

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

OR

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

For the transition period from _____ to _____

Commission file number 001-15827

VISTEON CORPORATION

(Exact name of registrant as specified in its charter)

State of Delaware

(State or other jurisdiction of incorporation or organization)

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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$.01 Per Share	VC	The NASDAQ Stock Market LLC

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

Indicate by check mark whether the registrant: has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

As of October 17, 2019, the registrant had outstanding 27,965,336 shares of common stock.

Exhibit index located on page number 44.

Visteon Corporation and Subsidiaries

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Part I
Financial Information

Item 1. Consolidated Financial Statements

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Sales	\$ 731	\$ 681	\$ 2,201	\$ 2,253
Cost of sales	(647)	(599)	(1,981)	(1,938)
Gross margin	84	82	220	315
Selling, general and administrative expenses	(52)	(40)	(167)	(139)
Restructuring expense, net	(1)	(18)	(2)	(28)
Interest expense	(4)	(4)	(10)	(11)
Interest income	1	2	3	5
Equity in net income of non-consolidated affiliates	1	3	7	10
Other income, net	2	7	7	17
Income before income taxes	31	32	58	169
Provision for income taxes	(13)	(9)	(16)	(42)
Net income from continuing operations	18	23	42	127
Income from discontinued operations, net of tax	—	1	—	2
Net income	18	24	42	129
Net income attributable to non-controlling interests	(4)	(3)	(7)	(8)
Net income attributable to Visteon Corporation	\$ 14	\$ 21	\$ 35	\$ 121
Comprehensive income (loss)	\$ (4)	\$ 8	\$ 21	\$ 91
Comprehensive income (loss) attributable to Visteon Corporation	\$ (5)	\$ 8	\$ 17	\$ 87
Basic earnings per share:				
Continuing operations	\$ 0.50	\$ 0.68	\$ 1.25	\$ 3.99
Discontinued operations	—	0.03	—	0.07
Basic earnings per share attributable to Visteon Corporation	\$ 0.50	\$ 0.71	\$ 1.25	\$ 4.06
Diluted earnings per share:				
Continuing operations	\$ 0.50	\$ 0.68	\$ 1.24	\$ 3.95
Discontinued operations	—	0.03	—	0.07
Diluted earnings per share attributable to Visteon Corporation	\$ 0.50	\$ 0.71	\$ 1.24	\$ 4.02

See accompanying notes to the consolidated financial statements.

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

	<i>(Unaudited)</i> September 30 2019	December 31 2018
ASSETS		
Cash and equivalents	\$ 443	\$ 463
Restricted cash	3	4
Accounts receivable, net	457	486
Inventories, net	192	184
Other current assets	192	159
Total current assets	1,287	1,296
Property and equipment, net	410	397
Intangible assets, net	124	129
Right to use assets, net	156	—
Investments in non-consolidated affiliates	48	42
Other non-current assets	139	143
Total assets	\$ 2,164	\$ 2,007
LIABILITIES AND EQUITY		
Short-term debt	\$ 47	\$ 57
Accounts payable	464	436
Accrued employee liabilities	73	67
Current lease liabilities	28	—
Other current liabilities	150	161
Total current liabilities	762	721
Long-term debt	348	348
Employee benefits	247	257
Non-current lease liabilities	132	—
Deferred tax liabilities	27	23
Other non-current liabilities	64	76
Stockholders' equity:		
Preferred stock (par value \$0.01, 50 million shares authorized, none outstanding as of September 30, 2019 and December 31, 2018)	—	—
Common stock (par value \$0.01, 250 million shares authorized, 55 million shares issued, 28 million shares outstanding as of September 30, 2019 and December 31, 2018)	1	1
Additional paid-in capital	1,340	1,335
Retained earnings	1,644	1,609
Accumulated other comprehensive loss	(234)	(216)
Treasury stock	(2,277)	(2,264)
Total Visteon Corporation stockholders' equity	474	465
Non-controlling interests	110	117
Total equity	584	582
Total liabilities and equity	\$ 2,164	\$ 2,007

See accompanying notes to the consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS¹
(Dollars in Millions)
(Unaudited)

	Nine Months Ended September 30	
	2019	2018
Operating Activities		
Net income	\$ 42	\$ 129
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	74	67
Non-cash stock-based compensation	14	4
Equity in net income of non-consolidated affiliates, net of dividends remitted	(7)	(10)
Gains on transactions	—	(8)
Other non-cash items	5	2
Changes in assets and liabilities:		
Accounts receivable	17	82
Inventories	(13)	(38)
Accounts payable	49	(17)
Other assets and other liabilities	(63)	(104)
Net cash provided from operating activities	118	107
Investing Activities		
Capital expenditures, including intangibles	(109)	(96)
Loan repayments from non-consolidated affiliates	11	—
Acquisition of business, net of cash acquired	—	16
Other	2	13
Net cash used by investing activities	(96)	(67)
Financing Activities		
Repurchase of common stock	(20)	(250)
Short-term debt, net	(8)	(13)
Dividends paid to non-controlling interests	(7)	(12)
Distribution payments	—	(14)
Stock compensation tax withholding payments	—	(7)
Other	—	2
Net cash used by financing activities	(35)	(294)
Effect of exchange rate changes on cash	(8)	(13)
Net decrease in cash	(21)	(267)
Cash and restricted cash at beginning of the period	467	709
Cash and restricted cash at end of the period	\$ 446	\$ 442

¹The Company has combined cash flows from discontinued and continuing operations within the operating and financing categories.

See accompanying notes to the consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Dollars in Millions)
(Unaudited)

Total Visteon Corporation Stockholders' Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Visteon Corporation Stockholders' Equity	Non-Controlling Interests	Total Equity
December 31, 2018	\$ 1	\$ 1,335	\$ 1,609	\$ (216)	\$ (2,264)	\$ 465	\$ 117	\$ 582
Net income	—	—	14	—	—	14	2	16
Other comprehensive income	—	—	—	4	—	4	1	5
Stock-based compensation, net	—	(5)	—	—	7	2	—	2
Acquisition of non-controlling interest	—	2	—	—	—	2	(2)	—
March 31, 2019	\$ 1	\$ 1,332	\$ 1,623	\$ (212)	\$ (2,257)	\$ 487	\$ 118	\$ 605
Net income	—	—	7	—	—	7	1	8
Other comprehensive loss	—	—	—	(3)	—	(3)	(1)	(4)
Stock-based compensation, net	—	6	—	—	—	6	—	6
Repurchase of shares of common stock	—	—	—	—	(20)	(20)	—	(20)
Dividends payable	—	—	—	—	—	—	(2)	(2)
June 30, 2019	\$ 1	\$ 1,338	\$ 1,630	\$ (215)	\$ (2,277)	\$ 477	\$ 116	\$ 593
Net income	—	—	14	—	—	14	4	18
Other comprehensive loss	—	—	—	(19)	—	(19)	(3)	(22)
Stock-based compensation, net	—	2	—	—	—	2	—	2
Cash dividends	—	—	—	—	—	—	(7)	(7)
September 30, 2019	\$ 1	\$ 1,340	\$ 1,644	\$ (234)	\$ (2,277)	\$ 474	\$ 110	\$ 584

Total Visteon Corporation Stockholders' Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Visteon Corporation Stockholders' Equity	Non-Controlling Interests	Total Equity
December 31, 2017	\$ 1	\$ 1,339	\$ 1,445	\$ (174)	\$ (1,974)	\$ 637	\$ 124	\$ 761
Net income	—	—	65	—	—	65	4	69
Other comprehensive income	—	—	—	17	—	17	6	23
Stock-based compensation, net	—	(18)	—	—	5	(13)	—	(13)
Repurchase of shares of common stock	—	(30)	—	—	(170)	(200)	—	(200)
Dividends payable	—	—	—	—	—	—	(25)	(25)
March 31, 2018	\$ 1	\$ 1,291	\$ 1,510	\$ (157)	\$ (2,139)	\$ 506	\$ 109	\$ 615
Net income	—	—	35	—	—	35	1	36
Other comprehensive loss	—	—	—	(38)	—	(38)	(7)	(45)
Stock-based compensation, net	—	11	—	—	2	13	—	13
Dividends payable	—	—	—	—	—	—	(3)	(3)
June 30, 2018	\$ 1	\$ 1,302	\$ 1,545	\$ (195)	\$ (2,137)	\$ 516	\$ 100	\$ 616
Net income	—	—	21	—	—	21	3	24
Other comprehensive loss	—	—	—	(13)	—	(13)	(3)	(16)
Stock-based compensation, net	—	(1)	—	—	3	2	—	2
Repurchase of shares of common stock	—	30	—	—	(80)	(50)	—	(50)
Business acquisition	—	—	—	—	—	—	15	15
September 30, 2018	\$ 1	\$ 1,331	\$ 1,566	\$ (208)	\$ (2,214)	\$ 476	\$ 115	\$ 591

See accompanying notes to the consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies

The unaudited consolidated financial statements of Visteon Corporation (the "Company" or "Visteon") 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 ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. These interim consolidated financial statements include all adjustments (consisting of normal recurring adjustments, except as otherwise disclosed) that management believes are necessary for a fair presentation of the results of operations, financial position and cash flows of the Company for the interim periods presented. Interim results are not necessarily indicative of full-year results.

Other Income, Net:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(Dollars in Millions)			
Pension financing benefits, net	\$ 2	\$ 3	\$ 7	\$ 9
Transformation initiatives	—	—	—	4
Gain on non-consolidated affiliate transactions, net	—	4	—	4
	\$ 2	\$ 7	\$ 7	\$ 17

Pension financing benefits, net include return on assets net of interest costs and other amortization.

Transformation initiatives for the nine months ended September 30, 2018 include a \$4 million benefit on settlement of litigation matters with the Company's former President and Chief Executive Officer ("former CEO") as further described in Note 19, "Commitments and Contingencies."

On September 1, 2018, Visteon acquired an additional 1% ownership interest in Changchun Visteon FAWAY Auto Electronics Co., Ltd. ("VFAE" or the "VFAE acquisition"), a former non-consolidated affiliate, resulting in a total 51% controlling interest and a non-cash gain of \$4 million as further described in Note 17, "Acquisitions."

Recently Adopted Accounting Pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Subtopic 842)." The standard increases the transparency and comparability of organizations by recognizing right-of-use ("ROU") assets and lease liabilities on the consolidated balance sheets and disclosing key quantitative and qualitative information about leasing arrangements. In transition, the standard provides for certain practical expedients. Management elected certain practical expedients including the election not to reassess existing or expired contracts to determine if such contracts contain a lease or if the lease classification would differ, as well as the election not to separate lease and non-lease components for arrangements where the Company is a lessee.

The Company adopted the standard January 1, 2019, by applying the modified retrospective method without restatement of comparative periods' financial information, as permitted by the transition guidance. The standard had a material impact on the Company's consolidated balance sheets, but did not have an impact on its consolidated results of operations and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the Company's accounting for finance leases remained substantially unchanged. Adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of approximately \$172 million and \$176 million, respectively, as of January 1, 2019. For additional information, refer to Note 10, "Leases."

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220)." This standard provides an option to reclassify stranded tax effects within accumulated other comprehensive income (loss) to retained earnings due to the U.S. federal corporate income tax rate change in the Tax Cuts and Jobs Act of 2017 (the "Act"). The Company adopted the standard January 1, 2019 and elected to reclassify stranded amounts related to the Act from accumulated other comprehensive income (loss) to retained earnings. However, due to the U.S. valuation allowance, there were no stranded tax

effects within accumulated other comprehensive income (loss) as of the enactment date, and thus, no amount to reclassify to retained earnings.

Accounting Pronouncements Not Yet Adopted:

In June 2016, the FASB issued ASU 2016-13, "Credit Losses - Measurement of Credit Losses on Financial Instruments." The guidance requires that for most financial assets, losses be based on an expected loss approach which includes estimates of losses over the life of exposure that considers historical, current and forecasted information. Expanded disclosures related to the methods used to estimate the losses as well as a specific disaggregation of balances for financial assets are also required. The change is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company does not expect application of this accounting standards update to have a material impact on its consolidated financial statements.

NOTE 2. Revenue Recognition

Disaggregated revenue by geographical market and product lines is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(Dollars in Millions)				
Geographical Markets				
Europe	\$ 221	\$ 223	\$ 726	\$ 759
Americas	201	180	597	611
China Domestic	143	90	372	281
China Export	70	77	204	239
Other Asia-Pacific	141	155	440	508
Eliminations	(45)	(44)	(138)	(145)
	<u>\$ 731</u>	<u>\$ 681</u>	<u>\$ 2,201</u>	<u>\$ 2,253</u>

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(Dollars in Millions)				
Product Lines				
Instrument clusters	\$ 322	\$ 275	\$ 959	\$ 908
Audio and infotainment	182	176	562	578
Information displays	120	116	365	382
Body and security	27	25	91	86
Climate controls	18	27	59	98
Telematics	29	17	51	51
Other	33	45	114	150
	<u>\$ 731</u>	<u>\$ 681</u>	<u>\$ 2,201</u>	<u>\$ 2,253</u>

During the three and nine months ended September 30, 2019 and 2018, the Company recognized approximately \$8 million and \$19 million and \$10 million and \$22 million net increases in transaction price related to performance obligations satisfied in previous periods, respectively. The Company has no material contract assets, contract liabilities or capitalized contract acquisition costs as of September 30, 2019.

