

**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, 2022

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 21, 2022, the registrant had outstanding 28,142,789 shares of common stock.

Exhibit index located on page number 38.

Visteon Corporation and Subsidiaries

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Part I
Financial Information

Item 1. Condensed Consolidated Financial Statements

VISTEON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 1,026	\$ 631	\$ 2,692	\$ 1,987
Cost of sales	(922)	(584)	(2,438)	(1,832)
Gross margin	104	47	254	155
Selling, general and administrative expenses	(47)	(42)	(134)	(131)
Restructuring and impairment	(1)	2	(12)	2
Interest expense	(3)	(2)	(10)	(8)
Interest income	1	—	3	2
Equity in net (loss) income of non-consolidated affiliates	(1)	2	3	2
Other income, net	5	4	15	13
Income (loss) before income taxes	58	11	119	35
Provision for income taxes	(9)	(4)	(24)	(20)
Net income (loss)	49	7	95	15
Less: Net (income) loss attributable to non-controlling interests	(5)	(2)	(5)	(5)
Net income (loss) attributable to Visteon Corporation	\$ 44	\$ 5	\$ 90	\$ 10
Comprehensive income (loss)	\$ 15	\$ 1	\$ 21	\$ 10
Less: Comprehensive (income) loss attributable to non-controlling interests	—	(1)	4	(6)
Comprehensive income (loss) attributable to Visteon Corporation	\$ 15	\$ —	\$ 25	\$ 4
Basic earnings (loss) per share attributable to Visteon Corporation	\$ 1.57	\$ 0.18	\$ 3.20	\$ 0.36
Diluted earnings (loss) per share attributable to Visteon Corporation	\$ 1.54	\$ 0.18	\$ 3.16	\$ 0.35

See accompanying notes to the condensed consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)

	<i>(Unaudited)</i> September 30, 2022	December 31, 2021
ASSETS		
Cash and equivalents	\$ 362	\$ 452
Restricted cash	3	3
Accounts receivable, net	733	549
Inventories, net	341	262
Other current assets	155	158
Total current assets	1,594	1,424
Property and equipment, net	336	388
Intangible assets, net	101	118
Right-of-use assets	120	139
Investments in non-consolidated affiliates	51	54
Other non-current assets	124	111
Total assets	<u>\$ 2,326</u>	<u>\$ 2,234</u>
LIABILITIES AND EQUITY		
Short-term debt	\$ 9	\$ 4
Accounts payable	645	522
Accrued employee liabilities	79	80
Current lease liability	27	28
Other current liabilities	220	218
Total current liabilities	980	852
Long-term debt, net	340	349
Employee benefits	171	198
Non-current lease liability	97	117
Deferred tax liabilities	26	27
Other non-current liabilities	63	75
Stockholders' equity:		
Preferred stock (par value 0.01, 50 million shares authorized, none outstanding as of September 30, 2022 and December 31, 2021)	—	—
Common stock (par value \$0.01, 250 million shares authorized, 55 million shares issued, 28.1 and 28.0 million shares outstanding as of September 30, 2022 and December 31, 2021, respectively)	1	1
Additional paid-in capital	1,351	1,349
Retained earnings	1,754	1,664
Accumulated other comprehensive loss	(294)	(229)
Treasury stock	(2,257)	(2,269)
Total Visteon Corporation stockholders' equity	555	516
Non-controlling interests	94	100
Total equity	649	616
Total liabilities and equity	<u>\$ 2,326</u>	<u>\$ 2,234</u>

