 2011 following the sale of a controlling ownership interest and deconsolidation from the Company's financial statements.

On August 1, 2012 Visteon agreed to sell its 50% equity share of R-Tek Ltd., a UK-based Interiors joint venture, for proceeds of approximately $30 million.

The Company monitors its investments in the net assets of non-consolidated affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If the Company determines that such a decline has occurred, an impairment loss is recorded, which is measured as the difference between carrying value and fair value.

NOTE 8. Intangible Assets

Intangible assets, net are comprised of the following:

	June 30, 2012			December 31, 2011		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	(Dollars in Millions)					
Definite-lived intangible assets						
Developed technology	$198	$45	$153	$204	$32	$172
Customer related	119	22	97	119	16	103
Other	21	4	17	20	3	17
	$338	$71	$267	$343	$51	$292
Goodwill and indefinite-lived intangible assets						
Goodwill			$36			$36
Trade names			25			25
			$61			$61

The Company recorded approximately $10 million and $20 million of amortization expense related to definite-lived intangible assets for the three-month and six-month periods ended June 30, 2012, respectively. The Company recorded approximately $11 million and $22 million of amortization expense related to definite-lived intangible assets for the three-month and six-month periods ended June 30, 2011, respectively. The Company currently estimates annual amortization expense to be $40 million for 2012 through 2014, $39 million for 2015 and $38 million for 2016. Goodwill and trade names, substantially all of which relate to the Company's Climate reporting unit, are not amortized but are tested for impairment at least annually. Impairment testing is required more often if an event or circumstance indicates that an impairment is more likely than not to have occurred. In conducting goodwill impairment testing, the fair value of the reporting unit is compared to the net book value of the reporting unit. If the net book value exceeds the fair value, an impairment loss is measured and recognized. The Company conducts its annual impairment testing as of the first day of the fourth quarter.

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NOTE 9. Other Liabilities

Other current liabilities are summarized as follows:

	June 30 2012	December 31 2011
	(Dollars in Millions)	
Product warranty and recall reserves	$40	$42
Deferred income	37	21
Non-income taxes payable	34	41
Payables to non-consolidated affiliates	21	24
Income taxes payable	18	29
Restructuring reserves	9	26
Liabilities held for sale	8	—
Accrued legal reserves	8	8
Accrued interest payable	7	7
Claims settlement accruals	3	9
Foreign currency hedges	1	16
Other accrued liabilities	41	44
	$227	$267

Other non-current liabilities are summarized as follows:

	June 30 2012	December 31 2011
	(Dollars in Millions)	
Income tax reserves	$101	$97
Deferred income	66	42
Non-income taxes payable	41	41
Product warranty and recall reserves	24	24
Legal and environmental reserves	9	11
Other accrued liabilities	6	10
	$247	$225

Current and non-current deferred income at June 30, 2012 of $17 million and $40 million, respectively, relate to various customer accommodation, support and other agreements. Revenue associated with these agreements is being recorded in relation to the delivery of associated products 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 recorded $5 million and $10 million of revenue associated with these payments during the three-month and six-month periods ended June 30, 2012. The Company expects to record approximately $10 million, $15 million, $14 million, $9 million and $9 million of deferred amounts in the remainder of 2012 and the annual periods of 2013, 2014, 2015 and 2016, respectively.

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NOTE 10. Debt

As of June 30, 2012, the Company had $94 million and $503 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	December 31
	2012	2011
	(Dollars in Millions)	
Short-term debt		
Current portion of long-term debt	$5	$1
Other – short-term	89	86
Total short-term debt	94	87
Long-term debt		
6.75% senior notes due April 15, 2019	495	494
Other	8	18
Total long-term debt	503	512
Total debt	$597	$599

As of June 30, 2012, the Company's revolving loan credit agreement has a borrowing capacity of $212 million. As of June 30, 2012, there were no amounts outstanding under the revolving loan credit agreement. On April 3, 2012, the Company entered into an amendment to the revolving loan credit agreement to allow for the potential sale of the Lighting assets as well as the sale and leaseback of the Company's U.S. corporate headquarters. On July 3, 2012, the Company entered into an amendment to the revolving loan credit agreement, to among other things, reduce the aggregate lending commitment to $175 million and modify certain restrictive covenants to permit certain asset dispositions, hedging and similar arrangements and the incurrence of limited categories of indebtedness.

In connection with the Company's $15 million Letter of Credit ("LOC") Facility with US Bank National Association, the Company must continue to maintain a collateral account equal to 103% of the aggregated stated amount of the LOCs with reimbursement of any draws. As of June 30, 2012 and December 31, 2011, the Company had $11 million of outstanding letters of credit issued under this facility and secured by restricted cash. In addition, the Company had $13 million of locally issued letters of credit to support various customs arrangements and other obligations at its local affiliates of which $6 million are securitized by cash collateral as of June 30, 2012.

As of June 30, 2012, the Company had affiliate debt outstanding of $101 million, with $93 million and $8 million classified in short-term and long-term debt, respectively. These balances are primarily related to the Company’s non-U.S. operations and are payable in non-U.S. currencies including, but not limited to the Euro, Chinese Yuan, and Korean Won. Remaining availability on outstanding affiliate credit facilities is approximately $216 million and certain of these facilities have pledged receivables, inventory or equipment as security. Included in the Company's affiliate debt is an arrangement, through a subsidiary in France, to sell accounts receivable on an uncommitted basis. The amount of financing available is contingent upon the amount of receivables less certain reserves. The Company pays a 30 basis point servicing fee on all receivables sold, as well as a financing fee of 3-month Euribor plus 75 basis point on the advanced portion. At June 30, 2012, there was $25 million of outstanding borrowings under the facility with $67 million of receivables pledged as security, which are recorded as Other current assets on the consolidated balance sheet.

The fair value of debt was approximately $587 million at both June 30, 2012 and December 31, 2011, respectively. Fair value estimates were based on quoted market prices or current rates for the same or similar issues, or on the

current rates offered to the Company for debt of the same remaining maturities.

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NOTE 11. Employee Retirement Benefits

Benefit Expenses

The components of the Company's net periodic benefit costs for the three-month periods ended June 30, 2012 and 2011 were as follows:

	Retirement Plans				Health Care and Life	
	U.S. Plans		Non-U.S. Plans		Insurance Benefits	
	2012	2011	2012	2011	2012	2011
	(Dollars in Millions)					
Costs recognized in income						
Service cost	$—	$1	$2	$2	$—	$—
Interest cost	18	18	7	7	—	—
Expected return on plan assets	(20)	(18)	(5)	(5)	—	—
Reinstatement (termination) of benefits	—	—	—	—	—	(2)
Visteon sponsored plan net pension (income) expense	$(2)	$1	$4	$4	$—	$(2)

The components of the Company's net periodic benefit costs for the six-month periods ended June 30, 2012 and 2011 were as follows:

	Retirement Plans				Health Care and Life	
	U.S. Plans		Non-U.S. Plans		Insurance Benefits	
	2012	2011	2012	2011	2012	2011
	(Dollars in Millions)					
Costs recognized in income						
Service cost	$—	$2	$3	$3	$—	$—
Interest cost	35	37	14	14	—	—
Expected return on plan assets	(39)	(37)	(9)	(9)	—	—
Reinstatement (termination) of benefits	—					