NOTE 3. Segment Information

Financial results for the Company's reportable segment have been prepared using a management approach, which is consistent with the basis and manner in which financial information is evaluated by the Company's chief operating decision maker in allocating resources and in assessing performance. The Company's chief operating decision maker, the Chief Executive Officer, evaluates the performance of the Company's segment primarily based on net sales, before elimination of inter-company shipments, Adjusted EBITDA (a non-GAAP financial measure, as defined below) and operating assets. As the Company has one reportable segment, net sales, total assets, depreciation, amortization and capital expenditures are equal to consolidated results.

The Company's current reportable segment is Electronics, which provides vehicle cockpit electronics products to customers, including instrument clusters, information displays, infotainment systems, audio systems, telematics solutions and head-up displays.

Adjusted EBITDA

The Company defines Adjusted EBITDA as net income attributable to the Company adjusted to eliminate the impact of depreciation and amortization, restructuring expense, net interest expense, equity in net income of non-consolidated affiliates, gain and loss on divestiture, provision for income taxes, discontinued operations, net income attributable to non-controlling interests, non-cash stock-based compensation expense, and other gains and losses not reflective of the Company's ongoing operations.

Adjusted EBITDA is presented as a supplemental measure of the Company's financial performance that management believes is useful to investors because the excluded items may vary significantly in timing or amounts and/or may obscure trends useful in evaluating and comparing the Company's operating activities across reporting periods. Not all companies use identical calculations and, accordingly, the Company's presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. Adjusted EBITDA is not a recognized term under GAAP and does not purport to be a substitute for net income as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has limitations as an analytical tool and is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. In addition, the Company uses Adjusted EBITDA (i) as a factor in incentive compensation decisions, (ii) to evaluate the effectiveness of the Company's business strategies and (iii) the Company's credit agreements use measures similar to Adjusted EBITDA to measure compliance with certain covenants.

The reconciliation of net income attributable to Visteon to Adjusted EBITDA is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(Dollars in Millions)			
Net income attributable to Visteon Corporation	\$ 14	\$ 21	\$ 35	\$ 121
Depreciation and amortization	25	22	74	67
Non-cash, stock-based compensation expense	3	4	14	4
Provision for income taxes	13	9	16	42
Interest expense, net	3	2	7	6
Net income attributable to non-controlling interests	4	3	7	8
Restructuring expense, net	1	18	2	28
Income from discontinued operations, net of tax	—	(1)	—	(2)
Equity in net income of non-consolidated affiliates	(1)	(3)	(7)	(10)
Other	—	(4)	1	(8)
Adjusted EBITDA	<u>\$ 62</u>	<u>\$ 71</u>	<u>\$ 149</u>	<u>\$ 256</u>

NOTE 4. Earnings Per Share

Basic earnings per share is calculated by dividing net income attributable to Visteon by the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of common and potentially dilutive common shares outstanding. Performance based share units are considered contingently issuable shares, and are included in the computation of diluted earnings per share based on the number of shares that would be issuable if the reporting date were the end of the contingency period and if the result would be dilutive.

The table below provides details underlying the calculations of basic and diluted earnings per share:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(In Millions, Except Per Share Amounts)				
Numerator:				
Net income from continuing operations attributable to Visteon	\$ 14	\$ 20	\$ 35	\$ 119
Net income from discontinued operations attributable to Visteon	—	1	—	2
Net income attributable to Visteon	<u>\$ 14</u>	<u>\$ 21</u>	<u>\$ 35</u>	<u>\$ 121</u>
Denominator:				
Average common stock outstanding - basic	28.0	29.3	28.1	29.8
Dilutive effect of performance based share units and other	0.1	0.2	0.1	0.3
Diluted shares	<u>28.1</u>	<u>29.5</u>	<u>28.2</u>	<u>30.1</u>
Basic and Diluted Per Share Data:				
Basic earnings per share attributable to Visteon:				
Continuing operations	\$ 0.50	\$ 0.68	\$ 1.25	\$ 3.99
Discontinued operations	—	0.03	—	0.07
	<u>\$ 0.50</u>	<u>\$ 0.71</u>	<u>\$ 1.25</u>	<u>\$ 4.06</u>
Diluted earnings per share attributable to Visteon:				
Continuing operations	\$ 0.50	\$ 0.68	\$ 1.24	\$ 3.95
Discontinued operations	—	0.03	—	0.07
	<u>\$ 0.50</u>	<u>\$ 0.71</u>	<u>\$ 1.24</u>	<u>\$ 4.02</u>

NOTE 5. Restructuring Activities

Given the economically-sensitive and highly competitive nature of the automotive electronics industry, the Company continues to closely monitor current market factors and industry trends, taking action as necessary which may include restructuring actions. However, there can be no assurance that any such actions will be sufficient to fully offset the impact of adverse factors on the Company or its results of operations, financial position and cash flows.

Electronics

During the first quarter of 2019, the Company approved a restructuring program impacting two European manufacturing facilities due to the end of life of certain product lines. During the nine months ended September 30, 2019, the Company recorded approximately \$2 million of restructuring expenses related to this program approximately \$1 million remains accrued as of September 30, 2019.

During the third quarter of 2018, the Company approved a restructuring program impacting engineering and administrative functions to optimize operations. During the nine months ended September 30, 2019 and 2018, the Company has recorded approximately \$1 million and \$18 million of net restructuring expenses, respectively. As of September 30, 2019, approximately \$5 million remains accrued.

During the second quarter of 2018, the Company approved restructuring programs impacting employee severance and termination benefit expenses of legacy employees at a South America facility and employees at North America manufacturing facilities due to the wind-down of certain products. During the nine months ended September 30, 2018, the Company recorded approximately \$5 million of restructuring expense under these programs and approximately \$3 million remains accrued as of September 30, 2019.

During the fourth quarter of 2016, the Company approved a restructuring program impacting engineering and administrative functions to further align the Company's footprint with its core product technologies and customers. During the nine months ended September 30, 2018, the Company recorded approximately \$5 million of restructuring expenses under this program. As of September 30, 2019, the restructuring program is considered substantially complete.

Other and Discontinued Operations

During the nine months ended September 30, 2018, the Company recorded approximately \$1 million of restructuring expense associated with a former European Interiors facility related to settlement of employee severance litigation.

As of September 30, 2019, the Company has retained approximately \$2 million of restructuring reserves as part of the Interiors Divestiture associated with previously announced programs for the fundamental reorganization of operations at facilities in Brazil and France.

Restructuring Reserves

Restructuring reserve balances of \$11 million and \$23 million as of September 30, 2019 and December 31, 2018, respectively, are classified as "Other current liabilities" on the consolidated balance sheets. The Company anticipates that the activities associated with the current restructuring reserve balance will be substantially complete within one year. The Company's consolidated restructuring reserves and related activity are summarized below, including amounts associated with discontinued operations.

	Electronics	Other and Discontinued Operations	Total
	(Dollars in Millions)		
December 31, 2018	\$ 20	\$ 3	\$ 23
Expense	2	—	2
Utilization	(3)	—	(3)
Change in estimate	(1)	(1)	(2)
Foreign currency	(1)	—	(1)
March 31, 2019	\$ 17	\$ 2	\$ 19
Expense	2	—	2
Utilization	(5)	—	(5)
Change in estimate	(2)	—	(2)
June 30, 2019	\$ 12	\$ 2	\$ 14
Expense	1	—	1
Utilization	(4)	—	(4)
September 30, 2019	\$ 9	\$ 2	\$ 11

NOTE 6. Non-Consolidated Affiliates*Variable Interest Entities*

The Company determines whether joint ventures in which it has invested are Variable Interest Entities ("VIE") at the start of each new venture and when a reconsideration event has occurred. An enterprise must consolidate a VIE if it is determined to be the primary beneficiary of the VIE. The primary beneficiary has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Visteon and Yangfeng Automotive Trim Systems Co. Ltd. ("YF") each own 50% of a joint venture under the name of Yanfeng Visteon Investment Co., Ltd. ("YFVIC"). In October 2014, YFVIC completed the purchase of YF's 49% direct ownership in Yanfeng Visteon Automotive Electronics Co., Ltd ("YFVE") a consolidated joint venture of the Company ("The YFVIC Transaction"). The purchase by YFVIC was financed through a shareholder loan from YF and external borrowings, guaranteed by Visteon, have been paid as of September 30, 2019.

The Company determined that YFVIC is a VIE. The Company holds a variable interest in YFVIC primarily related to its ownership interests and subordinated financial support. The Company and YF each own 50% of YFVIC and neither entity has the power to control the operations of YFVIC; therefore, the Company is not the primary beneficiary of YFVIC and does not consolidate the joint venture.

A summary of the Company's investments in YFVIC is provided below:

	September 30 2019	December 31 2018
(Dollars in Millions)		
Payables due to YFVIC	\$ 13	\$ 17
<i>Exposure to loss in YFVIC:</i>		
Investment in YFVIC	\$ 43	\$ 38
Receivables due from YFVIC	45	36
Subordinated loan receivable from YFVIC	8	20
Loan guarantee of YFVIC debt	—	11
Maximum exposure to loss in YFVIC	\$ 96	\$ 105

NOTE 7. Inventories

Inventories, net consist of the following components:

	September 30 2019	December 31 2018
(Dollars in Millions)		
Raw materials	\$ 122	\$ 124
Work-in-process	25	26
Finished products	45	34
	\$ 192	\$ 184

NOTE 8. Intangible Assets, net

Intangible assets, net are comprised of the following:

	Estimated Weighted Average Useful Life (years)	September 30, 2019		
		Gross Intangibles	Accumulated Amortization	Net Intangibles
(Dollars in Millions)				
Definite-Lived:				
Developed technology	8	\$ 40	\$ (34)	\$ 6
Customer related	10	87	(48)	39
Capitalized software development	4	27	(4)	23
Other	21	14	(4)	10
Subtotal		168	(90)	78
Indefinite-Lived:				
Goodwill		46	—	46
Total		\$ 214	\$ (90)	\$ 124

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

	December 31, 2018			September 30, 2019			
	Gross Intangibles	Accumulated Amortization	Net Intangibles	Additions	Foreign Currency	Amortization Expense	Net Intangibles
(Dollars in Millions)							
Definite-Lived:							
Developed technology	\$ 40	\$ (31)	\$ 9	\$ —	\$ —	\$ (3)	\$ 6
Customer related	90	(42)	48	—	(2)	(7)	39
Capitalized software development	16	(3)	13	11	—	(1)	23
Other	14	(2)	12	—	(1)	(1)	10
Subtotal	160	(78)	82	11	(3)	(12)	78
Indefinite-Lived:							
Goodwill	47	—	47	—	(1)	—	46
Total	\$ 207	\$ (78)	\$ 129	\$ 11	\$ (4)	\$ (12)	\$ 124

During the three and nine months ended September 30, 2019 and 2018 the Company recorded approximately \$4 million and \$12 million, and \$4 million and \$11 million of amortization expense related to definite-lived intangible assets, respectively. The Company currently estimates annual amortization expense to be \$18 million for 2019, \$15 million for 2020, \$11 million for 2021, \$11 million for 2022, \$8 million for 2023, and \$27 million cumulatively thereafter. Indefinite-lived intangible assets are not amortized but are tested for impairment at least annually, or earlier when events and circumstances indicate that it is more likely than not that such assets have been impaired. There were no indicators of impairment during the nine months ended September 30, 2019.

NOTE 9. Other Assets

Other current assets are comprised of the following components:

	September 30 2019	December 31 2018
(Dollars in Millions)		
Recoverable taxes	\$ 51	\$ 46
Joint venture receivables	45	37
Contractually reimbursable engineering costs	42	40
China bank notes	23	12
Prepaid assets and deposits	21	20
Other	10	4
	\$ 192	\$ 159

The Company sold \$59 million and \$27 million of China bank notes during the nine months ended September 30, 2019 and 2018 respectively. The collection of such bank notes are included in operating cash flows based on the substance of the underlying transactions, which are operating in nature. As of September 30, 2019, \$13 million remains outstanding and will mature by the end of the first quarter of 2020.