See accompanying notes to the condensed consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Operating Activities		
Net income (loss)	\$ 95	\$ 15
Adjustments to reconcile net income (loss) to net cash provided from (used by) operating activities:		
Depreciation and amortization	79	82
Non-cash stock-based compensation	19	13
Equity in net loss (income) of non-consolidated affiliates, net of dividends remitted	—	14
Impairments	4	—
Other non-cash items	(2)	4
Changes in assets and liabilities:		
Accounts receivable	(244)	50
Inventories	(112)	(82)
Accounts payable	173	(68)
Other assets and other liabilities	(10)	(40)
Net cash (used by) provided from operating activities	2	(12)
Investing Activities		
Capital expenditures, including intangibles	(54)	(54)
Contributions to equity method investments	(1)	(3)
Settlement of derivative contracts	9	—
Loan repayments from non-consolidated affiliates	—	2
Other	2	5
Net cash used by investing activities	(44)	(50)
Financing Activities		
Borrowings on term debt facility	350	—
Payments on term debt facility	(350)	—
Dividends to non-controlling interests	—	(33)
Short-term debt, net	(4)	6
Other	(3)	1
Net cash (used by) provided from financing activities	(7)	(26)
Effect of exchange rate changes on cash	(41)	(11)
Net decrease in cash, equivalents, and restricted cash	(90)	(99)
Cash, equivalents, and restricted cash at beginning of the period	455	500
Cash, equivalents, and restricted cash at end of the period	\$ 365	\$ 401

See accompanying notes to the condensed consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(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, 2021	\$ 1	\$ 1,349	\$ 1,664	\$ (229)	\$ (2,269)	\$ 516	\$ 100	\$ 616
Net income (loss)	—	—	22	—	—	22	1	23
Other comprehensive income (loss)	—	—	—	4	—	4	—	4
Stock-based compensation, net	—	(10)	—	—	9	(1)	—	(1)
March 31, 2022	\$ 1	\$ 1,339	\$ 1,686	\$ (225)	\$ (2,260)	\$ 541	\$ 101	\$ 642
Net income (loss)	—	—	24	—	—	24	(1)	23
Other comprehensive income (loss)	—	—	—	(40)	—	(40)	(4)	(44)
Stock-based compensation, net	—	6	—	—	1	7	—	7
Dividends to non-controlling interest	—	—	—	—	—	—	(2)	(2)
June 30, 2022	\$ 1	\$ 1,345	\$ 1,710	\$ (265)	\$ (2,259)	\$ 532	\$ 94	\$ 626
Net income (loss)	—	—	44	—	—	44	5	49
Other comprehensive income (loss)	—	—	—	(29)	—	(29)	(5)	(34)
Stock-based compensation, net	—	6	—	—	2	8	—	8
September 30, 2022	\$ 1	\$ 1,351	\$ 1,754	\$ (294)	\$ (2,257)	\$ 555	\$ 94	\$ 649

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, 2020	\$ 1	\$ 1,348	\$ 1,623	\$ (304)	\$ (2,281)	\$ 387	\$ 123	\$ 510
Net income (loss)	—	—	16	—	—	16	3	19
Other comprehensive income (loss)	—	—	—	(17)	—	(17)	(1)	(18)
Stock-based compensation, net	—	(11)	—	—	9	(2)	—	(2)
Dividends to non-controlling interest	—	—	—	—	—	—	(3)	(3)
March 31, 2021	\$ 1	\$ 1,337	\$ 1,639	\$ (321)	\$ (2,272)	\$ 384	\$ 122	\$ 506
Net income (loss)	—	—	(11)	—	—	(11)	—	(11)
Other comprehensive income (loss)	—	—	—	16	—	16	3	19
Stock-based compensation, net	—	4	—	—	1	5	—	5
Cash dividend	—	—	—	—	—	—	(1)	(1)
Dividends to non-controlling interest	—	—	—	—	—	—	(31)	(31)
June 30, 2021	\$ 1	\$ 1,341	\$ 1,628	\$ (305)	\$ (2,271)	\$ 394	\$ 93	\$ 487
Net income (loss)	—	—	5	—	—	5	2	7
Other comprehensive income (loss)	—	—	—	(5)	—	(5)	(1)	(6)
Stock-based compensation, net	—	3	—	—	2	5	—	5
September 30, 2021	\$ 1	\$ 1,344	\$ 1,633	\$ (310)	\$ (2,269)	\$ 399	\$ 94	\$ 493

See accompanying notes to the condensed consolidated financial statements.

VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Summary of Significant Accounting Policies

Basis of Presentation - Interim Financial Statements

The condensed consolidated financial statements of Visteon Corporation and Subsidiaries (the "Company" or "Visteon") have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission ("SEC") have been condensed or omitted pursuant to such rules and regulations. These interim condensed 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, stockholders' equity, and cash flows of the Company for the interim periods presented. Interim results are not necessarily indicative of full-year results.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported herein. Considerable judgment is involved in making these determinations and the use of different estimates or assumptions could result in significantly different results. Management believes its assumptions and estimates are reasonable and appropriate. However, actual results could differ from those reported herein. Events and changes in circumstances arising after September 30, 2022, including those resulting from the impacts of COVID-19 and the subsequent semiconductor supply shortage, as further described in Note 14, "Commitments and Contingencies", will be reflected in management's estimates in future periods.

Allowance for Doubtful Accounts: The Company establishes an allowance for doubtful accounts for accounts receivable based on the current expected credit loss impairment model ("CECL"). The Company applies a historical loss rate based on historic write-offs by region to aging categories. The historical loss rate is adjusted for current conditions and reasonable and supportable forecasts of future losses, as necessary. The Company may also record a specific reserve for individual accounts when the Company becomes aware of specific customer circumstances, such as in the case of a bankruptcy filing or deterioration in the customer's operating results or financial position. The allowance for doubtful accounts was \$5 million and \$4 million of September 30, 2022 and December 31, 2021, respectively.

Recently Adopted Accounting Pronouncements

Government Assistance - In November 2021, the FASB issued ASU 2021-10, "Government Assistance (Topic 832) - Disclosures by Business Entities about Government Assistance." to increase the transparency of government assistance including the disclosure of the types of assistance, an entity's accounting for the assistance, and the effect of the assistance on an entity's financial statements. The amendments in this update are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. The adoption of the guidance did not have a material impact on the Company's condensed consolidated financial statements.

NOTE 2. Non-Consolidated Affiliates

Investments in Affiliates

The Company's investments in non-consolidated equity method affiliates include the following:

(In millions)	September 30, 2022	December 31, 2021
Yanfeng Visteon Investment Co., Ltd. ("YFVIC") (50%)	\$ 30	\$ 36
Limited partnerships	13	10
Other	8	8
Total investments in non-consolidated affiliates	<u>\$ 51</u>	<u>\$ 54</u>

Variable Interest Entities

The Company evaluates 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. The Company consolidates a VIE if it is determined to be the primary beneficiary of the VIE having 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.

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 Yangfeng Automotive Trim Systems Co. Ltd. ("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.

The Company's investments in YFVIC consists of the following:

(In millions)	September 30, 2022	December 31, 2021
Payables due to YFVIC	\$ 41	\$ 20
<u>Exposure to loss in YFVIC:</u>		
Investment in YFVIC	\$ 30	\$ 36
Receivables due from YFVIC	48	48
Maximum exposure to loss in YFVIC	<u>\$ 78</u>	<u>\$ 84</u>

The Company recorded a \$9 million settlement charge related to a one-time contract dispute with a joint venture partner during the second quarter 2022. This charge is recorded within Cost of Sales.

Equity Investments

In 2018, the Company committed to make a \$15 million investment in two funds managed by venture capital firms principally focused on the automotive sector pursuant to limited partnership agreements. As a limited partner in each fund, the Company will periodically make capital contributions toward this total commitment amount. As of September 30, 2022, the Company has contributed a total of approximately \$10 million toward the aggregate investment commitments. These limited partnerships are classified as equity method investments.

NOTE 3. Restructuring and Impairments

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, including potential impacts related to COVID-19, 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.

Current restructuring actions include the following:

- During 2022, the Company approved and recorded \$5 million of restructuring expense, primarily impacting Europe, in order to improve efficiencies and rationalize the Company's footprint, including the indefinite suspension of operations in Russia. As of September 30, 2022, \$4 million remains accrued related to these actions.
- During 2020, the Company approved various restructuring programs impacting engineering, administrative and manufacturing functions to improve efficiency and rationalize the Company's footprint. During the first nine months of 2022 the Company recorded \$2 million of costs related to these programs. As of September 30, 2022, \$4 million remains accrued related to these programs.
- During prior periods the Company approved various restructuring programs to improve efficiencies which do not relate to the programs described above. As of September 30, 2022, \$5 million remains accrued related to these previously announced actions.