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

	September 30 2019	December 31 2018
(Dollars in Millions)		
Deferred tax assets	\$ 58	\$ 45
Recoverable taxes	28	33
Contractually reimbursable engineering costs	21	29
Joint venture notes receivables	8	20
Derivative financial instruments	4	—
Other	20	16
	\$ 139	\$ 143

Current and non-current contractually reimbursable engineering costs are related to pre-production design and development costs incurred pursuant to long-term supply arrangements that are contractually guaranteed for reimbursement by customers. The Company expects to receive cash reimbursement payments of approximately \$14 million during the remainder of 2019, \$35 million in 2020, \$6 million in 2021, \$3 million in 2022 and \$5 million in 2023 and beyond.

NOTE 10. Leases

The Company has operating leases primarily for corporate offices, technical and engineering centers, customer centers, vehicles and certain equipment. As of September 30, 2019 assets and related accumulated depreciation recorded under finance leasing arrangements were not material.

The Company elected the package of practical expedients permitted under the transition guidance within the new lease standard, which among other things, allows the Company to carryforward the historical lease classification. The Company elected to combine lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) with non-lease components (e.g., fixed common-area maintenance costs). The Company also elected to apply the practical expedient related to land easements, allowing the Company to carry forward its current accounting treatment for land easements on existing agreements.

Certain leases include one or more options to renew, with renewal terms that can extend the lease term from one to 30 years or more, leases may also include options to purchase the leased property or to terminate the leases. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Certain of the Company's lease agreements include rental payments adjusted periodically primarily for inflation. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company subleases certain real estate to third parties, which primarily consists of operating leases related to the Company's principal executive offices in Van Buren Township, Michigan.

Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. As most of the Company's leases do not provide an implicit rate, the Company is applying its incremental borrowing rate based on corporate rates. The incremental borrowing rate is applied to the tranches of leases based on lease term, regardless of the asset class. For the three and nine months ended September 30, 2019, the weighted average remaining lease term and discount rate were 7 years and 4.5%, respectively.

The components of lease expense is as follows:

	Three Months Ended September 30 2019	Nine Months Ended September 30 2019
(Dollars in Millions)		
Operating lease cost (includes immaterial variable lease costs)	\$ (10)	\$ (31)
Short-term lease cost	—	(1)
Sublease income	2	4
Total lease cost	\$ (8)	\$ (28)

Other information related to leases is as follows:

	Nine Months Ended September 30 2019
(Dollars in Millions)	
Cash out flows from operating leases	\$ 28
Right-of-use assets obtained in exchange for lease obligations	\$ 20

Future minimum lease payments under non-cancellable leases is as follows:

(Dollars in Millions)	
2019 (excluding the nine months ended September 30, 2019)	\$ 9
2020	34
2021	27
2022	24
2023	23
2024 and thereafter	71
Total future minimum lease payments	188
Less imputed interest	28
Total lease liabilities	\$ 160

NOTE 11. Debt

The Company's short and long-term debt consists of the following:

	September 30 2019	December 31 2018
(Dollars in Millions)		
Short-Term Debt:		
Short-term borrowings	\$ 47	\$ 57
Long-Term Debt:		
Term debt facility	\$ 348	\$ 348

Short-Term Debt

Short-term borrowings are primarily related to the Company's non-U.S. joint ventures and are payable in Chinese Renminbi and India Rupee. Available borrowings on outstanding affiliate credit facilities as of September 30, 2019, are approximately \$68 million and certain of these facilities have pledged assets as security.

Long-Term Debt

As of September 30, 2019, the Company had an amended credit agreement (the "Credit Agreement") which included a \$350 million Term Facility maturing March 24, 2024 and a Revolving Credit Facility with capacity of \$300 million maturing March 24, 2022.

The Credit Agreement interest shall accrue at a rate equal to the applicable annualized domestic rate plus an applicable margin of 0.75% or the LIBOR-based rate plus an applicable margin of 1.75% per annum. The Company is required to pay accrued interest on any outstanding principal balance under the credit facility with a frequency of the lesser of the elected LIBOR tenor or every three months. Any outstanding principal under this facility will be due upon the maturity date. The Company may also terminate or reduce the borrowing commitments under this facility, in whole or in part, upon three business days' notice.

Loans drawn under the Revolving Credit Facility accrue interest at an annualized rate equal to LIBOR plus a margin ranging from 1.25% to 2.25% as specified by a ratings grid contained in the Credit Agreement. Based on the Company's current credit ratings, borrowings would accrue interest at LIBOR plus 1.75% per annum. The Revolving Credit Facility also provides \$75 million availability for the issuance of letters of credit and a maximum of \$20 million for swing line borrowing. Any amount of the facility utilized for letters of credit or swing line loans outstanding will reduce the amount available under the Revolving Credit Facility.

The Company may request increases in the limits under the Term Facility and the Revolving Credit Facility and may request the addition of one or more term loan facilities under the Credit Agreement. Outstanding borrowings may be prepaid without penalty (other than borrowings made for the purpose of reducing the effective interest rate margin or weighted average yield of the loans). There are mandatory prepayments of principal in connection with: (i) excess cash flow sweeps above certain leverage thresholds, (ii) certain asset sales or other dispositions, (iii) certain refinancing of indebtedness and (iv) over-advances under the Revolving Credit Facility. There are no excess cash flow sweeps required at the Company's current leverage level.

The Credit Agreement requires the Company and its subsidiaries to comply with customary affirmative and negative covenants, and contains customary events of default. The Revolving Credit Facility also requires that the Company maintain a total net leverage ratio no greater than 3.00:1.00. During any period when the Company's corporate and family ratings meet investment grade ratings, certain of the negative covenants will be suspended. As of September 30, 2019, the Company was in compliance with all its debt covenants.

In connection with the second amendment both the Term Facility and Revolving Credit Facility during 2017, the Company recorded \$1 million of interest expense and deferred \$2 million of costs as a non-current asset. The deferred costs are being amortized over the term of the debt facilities. As of September 30, 2019, the Term Facility remains at \$350 million of aggregate principal outstanding and there were no borrowings under the Revolving Credit Facility.

Other

The Company has a \$5 million letter of credit facility, whereby the Company is required to maintain a collateral account equal to 103% (110% for non-U.S. dollar denominated letters) of the aggregate stated amount of issued letters of credit and must reimburse any amounts drawn under issued letters of credit. The Company had \$2 million of outstanding letters of credit issued under this facility secured by restricted cash, as of September 30, 2019. Additionally, the Company had \$14 million of locally issued letters of credit with less than \$1 million of collateral as of September 30, 2019, to support various tax appeals, customs arrangements and other obligations at its local affiliates.

NOTE 12. Other Liabilities

Other current liabilities are summarized as follows:

	September 30	December 31
	2019	2018
	(Dollars in Millions)	
Product warranty and recall accruals	\$ 36	\$ 34
Rent and royalties	22	14
Deferred income	18	16
Non-income taxes payable	15	13
Joint venture payables	13	17
Restructuring reserves	11	23
Income taxes payable	8	15
Dividends payable to non-controlling interests	5	3
Other	22	26
	<u>\$ 150</u>	<u>\$ 161</u>

Other non-current liabilities are summarized as follows:

	September 30	December 31
	2019	2018
	(Dollars in Millions)	
Product warranty and recall accruals	\$ 15	\$ 14
Derivative financial instruments	14	18
Deferred income	9	14
Income tax reserves	6	6
Non-income tax reserves	4	5
Other	16	19
	<u>\$ 64</u>	<u>\$ 76</u>

NOTE 13. Employee Benefit Plans*Defined Benefit Plans*

The Company's net periodic benefit costs for all defined benefit plans for the three month periods ended September 30, 2019 and 2018 were as follows:

	U.S. Plans		Non-U.S. Plans	
	2019	2018	2019	2018
(Dollars in Millions)				
Costs Recognized in Income:				
Pension financing benefit (cost):				
Interest cost	\$ (8)	\$ (6)	\$ (2)	\$ (3)
Expected return on plan assets	10	10	2	2
Restructuring related pension cost:				
Special termination benefits	—	—	(1)	—
Net pension benefit (cost)	\$ 2	\$ 4	\$ (1)	\$ (1)

The Company's net periodic benefit costs for all defined benefit plans for the nine month periods ended September 30, 2019 and 2018 were as follows:

	U.S. Plans		Non-U.S. Plans	
	2019	2018	2019	2018
(Dollars in Millions)				
Costs Recognized in Income:				
Pension service cost:				
Service cost	\$ —	\$ —	\$ (1)	\$ (1)
Pension financing benefit (cost):				
Interest cost	(23)	(20)	(6)	(7)
Expected return on plan assets	30	30	7	7
Amortization of losses and other	—	—	(1)	(1)
Restructuring related pension cost:				
Special termination benefits	—	(1)	(1)	—
Net pension benefit (cost)	\$ 7	\$ 9	\$ (2)	\$ (2)

During the nine months ended September 30, 2019, cash contributions to the Company's defined benefit plans were approximately \$1 million for the U.S. plans and \$4 million for the non-U.S. plans. The Company estimates that cash contributions to its defined benefit pension plans will be \$7 million in 2019.

NOTE 14. Income Taxes

During the three and nine month periods ended September 30, 2019, the Company recorded a provision for income tax on continuing operations of \$13 million and \$16 million, respectively, which reflects income tax expense in countries where the Company is profitable; accrued withholding taxes; ongoing assessments related to the recognition and measurement of uncertain tax benefits; the inability to record a tax benefit for pretax losses and/or recognize expense for pretax income in certain jurisdictions (including the U.S.) due to valuation allowances; and other non-recurring tax items, including changes in judgment about valuation allowances. Pretax losses from continuing operations in jurisdictions where valuation allowances are maintained and no income tax benefits are recognized totaled \$46 million and \$10 million for the nine month periods ended September 30, 2019 and 2018, respectively, resulting in an increase in the Company's effective tax rate in those years.

The Company provides for U.S. and non-U.S. income taxes and non-U.S. withholding taxes on the projected future repatriations of the earnings from its non-U.S. operations that are not considered permanently reinvested at each tier of the legal entity structure. During the nine month periods ended September 30, 2019 and 2018, the Company recognized expense primarily related to non-U.S. withholding taxes, including exchange impacts, of \$5 million and \$6 million, respectively, reflecting the Company's forecasts which contemplate numerous financial and operational considerations that impact future repatriations.

The Company's provision for income taxes in interim periods is computed by applying an estimated annual effective tax rate against income before income taxes, excluding equity in net income of non-consolidated affiliates for the period. Effective tax rates vary from period to period as separate calculations are performed for those countries where the Company's operations are profitable and whose results continue to be tax-effected and for those countries where full deferred tax valuation allowances exist and are maintained. In determining the estimated annual effective tax rate, the Company analyzes various factors, including but not limited to, forecasts of projected annual earnings, taxing jurisdictions in which the pretax income and/or pretax losses will be generated, available tax planning strategies and estimated impacts attributable to the Act. The Company's estimated annual effective tax rate is updated each quarter and may be significantly impacted by changes to the mix of forecasted earnings by tax jurisdiction. The tax impact of adjustments to the estimated annual effective tax rate are recorded in the period such estimates are revised. The Company is also required to record the tax impact of certain other non-recurring tax items, including changes in judgment about valuation allowances and uncertain tax positions, and changes in tax laws or rates, in the interim period in which they occur, rather than include them in the estimated annual effective tax rate.

The need to maintain valuation allowances against deferred tax assets in the U.S. and other affected countries will cause variability in the Company's quarterly and annual effective tax rates. Full valuation allowances against deferred tax assets in the U.S. and applicable foreign countries will be maintained until sufficient positive evidence exists to reduce or eliminate them. The factors considered by management in its determination of the probability of the realization of the deferred tax assets include, but are not limited to, recent historical financial results, historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences, tax planning strategies and projected future impacts attributable to the Act. If, based upon the weight of available evidence, it is more likely than not the deferred tax assets will not be realized, a valuation allowance is recorded. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objective negative evidence of recent financial reporting losses, in particular, when there is a cumulative loss incurred over a three-year period. However, the three-year loss position is not solely determinative and, accordingly, management considers all other available positive and negative evidence in its analysis. In regards to the full valuation allowance recorded against the U.S. net deferred tax assets, despite recent improvement in the U.S. financial results, management concluded that the weight of negative evidence continues to outweigh the positive evidence, in part attributable to unfavorable volumes for the most recent period and overall relative uncertainty surrounding global production volumes in later years. Additionally, the Company has made a policy election to apply the incremental cash tax savings approach when analyzing the impact the Act's provisions for global intangible low-taxed income ("GILTI") could have on its U.S. valuation allowance assessment. As a result of future expected GILTI inclusions, and because of the Act's ordering rules, U.S. companies may now expect to utilize tax attribute carryforwards (e.g. net operating losses and foreign tax credits) for which a valuation allowance has historically been recorded (this is referred to as the "tax law ordering approach"). However, due to the mechanics of the GILTI rules, companies that have a GILTI inclusion may realize a reduced (or no) cash tax savings from utilizing such tax attribute carryforwards (this view is referred to as the "incremental cash tax savings approach"). These positions, along with management's analysis of all other available evidence, resulted in the conclusion that the Company maintain the valuation allowance against deferred tax assets in the U.S. Based on the Company's current assessment, it is possible that within the next 3 to 18 months, the existing valuation allowance against the U.S. net deferred tax assets could be partially released. Any such release is dependent upon the sustained improvement in U.S. operating results, and, if such a release of the valuation allowance were to occur, it could have a significant impact on net income in the quarter in which it is deemed appropriate to partially release the reserve.

In March 2019, the closure of tax audits in Germany allowed the Company to initiate a tax planning strategy previously determined not to be prudent. This strategy provided the necessary positive evidence to support the future utilization of a portion of the Company's deferred tax assets in Germany resulting in a \$12 million valuation allowance release during the three months ended March 31, 2019.

Unrecognized Tax Benefits

Gross unrecognized tax benefits as of September 30, 2019 and December 31, 2018, including amounts attributable to discontinued operations, were \$10 million in both years. Of these amounts approximately \$3 million and \$4 million as of September 30, 2019 and December 31, 2018, respectively, represent the amount of unrecognized benefits that, if recognized, would impact the effective tax rate. The gross unrecognized tax benefit differs from that which would impact the effective tax rate due to uncertain tax positions embedded in other deferred tax attributes carrying a full valuation allowance. If the uncertainty is resolved while a full valuation allowance is maintained, these uncertain tax positions should not impact the effective tax rate in current or future periods. The Company records interest and penalties related to uncertain tax positions as a component of income tax expense and related amounts accrued at September 30, 2019 and December 31, 2018 was \$2 million in both years.

With few exceptions, the Company is no longer subject to U.S. federal tax examinations for years before 2014, or state, local or non-U.S. income tax examinations for years before 2003, although U.S. net operating losses carried forward into open tax years technically remain open to adjustment. Although it is not possible to predict the timing of the resolution of all ongoing tax audits with accuracy, it is reasonably possible that certain tax proceedings in the U.S., Europe, Asia and Mexico could conclude within the next twelve months and result in a significant increase or decrease in the balance of gross unrecognized tax benefits. Given the number of years, jurisdictions and positions subject to examination, the Company is unable to estimate the full range of possible adjustments to the balance of unrecognized tax benefits. The long-term portion of uncertain income tax positions (including interest) in the amount of \$6 million is included in "Other non-current liabilities" on the consolidated balance sheets.

During 2012, Brazil tax authorities issued tax assessment notices to Visteon Sistemas Automotivos ("Sistemas") related to the sale of its chassis business to a third party, which required a deposit in the amount of \$15 million during 2013 necessary to open a judicial proceeding against the government in order to suspend the debt and allow Sistemas to operate regularly before the tax authorities after attempts to reopen an appeal of the administrative decision failed. Adjusted for currency impacts and accrued interest, the deposit amount is approximately \$13 million, as of September 30, 2019. The Company believes that the risk of a negative outcome is remote once the matter is fully litigated at the highest judicial level. These appeal payments, as well as income tax refund claims associated with other jurisdictions, total \$16 million as of September 30, 2019, and are included in "Other non-current assets" on the consolidated balance sheets.

NOTE 15. Stockholders' Equity and Non-controlling Interests

Share Repurchase Program

On January 9, 2017, the Company's Board of Directors authorized \$400 million of share repurchases of common stock through March 2018. On January 15, 2018, the Company's Board of Directors authorized an additional \$300 million of share repurchases, for a total authorization of \$700 million, of its shares of common stock through December 2020.

During 2018, the Company entered into various programs with third-party financial institutions to purchase a total of approximately 2.8 million shares of Visteon common stock at an average price of \$106.92 for an aggregate purchase amount of \$300 million.

During the nine months ended September 30, 2019, the Company has purchased a total of 322,120 shares of Visteon common stock at an average price of \$62.06 for an aggregate purchase amount of \$20 million pursuant to various programs with third-party financial institutions.

As of September 30, 2019, the Company may execute up to \$380 million additional share repurchases under the Board of Directors authorization which expires on December 31, 2020.

Stock-based Compensation

During the nine months ended September 30, 2018, equity increased \$13 million due to the forfeiture of unvested shares for a litigation matter with the Company's former CEO as further described in Note 19, "Commitments and Contingencies," classified as a benefit of \$10 million to selling, general and administrative expenses and a \$3 million benefit classified as discontinued operations.

Non-Controlling Interests

The Company's non-controlling interests are as follows:

	September 30	December 31
	2019	2018
	(Dollars in Millions)	
Yanfeng Visteon Automotive Electronics Co., Ltd.	\$ 52	\$ 56
Shanghai Visteon Automotive Electronics, Co., Ltd.	41	43
Changchun Visteon FAWAY Electronics, Co., Ltd.	16	15
Other	1	3
	<u>\$ 110</u>	<u>\$ 117</u>

During the nine months ended September 30, 2019, the Company paid less than a\$1 million to purchase the remaining shares of a previous non-controlling interest.

Accumulated Other Comprehensive Loss

Changes in Accumulated other comprehensive income (loss) (“AOCI”) and reclassifications out of AOCI by component include:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(Dollars in Millions)			
Changes in AOCI:				
Beginning balance	\$ (215)	\$ (195)	\$ (216)	\$ (174)
Other comprehensive loss before reclassification, net of tax	(17)	(11)	(14)	(33)
Amounts reclassified from AOCI	(2)	(2)	(4)	(1)
Ending balance	\$ (234)	\$ (208)	\$ (234)	\$ (208)
Changes in AOCI by Component:				
<i>Foreign currency translation adjustments</i>				
Beginning balance	\$ (140)	\$ (129)	\$ (142)	\$ (100)
Other comprehensive loss before reclassification, net of tax (a)	(28)	(14)	(26)	(43)
Ending balance	(168)	(143)	(168)	(143)
<i>Net investment hedge</i>				
Beginning balance	(1)	(10)	(5)	(12)
Other comprehensive income before reclassification, net of tax (a)	13	1	20	3
Amounts reclassified from AOCI	(2)	(1)	(5)	(1)
Ending balance	10	(10)	10	(10)
<i>Benefit plans</i>				
Beginning balance	(70)	(61)	(71)	(63)
Other comprehensive income before reclassification, net of tax (b)	—	—	—	1
Amounts reclassified from AOCI (c)	—	—	1	1
Ending balance	(70)	(61)	(70)	(61)
<i>Unrealized hedging gain (loss)</i>				
Beginning balance	(4)	5	2	1
Other comprehensive income (loss) before reclassification, net of tax (c)	(2)	2	(8)	6
Amounts reclassified from AOCI	—	(1)	—	(1)
Ending balance	(6)	6	(6)	6
Total AOCI	\$ (234)	\$ (208)	\$ (234)	\$ (208)

(a) There were no income tax effects for either period due to the valuation allowance.

(b) Net tax expense was less than \$1 million related to benefit plans for the three and nine months ended September 30, 2019 and 2018.

(c) For the three and nine months ended September 30, 2019, there were no income tax effects related to unrealized hedging gain (loss) due to the valuation allowance. Net tax benefit was less than \$1 million related to unrealized hedging gain (loss) for the three months ended September 30, 2018. Net tax expense was less than \$1 million related to unrealized hedging gain (loss) for the nine months ended September 30, 2018.

NOTE 16. Fair Value Measurements and Financial Instruments

Fair Value Measurements

The Company uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs.

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

- Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.
- Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Items Measured at Fair Value on a Recurring Basis

The Company is exposed to various market risks including, but not limited to, changes in currency exchange rates arising from the sale of products in countries other than the manufacturing source, foreign currency denominated supplier payments, debt, dividends and investments in subsidiaries. The Company manages these risks, in part, through the use of derivative financial instruments. The maximum length of time over which the Company hedges the variability in the future cash flows related to transactions, excluding those transactions as related to the payment of variable interest on existing debt, is eighteen months. The maximum length of time over which the Company hedges forecasted transactions related to variable interest payments is the term of the underlying debt.

Hedge instruments are measured at fair value on a recurring basis under an income approach using industry-standard models that consider various assumptions, including time value, volatility factors, current market and contractual prices for the underlying and non-performance risk. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument or may be derived from observable data. Accordingly, the Company's currency instruments are classified as Level 2, "Other Observable Inputs" in the fair value hierarchy.

The Company presents its derivative positions and any related material collateral under master netting arrangements that provide for the net settlement of contracts, by counterparty, in the event of default or termination. Derivative financial instruments are included in the Company's consolidated balance sheets. There is no cash collateral on any of these derivatives.

Currency Exchange Rate Instruments: The Company primarily uses forward contracts denominated in Euro, Japanese Yen, Thai Baht and Mexican Peso intended to mitigate the variability of cash flows denominated in currency other than the hedging entity's functional currency.

As of September 30, 2019 and December 31, 2018, the Company had foreign currency derivative instruments with aggregate notional value of approximately \$9 million and \$23 million, respectively. The fair value of these derivatives is a liability of less than \$1 million and an asset of \$1 million, as of September 30, 2019 and December 31, 2018, respectively. The difference between the gross and net value of these derivatives after offset by counter party is not material.

Cross Currency Swaps: The Company has executed cross-currency swap transactions intended to mitigate the variability of the U.S. dollar value of its investment in certain of its non-U.S. entities. These transactions are designated as net investment hedges and the Company has elected to assess hedge effectiveness under the spot method. Accordingly, periodic changes in the fair value of the derivative instruments attributable to factor other than spot exchange rate variability are excluded from the measure of hedge ineffectiveness and reported directly in earnings each reporting period.

As of September 30, 2019 and December 31, 2018, the Company had cross currency swaps with an aggregate notional value of \$250 million. The aggregate fair value of these derivatives is a non-current liability of \$1 million and \$16 million at September 30, 2019 and December 31, 2018, respectively. The amount of accumulated other income expected to be reclassified into earnings within the next 12 months is a gain of approximately \$7 million.

Interest Rate Swaps: The Company utilizes interest rate swap instruments to manage its exposure and to mitigate the impact of interest rate variability. The instruments are designated as cash flow hedges, accordingly, the effective portion of the periodic changes in fair value is recognized in accumulated other comprehensive income, a component of shareholders' equity. Subsequently, the accumulated gains and losses recorded in equity are reclassified to income in the period during which the hedged cash flow impacts earnings.

As of September 30, 2019 and December 31, 2018, the Company had an aggregate notional value of interest rate swap transactions of \$250 million. The aggregate fair value of these derivative transactions as of September 30, 2019 and December 31, 2018 was a non-current liability of approximately \$9 million and a non-current asset of \$2 million, respectively. As of September 30, 2019, a gain of approximately \$2 million is expected to be reclassified out of accumulated other comprehensive income into earnings within the next 12 months.

Financial Statement Presentation

Gains and losses on derivative financial instruments for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Recorded Income (Loss) into AOCI, net of tax		Reclassified from AOCI into Income (Loss)		Recorded in Income (Loss)	
	2019	2018	2019	2018	2019	2018
(Dollars in Millions)						
<u>Three months ended September 30, 2019</u>						
Foreign currency risk - Cost of sales:						
Cash flow hedges	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ —
Interest rate risk - Interest expense, net:						
Interest rate swap	(2)	2	—	—	—	—
Net investment hedges	13	1	2	1	—	—
	<u>\$ 11</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ —</u>
<u>Nine months ended September 30, 2019</u>						
Foreign currency risk - Cost of sales:						
Cash flow hedges	\$ —	\$ 2	\$ —	\$ 1	\$ —	\$ —
Non-designated cash flow hedges	—	—	—	—	—	1
Interest rate risk - Interest expense, net:						
Interest rate swap	(8)	4	—	—	—	—
Net investment hedges	20	3	5	1	—	—
	<u>\$ 12</u>	<u>\$ 9</u>	<u>\$ 5</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 1</u>

Items Not Carried at Fair Value

The Company's fair value of debt was approximately \$393 million and \$388 million as of September 30, 2019 and December 31, 2018, respectively. Fair value estimates were based on the current rates offered to the Company for debt of the same remaining maturities. Accordingly, the Company's debt fair value disclosures are classified as Level 2, "Other Observable Inputs" in the fair value hierarchy.

Investments

In 2018, the Company committed to make a \$15 million investment in two entities principally focused on the automotive sector pursuant to limited partnership agreements. As a limited partner in each entity, the Company will periodically make capital contributions toward this total commitment amount. As of September 30, 2019 and December 31, 2018, the Company contributed approximately \$2 million and \$1 million, respectively. The Company does not have significant influence in either partnership. These investments are carried at cost and evaluated for impairment on an annual basis.

The carrying amount of these investments reflected on the consolidated balance sheets approximates their fair values.

Concentrations of Credit Risk

Financial instruments including cash equivalents, derivative contracts, and accounts receivable, expose the Company to counter-party credit risk for non-performance. The Company's counterparties for cash equivalents and derivative contracts are banks and financial institutions that meet the Company's credit rating requirements. The Company's counterparties for derivative contracts are substantial investment and commercial banks with significant experience using such derivatives. The Company manages its credit risk pursuant to written policies that specify minimum counterparty credit profile and by limiting the concentration of credit exposure amongst its multiple counterparties.

The Company's credit risk with any single customer does not exceed ten percent of total accounts receivable except for Ford and its affiliates which represent 5% and 14%, and Renault/Nissan which represents 13% and 11%, of the balance as of September 30, 2019 and December 31, 2018, respectively.

NOTE 17. Acquisitions

On September 1, 2018, the Company invested approximately \$300,000 and acquired an additional 1% ownership in VFAE, a Chinese automotive electronic applications manufacturer in which the Company had previously been an equity investor. The Company's ownership interest increased to 51% and, because of the change in control, the assets and liabilities of VFAE were consolidated from the date of the transaction. The Company made this additional investment as part of its long-term strategic plan for VFAE. The investment will contribute to the business growth and enhanced economic performance of VFAE by leveraging Visteon's manufacturing technology and engineering capabilities.

The VFAE acquisition has been accounted for as a purchase transaction. The total consideration, including the \$300,000 paid and the fair value of the original 50% interest, has been allocated to the assets acquired, liabilities assumed and non-controlling shareholder interest based on their representative value at September 1, 2018. The excess consideration over the estimated fair value of the net assets acquired has been allocated to goodwill. The operating results of VFAE have been included in the consolidated financial statements of the Company since the date of the transaction.

A summary of the fair value of the assets acquired and liabilities assumed, translated in U.S. dollars, in conjunction with the transaction is shown below (in millions):

Assets Acquired		Liabilities Assumed	
Cash and equivalents	\$ 16	Payable to Visteon Corporation	\$ 9
Accounts receivable, net	12	Accounts payable	6
Inventories, net	4	Other current liabilities	5
Other current assets	6	Income taxes payable	1
Property and equipment, net	5	Other non-current liabilities	2
Intangible assets including goodwill	9	Total liabilities assumed	23
Other non-current assets	1	Non-controlling interest	15
Total assets acquired	\$ 53	Visteon Corporation Consideration	\$ 15

The Company utilized a third party to assist in the fair value determination of certain components of the purchase price allocation, primarily intangible assets and non-controlling interest, as well as the fair value of the Company's original 50% equity investment.

Fair values of equity investment and non-controlling interest, as of the acquisition date were estimated using the discounted cash flow technique of the income approach. Fair values of intangible assets were based on the excess earning method of the income approach. The income approach requires the Company to project related future cash inflows and outflows and apply an appropriate discount rate. The estimates used in determining fair values are based on assumptions believed to be reasonable but which are inherently uncertain.

The Company previously recorded its investment in VFAE of \$10 million as an Investment in non-consolidated affiliates on its consolidated balance sheets. In connection with its increased investment in VFAE, the Company recorded a gain of approximately \$4 million on its original investment, classified as "Other income, net" in the consolidated income statement.

The acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

NOTE 18. Discontinued Operations

The Company completed the sale of the majority of its global Climate business (the "Climate Transaction") during 2015 and completed the divestiture of its global Interiors business in 2016 (the "Interiors Divestiture"). These transactions met the conditions required to qualify for discontinued operations reporting and accordingly the settlement of retained contingencies have been classified in income from discontinued operations, net of tax, in the consolidated statements of comprehensive income for the three and nine months ended September 30, 2019 and 2018.

Discontinued operations are summarized as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(Dollars in Millions)			
Cost of sales	\$ —	\$ —	\$ (1)	\$ —
Selling, general and administrative expenses	—	—	—	(1)
Restructuring, net	—	—	1	(1)
Gain on divestitures	—	1	—	4
Income from discontinued operations, net of tax	\$ —	\$ 1	\$ —	\$ 2

During the first nine months of 2018, the Company recognized a \$3 million benefit on settlement of litigation matters with its former CEO as further described in Note 19, "Commitments and Contingencies."

NOTE 19. Commitments and Contingencies

Litigation and Claims

The dispute between the Company and its former CEO was resolved in the first quarter of 2018. Pursuant to the resolution, the Company recognized \$17 million of pre-tax income, representing the forfeiture of stock based awards and release of other liabilities accrued during prior periods. The benefit is classified as a reduction to selling, general and administrative expenses of \$10 million, a benefit to "Other income, net" of \$4 million, and a benefit to discontinued operations of \$3 million during the nine months ended September 30, 2018.

In November 2013, the Company and Halla Visteon Climate Control Corporation ("HVCC"), jointly filed an Initial Notice of Voluntary Self-Disclosure statement with the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") regarding certain sales of automotive HVAC components by a minority-owned, Chinese joint venture of HVCC into Iran. The Company updated that notice in December 2013, and subsequently filed a voluntary self-disclosure regarding these sales with OFAC in March 2014. In May 2014, the Company voluntarily filed a supplementary self-disclosure identifying additional sales of automotive HVAC components by the Chinese joint venture, as well as similar sales involving an HVCC subsidiary in China, totaling approximately \$12 million, and filed a final voluntary-self disclosure with OFAC on October 17, 2014. OFAC is currently reviewing the results of the Company's investigation. Following that review, OFAC may conclude that the disclosed sales resulted in violations of U.S. economic sanctions laws and warrant the imposition of civil penalties, such as fines, limitations on the Company's ability to export products from the United States, and/or referral for further investigation by the U.S. Department of Justice. Any such fines or restrictions may be material to the Company's financial results in the period in which they are imposed, but is not able to estimate the possible loss or range of loss in connection with this matter. Additionally, disclosure of this conduct and any fines or other action relating to this conduct could harm the Company's reputation and have a material adverse effect on its business, operating results and financial condition. The Company cannot predict when OFAC will conclude its own review of voluntary self-disclosures or whether it may impose any of the potential penalties described above.

The Company's operations in Brazil are subject to highly complex labor, tax, customs and other laws. While the Company believes that it is in compliance with such laws, it is periodically engaged in litigation regarding the application of these laws. The Company maintained accruals of approximately \$11 million for claims aggregating approximately \$73 million in Brazil as of September 30, 2019. The amounts accrued represent claims that are deemed probable of loss and are reasonably estimable based on the Company's assessment of the claims and prior experience with similar matters.

While the Company believes its accruals for litigation and claims are adequate, the final amounts required to resolve such matters could differ materially from recorded estimates and the Company's results of operations and cash flows could be materially affected.

Guarantees and Commitments

During 2014, as part of the YFVIC Transaction, the Company guaranteed certain standard non-payment provisions to cover the lenders in event of non-payment of principal, accrued interest, and other fees due. The loan was fully paid by the borrower and the guarantee concurrently relieved during the quarter ended September 30, 2019.

As part of the agreements of the Climate Transaction and Interiors Divestiture, the Company continues to provide lease guarantees to divested Climate and Interiors entities. As of September 30, 2019, the Company has approximately \$5 million and \$1 million

of outstanding guarantees, related to the divested Climate and Interiors entities, respectively. These guarantees will generally cease upon expiration of current lease agreement which expire in 2026 and 2021 for the Climate and Interiors entities, respectively.

Product Warranty and Recall

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

The following table provides a reconciliation of changes in the product warranty and recall claims liability:

	Nine Months Ended September 30	
	2019	2018
	(Dollars in Millions)	
Beginning balance	\$ 48	\$ 49
Accruals for products shipped	15	14
Changes in estimates	2	(1)
Specific cause actions	3	5
Recoverable warranty/recalls	—	2
Foreign currency	(1)	(1)
VFAE Consolidation	—	1
Settlements	(16)	(18)
Ending balance	<u>\$ 51</u>	<u>\$ 51</u>

Other Contingent Matters

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

Contingencies are subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Reserves have been established by the Company for matters discussed in the immediately foregoing paragraph where losses are deemed probable and reasonably estimable. It is possible, however, that some of the matters discussed in the foregoing paragraph could be decided unfavorably to the Company and could require the Company to pay damages or make other expenditures in amounts, or a range of amounts, that cannot be estimated as of September 30, 2019 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 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations, financial condition and cash flows of Visteon Corporation ("Visteon" or the "Company"). MD&A is provided as a supplement to, and should be read in conjunction with, the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the Securities and Exchange Commission on February 21, 2019, and the financial statements and accompanying notes to the financial statements included elsewhere herein.

Description of Business

Visteon Corporation (the "Company" or "Visteon") is a global technology company that designs, engineers and manufactures innovative cockpit electronics and connected car solutions for the world's major vehicle manufacturers including Ford, Mazda, Renault/Nissan, Volkswagen, General Motors, BMW, Jaguar/Land Rover, Daimler and Honda. Visteon is headquartered in Van Buren Township, Michigan, and has an international network of manufacturing operations, technical centers and joint venture operations, supported by approximately 10,000 employees, dedicated to the design, development, manufacture and support of its product offerings and its global customers. The Company's manufacturing and engineering footprint is principally located outside of the U.S., primarily in Mexico, Bulgaria, Portugal, Germany, India and China.

Visteon is driving the smart, learning, digital cockpit of the future, to improve safety and the user experience. Visteon is a global leader in cockpit electronic products including digital instrument clusters, information displays, infotainment, head-up displays, telematics, SmartCore™ cockpit domain controllers, and the DriveCore™ autonomous driving platform. Visteon also delivers artificial intelligence based technologies, connected car, cybersecurity, interior sensing, embedded multimedia and smartphone connectivity software solutions.

Strategic Priorities

Visteon is a technology-focused, pure-play supplier of automotive cockpit electronics. The cockpit electronics business is growing faster than underlying vehicle production, expected to grow by more than 1.5 times over the next five years. The industry is shifting from analog to digital, towards device and cloud connectivity, electric vehicles and advanced safety and autonomous.

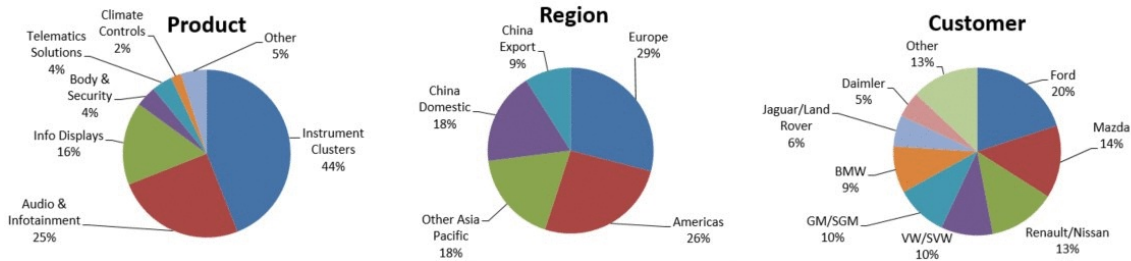
The Company has laid out the following strategic priorities:

- *Transformation of the Automotive Cockpit as a Smart Mobile Digital Assistant* - The Company is an established global leader in cockpit electronics and is positioned to provide solutions as the industry transitions to the next generation automotive cockpit experience. The cockpit is becoming fully digital, connected, automated, learning, and voice enabled. Visteon's broad portfolio of cockpit electronics technology and the development of the DriveCore advanced safety platform positions Visteon to support these macro trends in automotive.
- *Long-Term Growth and Margin Expansion* - Visteon has continued to win an increasing level of business by demonstrating product quality, technical and development capability, new product innovation, reliability and timeliness, product design and manufacturing capability and flexibility, as well as overall customer service.
- *Enhance Shareholder Returns* - The Company has returned approximately \$3.3 billion to shareholders since 2015 through a combination of share repurchases and a one-time special distribution of \$1.75 billion in 2016. As of September 30, 2019 the Company's Board of Directors has authorized the repurchase of an additional \$380 million of the Company's shares through December 31, 2020.

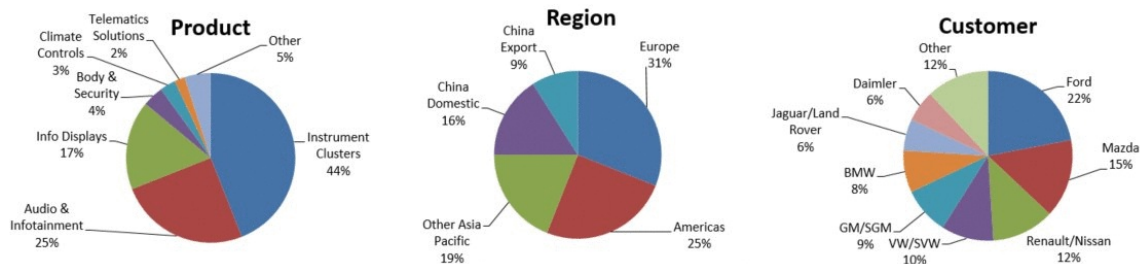
Executive Summary

The pie charts below highlight the sales breakdown for Visteon's Electronics segment for the three and nine months ended September 30, 2019.

Three Months Ended September 30, 2019



Nine Months Ended September 30, 2019



Third quarter 2019 global light vehicle production decreased 3.2% over the same period last year. Most regions have declined year over year with China showing an above average decrease of 5.3% and Europe increasing 0.7% from the same quarter of 2018.

Light vehicle production levels by geographic region for the nine months ended September 30, 2019 and 2018 are provided below:

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	Change	2019	2018	Change
	(Units in Millions)					
Global	21.2	21.9	(3.2)%	66.2	70.3	(5.9)%
China	5.9	6.2	(5.3)%	17.5	19.7	(11.5)%
Other Asia Pacific	5.3	5.5	(3.7)%	16.4	16.6	(1.6)%
Europe	4.7	4.6	0.7 %	15.9	16.6	(3.8)%
Americas	4.9	5.0	(1.2)%	15.0	15.4	(2.4)%
Other	0.4	0.6	(23.4)%	1.4	2.0	(28.5)%

Source: IHS Automotive

In North America, production volumes decreased for key customers as a result of lower consumer demand for sedans and higher average selling prices of vehicles. In China and Other Asia Pacific production volumes have decreased as a result of increased macroeconomic uncertainties and increased regulations. These market dynamics are expected to persist into the fourth quarter of 2019.

Significant aspects of the Company's financial results during the three and nine months periods ended September 30, 2019 include the following:

- The Company recorded sales of \$731 million and \$2,201 million for the three and nine month periods ended September 30, 2019, representing an increase of \$50 million and a decrease of \$52 million when compared with the same periods of 2018.
- Gross margin was \$84 million or 11.5% of sales and \$220 million or 10.0% of sales for the three and nine month periods ended September 30, 2019, representing an increase of \$2 million and a decrease of \$95 million compared to the same periods of 2018. As a percent of sales, gross margin decreased 0.5% and 4.0% when compared with the same periods of 2018.
- Net income attributable to Visteon was \$14 million and \$35 million for the three and nine month periods ended September 30, 2019, compared to net income of \$21 million and \$121 million for the same periods of 2018.
- As of September 30, 2019, total cash was \$446 million, including \$3 million of restricted cash, representing a \$21 million decrease as compared to \$467 million as of December 31, 2018.
- The Company generated \$118 million of cash from operating activities during the nine months ended September 30, 2019, compared to cash generated by operations of \$107 million during the same period of 2018, representing an \$11 million improvement.

Results of Operations - Three Months Ended September 30, 2019 and 2018

The Company's consolidated results of operations for the three months ended September 30, 2019 and 2018 were as follows:

	Three Months Ended September 30		
	2019	2018	Change
	(Dollars in Millions)		
Sales	\$ 731	\$ 681	\$ 50
Cost of sales	(647)	(599)	(48)
Gross margin	84	82	2
Selling, general and administrative expenses	(52)	(40)	(12)
Restructuring expense, net	(1)	(18)	17
Interest expense, net	(3)	(2)	(1)
Equity in net income of non-consolidated affiliates	1	3	(2)
Other income, net	2	7	(5)
Provision for income taxes	(13)	(9)	(4)
Net income from continuing operations	18	23	(5)
Income from discontinued operations	—	1	(1)
Net income	18	24	(6)
Net income attributable to non-controlling interests	(4)	(3)	(1)
Net income attributable to Visteon Corporation	\$ 14	\$ 21	\$ (7)
Adjusted EBITDA*	\$ 62	\$ 71	\$ (9)

* Adjusted EBITDA is a Non-GAAP financial measure, as further discussed below.

Sales, Cost of Sales and Gross Margin

	Sales		Cost of Sales	
	(Dollars in Millions)			
Three months ended September 30, 2018	\$	681	\$	(599)
Volume, mix, and net new business		57		(58)
Currency		(7)		7
VFAE consolidation		12		(10)
Customer pricing and other		(12)		—
Engineering costs, net *		—		4
Cost performance		—		9
Three months ended September 30, 2019	\$	731	\$	(647)

*Excludes the impact of currency and the consolidation of VFAE.

Sales for the three months ended September 30, 2019 totaled \$731 million, which represents an increase of \$50 million compared with the same period of 2018. Net new business, partially offset by lower volumes, increased sales by \$57 million. Unfavorable currency decreased sales by \$7 million, primarily attributable to the Euro and Chinese Renminbi. Other reductions, primarily associated with customer pricing, decreased sales by \$12 million. The consolidation of a previously non-consolidated affiliate, Changchun Visteon FAWAY Auto Electronics Co., Ltd. ("VFAE"), during the third quarter of 2018, increased sales \$12 million.

Cost of sales increased by \$48 million for the three months ended September 30, 2019 compared with the same period in 2018. Volumes, product mix, and net new business, increased cost of sales by \$58 million. Foreign currency decreased cost of sales by \$7 million primarily attributable to the Euro, Chinese Renminbi, Mexican Peso, Brazilian Real, Indian Rupee and Bulgarian Lev. Engineering costs, net, excluding currency and the consolidation of VFAE, decreased cost of sales \$4 million. Cost performance, including material, design and usage economics, partially offset by higher manufacturing costs and the non-recurrence of an incentive compensation accrual release in the third quarter of 2018 decreased cost of sales by \$9 million. The consolidation of VFAE during the third quarter of 2018 increased cost of sales \$10 million.

A summary of net engineering costs is shown below:

	Three Months Ended September 30	
	2019	2018
(Dollars in Millions)		
Gross engineering costs	\$ (105)	\$ (111)
Engineering recoveries	32	34
Engineering costs, net	<u>\$ (73)</u>	<u>\$ (77)</u>

Gross engineering costs relate to forward model program development and advanced engineering activities and exclude contractually reimbursable engineering costs. Net engineering costs of \$73 million for the three months ended September 30, 2019, including the impacts of currency and the consolidation of VFAE, were \$4 million lower than the same period of 2018, primarily related to the benefits of previously announced restructuring actions and the timing of program expenses.

	Three Months Ended September 30			
	2019		2018	
(Dollars in Millions)				
	% of Sales		% of Sales	
Sales	\$ 731		\$ 681	
Cost of sales, excluding engineering costs	(574)	78.5%	(522)	76.7%
Engineering costs, net	(73)	10.0%	(77)	11.3%
Gross margin	<u>\$ 84</u>	<u>11.5%</u>	<u>\$ 82</u>	<u>12.0%</u>

Gross margin was \$84 million or 11.5% of sales for the three months ended September 30, 2019 compared to \$82 million or 12.0% of sales for the same period of 2018. Gross margin was impacted by \$1 million from unfavorable volumes and product mix. Lower net engineering costs, excluding currency and the consolidation of VFAE, increased gross margin by \$4 million. Gross margin was impacted by annual customer pricing and other of \$12 million, partially offset by favorable cost performance of \$9 million, which includes material, design and usage economics partially offset by higher manufacturing costs and the non-recurrence of an incentive compensation accrual release in the third quarter of 2018. The consolidation of VFAE, during the third quarter of 2018 increased gross margin by \$2 million.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses were \$52 million or 7.1% and \$40 million or 5.9% of sales, during the three months ended September 30, 2019 and 2018, respectively. The increase is primarily related to the non-recurrence of an incentive compensation accrual release and the consolidation of VFAE in the third quarter of 2018.

Restructuring Expense, Net

During the third quarter of 2018, the Company approved a restructuring program impacting engineering and administrative functions to optimize operations. During the three months ended September 30, 2019 and 2018, the Company has recorded approximately \$1 million and \$18 million of net restructuring expenses, respectively.

Interest Expense, Net

Interest expense, net, was \$3 million and \$2 million for the three months ended September 30, 2019 and 2018 respectively. The increase in net interest expense is primarily due to lower interest income on short term investments.

Equity in Net Income of Non-Consolidated Affiliates

Equity in net income of non-consolidated affiliates was \$1 million and \$3 million for the three month periods ending September 30, 2019 and 2018, respectively, which is primarily attributable to the Company's equity interest in Yanfeng Visteon Investment Company.

Other Income, Net

Other income, net consists of the following:

	Three Months Ended September 30	
	2019	2018
	(Dollars in Millions)	
Pension financing benefits, net	\$ 2	\$ 3
Gain on non-consolidated affiliate transactions, net	—	4
	\$ 2	\$ 7

Pension financing benefits, net include return on assets net of interest costs and other amortization.

On September 1, 2018, Visteon acquired an additional 1% ownership interest in VFAE, a former non-consolidated affiliate, resulting in a total 51% controlling interest and a non-cash gain of \$4 million as further described in Note 17, "Acquisitions."

Income Taxes

The Company's provision for income taxes of \$13 million for the three months ended September 30, 2019, represents an increase of \$4 million, when compared to a provision for income taxes of \$9 million in the same period of 2018. The increase in tax expense is primarily attributable to changes in the mix of earnings and differing tax rates between jurisdictions which reflects the overall increase in year-over-year earnings in jurisdictions where the Company is profitable, and withholding taxes.

Net Income

Net income attributable to Visteon was \$14 million for the three months ended September 30, 2019, compared to net income of \$21 million for the same period of 2018. The decrease of \$7 million is primarily attributable to higher selling, general and administrative expenses of \$12 million, the non-recurrence of a gain on non-consolidated affiliate transactions of \$4 million, and an increase in provision for income taxes of \$4 million, partially offset by lower restructuring expense of \$17 million.

Adjusted EBITDA

Adjusted EBITDA (a non-GAAP financial measure, as defined in Note 3, "Segment Information") was \$62 million for the three months ended September 30, 2019, representing a decrease of \$9 million when compared to adjusted EBITDA of \$71 million for the same period of 2018. Unfavorable volumes and product mix reduced adjusted EBITDA by \$1 million. Lower net engineering costs, excluding currency and the consolidation of VFAE, increased adjusted EBITDA by \$4 million. Adjusted EBITDA was impacted by annual customer pricing and other of \$12 million, and unfavorable cost performance of \$1 million, which includes higher manufacturing costs and the non-recurrence of an incentive compensation accrual release in the third quarter of 2018, partially offset by material, design and usage economics. The consolidation of VFAE, during the third quarter of 2018 increased adjusted EBITDA by \$1 million.

The reconciliation of net income attributable to Visteon to adjusted EBITDA for the three months ended September 30, 2019 and 2018, is as follows:

	Three Months Ended September 30		
	2019	2018	Change
	(Dollars in Millions)		
Net income attributable to Visteon Corporation	\$ 14	\$ 21	\$ (7)
Depreciation and amortization	25	22	3
Provision for income taxes	13	9	4
Non-cash, stock-based compensation expense	3	4	(1)
Interest expense, net	3	2	1
Net income attributable to non-controlling interests	4	3	1
Restructuring expense, net	1	18	(17)
Income from discontinued operations, net of tax	—	(1)	1
Equity in net income of non-consolidated affiliates	(1)	(3)	2
Other	—	(4)	4
Adjusted EBITDA	\$ 62	\$ 71	\$ (9)

Results of Operations - Nine Months Ended September 30, 2019 and 2018

The Company's consolidated results of operations for the nine months ended September 30, 2019 and 2018 were as follows:

	Nine Months Ended September 30		
	2019	2018	Change
	(Dollars in Millions)		
Sales	\$ 2,201	\$ 2,253	\$ (52)
Cost of sales	(1,981)	(1,938)	(43)
Gross margin	220	315	(95)
Selling, general and administrative expenses	(167)	(139)	(28)
Restructuring expense, net	(2)	(28)	26
Interest expense, net	(7)	(6)	(1)
Equity in net income of non-consolidated affiliates	7	10	(3)
Other income, net	7	17	(10)
Provision for income taxes	(16)	(42)	26
Net income from continuing operations	42	127	(85)
Income from discontinued operations	—	2	(2)
Net income	42	129	(87)
Net income attributable to non-controlling interests	(7)	(8)	1
Net income attributable to Visteon Corporation	\$ 35	\$ 121	\$ (86)
Adjusted EBITDA*	\$ 149	\$ 256	\$ (107)

* Adjusted EBITDA is a Non-GAAP financial measure, as further discussed below.

Sales, Cost of Sales and Gross Margin

	Sales	Cost of Sales
	(Dollars in Millions)	
Nine months ended September 30, 2018	\$ 2,253	\$ (1,938)
Volume, mix, and net new business	4	(52)
Currency	(52)	44
VFAE consolidation	38	(32)
Customer pricing and other	(42)	—
Engineering costs, net*	—	(27)
Cost performance	—	24
Nine months ended September 30, 2019	\$ 2,201	\$ (1,981)

*Excludes the impact of currency and the consolidation of VFAE.

Sales for the nine months ended September 30, 2019 totaled \$2,201 million, which represents a decrease of \$52 million compared with the same period of 2018. Unfavorable currency decreased sales by \$52 million, primarily attributable to the Euro, Chinese Renminbi, Brazilian Real, Indian Rupee and Japanese Yen. Net new business, mostly offset by unfavorable volumes, increased sales by \$4 million. Other reductions, primarily associated with customer pricing, decreased sales by \$42 million. The consolidation of VFAE during the third quarter of 2018 increased sales \$38 million.

Cost of sales increased by \$43 million for the nine months ended September 30, 2019 when compared with the same period in 2018. Volumes, product mix, and net new business increased cost of sales \$52 million. Foreign currency decreased cost of sales by \$44 million primarily attributable to the Euro, Chinese Renminbi, Indian Rupee, Brazilian Real, Mexican Peso and Bulgarian Lev. Engineering costs, net, excluding currency and the consolidation of VFAE, increased cost of sales \$27 million. Cost performance, including material, design and usage economics, partially offset by higher manufacturing costs, the non-recurrence of an incentive compensation accrual release in the third quarter of 2018, inefficiencies associated with a plant transfer in Mexico, and launch challenges associated with a curved center information display decreased cost of sales by \$24 million. The consolidation of VFAE during the third quarter of 2018 increased cost of sales \$32 million.

A summary of net engineering costs is shown below:

	Nine Months Ended September 30	
	2019	2018
	(Dollars in Millions)	
Gross engineering costs	\$ (326)	\$ (310)
Engineering recoveries	81	86
Engineering costs, net	\$ (245)	\$ (224)

Gross engineering costs relate to forward model program development and advanced engineering activities, and exclude contractually reimbursable engineering costs. Net engineering costs, of \$245 million for the nine months ended September 30, 2019, including the impacts of currency and the consolidation of VFAE, were \$21 million higher than the same period of 2018, primarily related to costs to support the Company's new business wins.

	Nine Months Ended September 30			
	2019		2018	
	(Dollars in Millions)			
	% of Sales		% of Sales	
Sales	\$ 2,201		\$ 2,253	
Cost of sales, excluding engineering costs	(1,736)	78.9%	(1,714)	76.1%
Engineering costs, net	(245)	11.1%	(224)	9.9%
Gross margin	\$ 220	10.0%	\$ 315	14.0%

Gross margin was \$220 million or 10.0% of sales for the nine months ended September 30, 2019 compared to \$315 million or 14.0% of sales for the same period of 2018. Gross margin was impacted by \$48 million from unfavorable volumes and product mix. Unfavorable currency of \$8 million reflected the Euro, Chinese Renminbi, Brazilian Real, and Japanese Yen, partially offset

by the Mexican Peso and Bulgarian Lev. Higher engineering costs, excluding currency and the consolidation of VFAE, decreased gross margin by \$27 million. Gross margin was impacted by annual customer pricing and other of \$42 million, partially offset by favorable cost performance of \$24 million, which includes material, design and usage economics partially offset by higher manufacturing costs, inefficiencies associated with a plant transfer in Mexico, launch challenges associated with a curved center information display, and the non-recurrence of an incentive compensation accrual release in the third quarter of 2018. The consolidation of VFAE, during the third quarter of 2018 increased gross margin by \$6 million.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses were \$167 million or 7.6% of sales and \$139 million or 6.2% of sales during the nine months ended September 30, 2019 and 2018, respectively. The increase is primarily related to higher stock compensation expense due to the non-recurrence of the resolution of a legal matter in 2018 as further described in Note 19, "Commitments and Contingencies," the non-recurrence of an incentive compensation accrual release in the third quarter of 2018, bad debt expense and the consolidation of VFAE, partially offset by favorable currency.

Restructuring Expense, Net

During the first quarter of 2019, the Company approved a restructuring program impacting two European manufacturing facilities due to the end of life of certain product lines. The Company recorded approximately \$2 million of restructuring expenses related to this program during the nine months ended September 30, 2019.

During the third quarter of 2018, the Company approved a restructuring program impacting engineering and administrative functions to optimize operations. The Company recorded approximately \$1 million and \$18 million of net restructuring expenses during the nine months ended September 30, 2019 and 2018 respectively.

During the second quarter of 2018, the Company approved restructuring programs impacting employee severance and termination benefit expenses of legacy employees at a South America facility and employees at North America manufacturing facilities due to the wind-down of certain products. During the nine months ended September 30, 2018, the Company recorded approximately \$5 million of restructuring expenses under this program.

During the fourth quarter of 2016, the Company approved a restructuring program impacting engineering and administrative functions to further align the Company's footprint with its core product technologies and customers. During the nine months ended September 30, 2018, the Company recorded approximately \$5 million of restructuring expenses under this program.

Interest Expense, Net

Interest expense, net was \$7 million and \$6 million for the nine months ended September 30, 2019 and 2018 respectively. The increase in net interest expense is primarily due to lower interest income on short term investments.

Equity in Net Income of Non-Consolidated Affiliates

Equity in net income of non-consolidated affiliates was \$7 million and \$10 million for the nine month periods ending September 30, 2019 and 2018, respectively, which is primarily attributable to the Company's equity interest in Yanfeng Visteon Investment Company.

Other Income, Net

Other income, net consists of the following:

	Nine Months Ended September 30	
	2019	2018
	(Dollars in Millions)	
Pension financing benefits, net	\$ 7	\$ 9
Transformation initiatives	—	4
Gain on non-consolidated affiliate transactions, net	—	4
	<u>\$ 7</u>	<u>\$ 17</u>

Pension financing benefits, net include return on assets net of interest costs and other amortization.

Transformation initiatives during the nine months ended September 30, 2018 include a \$4 million benefit related to the resolution of a legal matter as further described in Note 19, "Commitments and Contingencies."

On September 1, 2018, Visteon acquired an additional 1% ownership interest in VFAE, a former non-consolidated affiliate, resulting in a total 51% controlling interest and a non-cash gain of \$4 million as further described in Note 17, "Acquisitions."

Income Taxes

The Company's provision for income taxes of \$16 million for the nine months ended September 30, 2019 represents a decrease of \$26 million when compared with \$42 million in the same period of 2018. The decrease in tax expense includes approximately \$14 million primarily attributable to the overall decrease in year-over-year earnings, including changes in the mix of earnings and differing tax rates between jurisdictions, and withholding taxes. During the first quarter of 2019, the closure of tax audits in Germany allowed the Company to initiate a tax planning strategy previously determined not to be prudent. This strategy provided the necessary positive evidence to support the future utilization of a portion of the Company's deferred tax assets in Germany resulting in a \$12 million discrete income tax benefit during the nine months ended September 30, 2019.

Net Income

Net income attributable to Visteon was \$35 million for the nine months ended September 30, 2019, compared to net income of \$121 million for the same period of 2018. The decrease of \$86 million includes a decrease in gross margin of \$95 million, higher selling, general and administrative expenses of \$28 million and lower other income, net of \$10 million. These decreases were partially offset by lower restructuring expense of \$26 million and provision for income taxes of \$26 million.

Adjusted EBITDA

Adjusted EBITDA (a non-GAAP financial measure, as defined in Note 3, "Segment Information") was \$149 million for the nine months ended September 30, 2019, representing a decrease of \$107 million when compared to adjusted EBITDA of \$256 million for the same period of 2018. Unfavorable volumes and product mix reduced adjusted EBITDA by \$48 million. Foreign currency decreased adjusted EBITDA by \$4 million attributable to the Euro, Chinese Renminbi, Brazilian Real and Japanese Yen, partially offset by the Mexican Peso and Bulgarian Lev. Higher net engineering costs, excluding currency and the consolidation of VFAE, decreased adjusted EBITDA by \$27 million. Adjusted EBITDA was impacted by annual customer pricing and other of \$42 million, partially offset by favorable cost performance of \$10 million, which includes material, design and usage economics partially offset by higher manufacturing costs, inefficiencies associated with a plant transfer in Mexico, launch challenges associated with a curved center information display, and the non-recurrence of an incentive compensation accrual release in the third quarter of 2018. The consolidation of VFAE, during the third quarter of 2018 increased adjusted EBITDA by \$4 million.

The reconciliation of net income attributable to Visteon to adjusted EBITDA for the nine months ended September 30, 2019 and 2018, is as follows:

	Nine Months Ended September 30		
	2019	2018	Change
	(Dollars in Millions)		
Net income attributable to Visteon Corporation	\$ 35	\$ 121	\$ (86)
Depreciation and amortization	74	67	7
Non-cash, stock-based compensation expense	14	4	10
Provision for income taxes	16	42	(26)
Interest expense, net	7	6	1
Net income attributable to non-controlling interests	7	8	(1)
Restructuring expense, net	2	28	(26)
Income from discontinued operations, net of tax	—	(2)	2
Equity in net income of non-consolidated affiliates	(7)	(10)	3
Other	1	(8)	9
Adjusted EBITDA	\$ 149	\$ 256	\$ (107)

Liquidity

The Company's primary sources of liquidity are cash flows from operations, existing cash balances, and borrowings under available credit facilities, if necessary. The Company believes that funds generated from these sources will be adequate to fund its liquidity for current business requirements.

A substantial portion of the Company's cash flows from operations are generated by operations located outside of the United States. Accordingly, the Company utilizes a combination of cash repatriation strategies, including dividends and distributions, royalties, and intercompany arrangements to provide the funds necessary to meet obligations globally. The Company's ability to access funds from its subsidiaries is subject to, among other things, customary regulatory and statutory requirements and contractual arrangements including joint venture agreements and local credit facilities. Moreover, repatriation efforts may be modified by the Company according to prevailing circumstances.

The Company's ability to generate operating cash flow is dependent on the level, variability and timing of its customers' worldwide vehicle production, which may be affected by many factors including, but not limited to, general economic conditions, specific industry conditions, financial markets, competitive factors and legislative and regulatory changes. The Company monitors the macroeconomic environment and its impact on vehicle production volumes in relation to the Company's specific cash needs. The Company's intra-year needs are impacted by seasonal effects in the industry, such as mid-year shutdowns, the subsequent ramp-up of new model production and year-end shutdowns at key customers.

In the event that the Company's funding requirements exceed cash provided by its operating activities, the Company will meet such requirements by reducing existing cash balances, by drawing on its \$300 million Revolving Credit Facility or other affiliate working capital lines, by seeking additional capital through debt or equity markets, or some combination thereof.

Access to additional capital through the debt or equity markets is influenced by the Company's credit ratings. As of September 30, 2019, the Company's corporate credit rating is Ba3 and BB by Moody's and Standard & Poor's, respectively. See Note 11, "Debt" for a more comprehensive discussion of the Company's debt facilities. Incremental funding requirements of the Company's consolidated foreign entities are primarily accommodated by intercompany cash pooling structures. Affiliate working capital lines, which are utilized by the Company's consolidated joint ventures, had availability of \$68 million as of September 30, 2019.

Cash Balances

As of September 30, 2019, the Company had total cash of \$446 million, including \$3 million of restricted cash. Cash balances totaling \$332 million were located in jurisdictions outside of the United States, of which approximately \$145 million is considered permanently reinvested for funding ongoing operations outside of the U.S. If such permanently reinvested funds were repatriated to the U.S., no U.S. federal taxes would be imposed on the distribution of such foreign earnings due to U.S. tax reform enacted in December 2017, however, the Company would be required to accrue additional tax expense, primarily related to foreign withholding taxes.

Other Items Affecting Liquidity

As of September 30, 2019, the Company may execute up to \$380 million additional share repurchases under the Board of Directors authorization which expires on December 31, 2020. Additional discussion regarding the Company's share repurchase activity is provided in Note 15, "Stockholders' Equity and Non-Controlling Interests."

During the nine months ended September 30, 2019, cash contributions to the Company's defined benefit plans were approximately \$1 million for the U.S. plans and \$4 million for the non-U.S. plans. The Company estimates that cash contributions to its defined benefit pension plans will be \$7 million in 2019.

During the nine months ended September 30, 2019, the Company paid \$12 million related to restructuring activities. Management's ongoing efforts to drive further operational improvements may cause the Company to incur additional restructuring charges.

In 2018, the Company committed to make a \$15 million investment in two entities principally focused on the automotive sector pursuant to limited partnership agreements. As a limited partner in each entity, the Company will periodically make capital contributions toward this total commitment amount.

Cash Flows

Operating Activities

The Company generated \$118 million of cash from operating activities during the nine months ended September 30, 2019, representing an \$11 million improvement as compared to cash generated by operations of \$107 million during the same period of 2018. The increase in operating cash flows is primarily due to a decrease of cash used by trade working capital and other assets and other liabilities of \$10 million during the nine months ended September 30, 2019 as compared to \$77 million cash used during the same period last year, representing an improvement of cash provided by operating activities of \$67 million. In addition, non-cash items, including depreciation and amortization, impacted cash provided by operating activities by \$31 million more in the nine months ended September 30, 2019 as compared to the same period of 2018. These items are partially offset by lower net income of \$87 million.

Investing Activities

Cash used by investing activities during the nine months ended September 30, 2019 totaled \$96 million, compared to net cash used by investing activities of \$67 million for the same period in 2018. Net cash used by investing activities during the nine months ended September 30, 2019, included capital expenditures of \$109 million, partially offset by non-consolidated affiliate loan repayments.

Cash used by investing activities during the nine months ended September 30, 2018 totaled \$67 million, including capital expenditures of \$96 million, partially offset by cash acquired from the consolidation of VFAE of \$16 million and \$10 million of proceeds primarily related to the settlement of certain agreements related to the Interiors Divestiture.

Financing Activities

Cash used by financing activities during the nine months ended September 30, 2019, totaled \$35 million, compared to a use of cash of \$294 million during the same period in 2018, for a decrease of cash used by financing activities of \$259 million. The decrease is attributable to a decrease in share repurchases and distribution payments.

Debt and Capital Structure

See Note 11, "Debt" to the consolidated financial statements included in Item 1.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Fair Value Measurement

See Note 16, "Fair Value Measurements and Financial Instruments" to the consolidated financial statements included in Item 1.

Recent Accounting Pronouncements

See Note 1, "Summary of Significant Accounting Policies" to the accompanying consolidated financial statements in Item 1.

Forward-Looking Statements

Certain statements contained or incorporated in this Quarterly Report on Form 10-Q which are not statements of historical fact constitute “Forward-Looking Statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). Forward-looking statements give current expectations or forecasts of future events. Words such as “anticipate”, “expect”, “intend”, “plan”, “believe”, “seek”, “estimate” and other words and terms of similar meaning in connection with discussions of future operating or financial performance signify forward-looking statements. These statements reflect the Company’s current views with respect to future events and are based on assumptions and estimates, which are subject to risks and uncertainties. Accordingly, undue reliance should not be placed on these forward-looking statements. Also, these forward-looking statements represent the Company’s estimates and assumptions only as of the date of this report. The Company does not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statement is made and qualifies all of its forward-looking statements by these cautionary statements.

You should understand that various factors, in addition to those discussed elsewhere in this document, could affect the Company’s future results and could cause results to differ materially from those expressed in such forward-looking statements, including:

- Visteon’s ability to satisfy its future capital and liquidity requirements; Visteon’s ability to access the credit and capital markets at the times and in the amounts needed and on terms acceptable to Visteon; Visteon’s ability to comply with covenants applicable to it; and the continuation of acceptable supplier payment terms.
- Visteon’s ability to satisfy its pension and other postretirement employee benefit obligations, and to retire outstanding debt and satisfy other contractual commitments, all at the levels and times planned by management.
- Visteon’s ability to access funds generated by its foreign subsidiaries and joint ventures on a timely and cost-effective basis.
- Changes in the operations (including products, product planning and part sourcing), financial condition, results of operations or market share of Visteon’s customers.
- Changes in vehicle production volume of Visteon’s customers in the markets where it operates.
- Increases in commodity costs or disruptions in the supply of commodities, including resins, copper, fuel and natural gas.
- Visteon’s ability to generate cost savings to offset or exceed agreed-upon price reductions or price reductions to win additional business and, in general, improve its operating performance; to achieve the benefits of its restructuring actions; and to recover engineering and tooling costs and capital investments.
- Visteon’s ability to compete favorably with automotive parts suppliers with lower cost structures and greater ability to rationalize operations; and to exit non-performing businesses on satisfactory terms, particularly due to limited flexibility under existing labor agreements.
- Restrictions in labor contracts with unions that restrict Visteon’s ability to close plants, divest unprofitable, noncompetitive businesses, change local work rules and practices at a number of facilities and implement cost-saving measures.
- The costs and timing of facility closures or dispositions, business or product realignments, or similar restructuring actions, including potential asset impairment or other charges related to the implementation of these actions or other adverse industry conditions and contingent liabilities.
- Significant changes in the competitive environment in the major markets where Visteon procures materials, components or supplies or where its products are manufactured, distributed or sold.
- Legal and administrative proceedings, investigations and claims, including shareholder class actions, inquiries by regulatory agencies, product liability, warranty, employee-related, environmental and safety claims and any recalls of products manufactured or sold by Visteon.
- Changes in economic conditions, currency exchange rates, changes in foreign laws, regulations or trade policies or political stability in foreign countries where Visteon procures materials, components or supplies or where its products are manufactured, distributed or sold.

- Shortages of materials or interruptions in transportation systems, labor strikes, work stoppages or other interruptions to or difficulties in the employment of labor in the major markets where Visteon purchases materials, components or supplies to manufacture its products or where its products are manufactured, distributed or sold.
- Changes in laws, regulations, policies or other activities of governments, agencies and similar organizations, domestic and foreign, that may tax or otherwise increase the cost of, or otherwise affect, the manufacture, licensing, distribution, sale, ownership or use of Visteon's products or assets.
- Possible terrorist attacks or acts of war, which could exacerbate other risks such as slowed vehicle production, interruptions in the transportation system or fuel prices and supply.
- The cyclical and seasonal nature of the automotive industry.
- Visteon's ability to comply with environmental, safety and other regulations applicable to it and any increase in the requirements, responsibilities and associated expenses and expenditures of these regulations.
- Visteon's ability to protect its intellectual property rights, and to respond to changes in technology and technological risks and to claims by others that Visteon infringes their intellectual property rights.
- Visteon's ability to quickly and adequately remediate control deficiencies in its internal control over financial reporting.
- Other factors, risks and uncertainties detailed from time to time in Visteon's Securities and Exchange Commission filings.
- Caution should be taken not to place undue reliance on our forward-looking statements, which represent our view only as of the date of this presentation, and which we assume no obligation to update. Backlog does not represent firm orders or firm commitments from customers, but are based on various assumptions, including the timing and duration of product launches, vehicle production levels, customer cancellations, installation rates, customer price reductions and currency exchange rates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary market risks to which the Company is exposed include changes in currency exchange rates, interest rates and certain commodity prices. The Company manages these risks through operating actions including fixed price contracts with suppliers and cost sourcing arrangements with customers and through various derivative instruments. The Company's use of derivative instruments is strictly intended for hedging purposes to mitigate market risks pursuant to written risk management policies. Accordingly, derivative instruments are not used for speculative or trading purposes. The Company's use of derivative instruments creates exposure to credit loss in the event of non-performance by the counter-party to the derivative financial instruments. The Company limits this exposure by entering into agreements directly with a variety of major financial institutions with high credit standards and that are expected to fully satisfy their obligations under the contracts. Additionally, the Company's ability to utilize derivatives to manage market risk is dependent on credit conditions and market conditions given the current economic environment.

Foreign Currency Risk

The Company's cash flows are exposed to the risk of adverse changes in exchange rates as related to the sale of products in countries other than the manufacturing source, foreign currency denominated supplier payments, debt and other payables, dividends, investments in subsidiaries and anticipated foreign currency denominated transaction proceeds. Where possible, the Company utilizes derivative financial instruments to manage foreign currency exchange rate risks. Forward and option contracts may be utilized to mitigate the impact exchange rate variability on the Company's cash flows. Foreign currency exposures are reviewed periodically and any natural offsets are considered prior to entering into a derivative financial instrument. The Company's current primary hedged currency exposures include the Japanese Yen, Euro, Thai Baht, and Mexican Peso. The Company utilizes a strategy of partial coverage for transactions in these currencies. The Company's policy requires that hedge transactions relate to a specific portion of the exposure not to exceed the aggregate amount of the underlying transaction.

In addition to the transactional exposure described above, the Company's operating results are impacted by the translation of its foreign operating income into U.S. dollars. The Company does not enter into currency exchange rate contracts to mitigate this exposure.

The hypothetical pre-tax gain or loss in fair value from a 10% favorable or adverse change in quoted currency exchange rates would be approximately \$32 million for currency derivative financial instruments as of September 30, 2019 and December 31, 2018. These estimated changes assume a parallel shift in all currency exchange rates and include the gain or loss on financial instruments used to hedge investments in subsidiaries. Because exchange rates typically do not all move in the same direction, the estimate may overstate the impact of changing exchange rates on the net fair value of the Company's financial derivatives. It is also important to note that gains and losses indicated in the sensitivity analysis would generally be offset by gains and losses on the underlying exposures being hedged.

Interest Rate Risk

See Note 16, "Fair Value Measurements and Financial Instruments" to the consolidated financial statements included in Item 1 for additional information.

Commodity Risk

The Company's exposures to market risk from changes in the price of production material are managed primarily through negotiations with suppliers and customers, although there can be no assurance that the Company will recover all such costs. The Company continues to evaluate derivatives available in the marketplace and may decide to utilize derivatives in the future to manage select commodity risks if an acceptable hedging instrument is identified for the Company's exposure level at that time, as well as the effectiveness of the financial hedge among other factors.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

As of September 30, 2019, an evaluation was performed under the supervision and with the participation of the Company's management, including its Chief Executive and Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2019.

Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II
Other Information

Item 1. Legal Proceedings

See the information above under Note 19, "Commitments and Contingencies," to the consolidated financial statements which is incorporated herein by reference.

Item 1A. Risk Factors

Certain risks described below update the risk factors in Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Changes in the United Kingdom's economic and other relationships with the European Union could adversely affect the Company.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union ("Brexit"). In March 2017, the United Kingdom formally notified the European Union of its intention to withdraw thereby triggering a two-year negotiation period which has now been extended to October 31, 2019, unless further extension is agreed to by the parties. There remains significant uncertainty about the future relationship between the United Kingdom and the European Union, including the possibility of the United Kingdom leaving the European Union without a negotiated and bilaterally approved withdrawal plan. The Company does not have manufacturing operations in the United Kingdom but does have significant sales in the United Kingdom from manufacturing facilities in the European Union. In 2018, those sales were approximately \$90 million. In addition, our supply chain and that of our customers are highly integrated across the United Kingdom and the European Union, and we are highly dependent on the free flow of goods in those regions. The ongoing uncertainty and potential re-imposition of border controls and customs duties on trade between the United Kingdom and European Union nations could negatively impact our competitive position, supplier and customer relationships and financial performance. The ultimate effects of Brexit on us will depend on the specific terms of any agreement the United Kingdom and the European Union reach to provide access to each other's respective markets.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no purchases made by or on behalf of the Company, or an affiliated purchaser, of shares of the Company's common stock during the third quarter of 2019.

Item 6. Exhibits

The exhibits listed on the "Exhibit Index" on Page 44 hereof are filed with this report or incorporated by reference as set forth therein.

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
31.1	Rule 13a-14(a) Certification of Chief Executive Officer dated October 24, 2019.
31.2	Rule 13a-14(a) Certification of Executive Vice President, Chief Financial Officer dated October 24, 2019.
32.1	Section 1350 Certification of Chief Executive Officer dated October 24, 2019.
32.2	Section 1350 Certification of Executive Vice President, Chief Financial Officer dated October 24, 2019.
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema Document.**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.**

* Indicates that exhibit is a management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files as Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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

Signatures

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, Visteon Corporation has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

VISTEON CORPORATION

By: /s/ Christian A. Garcia

Christian A. Garcia

Executive Vice President and Chief Financial Officer

Date: October 24, 2019

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)**I, Sachin S. Lawande, certify that:**

1. I have reviewed this Quarterly Report on Form 10-Q of Visteon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2019

/s/ Sachin S. Lawande
Sachin S. Lawande
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)**I, Christian A. Garcia, certify that:**

1. I have reviewed this Quarterly Report on Form 10-Q of Visteon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2019

/s/ Christian A. Garcia
Christian A. Garcia
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SS.1350
AND EXCHANGE ACT RULE 13a-14(b)

Solely for the purposes of complying with 18 U.S.C. ss.1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), I, the undersigned President and Chief Executive Officer of Visteon Corporation (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) of the Exchange Act and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Sachin S. Lawande
Sachin S. Lawande

October 24, 2019

CERTIFICATION PURSUANT TO 18 U.S.C. SS.1350
AND EXCHANGE ACT RULE 13a-14(b)

Solely for the purposes of complying with 18 U.S.C. ss.1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), I, the undersigned Executive Vice President and Chief Financial Officer of Visteon Corporation (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) of the Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Christian A. Garcia
Christian A. Garcia

October 24, 2019