Restructuring Reserves

The Company's restructuring reserves and related activity are summarized below.

(In millions)	
December 31, 2021	\$ 18
Expense	2
Change in estimate	1
Payments	(5)
March 31, 2022	\$ 16
Expense	2
Change in estimate	2
Payments	(4)
Foreign exchange	(1)
June 30, 2022	\$ 15
Expense	1
Payments	(3)
September 30, 2022	<u>\$ 13</u>

Impairments

During the nine months ended September 30, 2022, due to the current geopolitical situation in Eastern Europe the Company indefinitely suspended operations in Russia beginning in the second quarter 2022. As such, the Company recognized a non-cash impairment charge of \$2 million to fully impair property and equipment as of September 30, 2022. The Company also recorded a \$2 million charge to reduce certain inventory in Russia to its net realizable value based on the Company's suspension of operations in Russia during the second quarter 2022.

NOTE 4. Inventories

Inventories, net consist of the following components:

(In millions)	September 30, 2022	December 31, 2021
Raw materials	\$ 294	\$ 206
Work-in-process	16	29
Finished products	31	27
	<u>\$ 341</u>	<u>\$ 262</u>

NOTE 5. Goodwill and Other Intangible Assets

Intangible assets, net are comprised of the following:

(In millions)	Estimated Weighted Average Useful Life (years)	September 30, 2022			December 31, 2021		
		Gross Intangibles	Accumulated Amortization	Net Intangibles	Gross Intangibles	Accumulated Amortization	Net Intangibles
Definite-Lived:							
Developed technology	10	\$ 40	\$ (39)	\$ 1	\$ 41	\$ (39)	\$ 2
Customer related	10	87	(74)	13	96	(75)	21
Capitalized software development	5	49	(13)	36	48	(10)	38
Other	32	15	(9)	6	15	(8)	7
Subtotal		191	(135)	56	200	(132)	68
Indefinite-Lived:							
Goodwill		45	—	45	50	—	50
Total		\$ 236	\$ (135)	\$ 101	\$ 250	\$ (132)	\$ 118

Capitalized software development consists of software development costs intended for integration into customer products.

NOTE 6. Other Assets

Other current assets are comprised of the following components:

(In millions)	September 30, 2022	December 31, 2021
Receivables from non-consolidated affiliates	\$ 51	\$ 48
Recoverable taxes	48	40
Contractually reimbursable engineering costs	33	34
Prepaid assets and deposits	19	21
Royalty agreements	2	4
China bank notes	—	3
Other	2	8
	\$ 155	\$ 158

The Company receives bank notes from certain customers in China to settle trade accounts receivable. 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. The Company redeemed \$101 million and \$114 million of China bank notes during the nine months ended September 30, 2022 and 2021, respectively. Remaining amounts outstanding at third-party institutions related to sold bank notes will mature by the end of the first quarter of 2023.

During 2022, the Company terminated derivative financial instruments and received approximately \$9 million of proceeds upon settlement. See Note 13, "Fair Value Measurements and Financial Instruments" for further details.

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

(In millions)	September 30, 2022	December 31, 2021
Deferred tax assets	\$ 45	\$ 47
Contractually reimbursable engineering costs	30	34
Derivative financial instruments	14	—
Recoverable taxes	8	9
Pension assets	5	7
Royalty agreements	—	2
Other	22	12
	<u>\$ 124</u>	<u>\$ 111</u>

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 \$7 million during the remainder of 2022, \$35 million in 2023, \$17 million in 2024, \$3 million in 2025, and \$1 million in 2026 and beyond.

NOTE 7. Other Liabilities

Other current liabilities are summarized as follows:

(In millions)	September 30, 2022	December 31, 2021
Deferred income	\$ 48	\$ 69
Payables to non-consolidated affiliates	42	20
Non-income taxes payable	34	26
Product warranty and recall accruals	28	30
Income taxes payable	13	8
Royalty reserves	12	12
Restructuring reserves	9	16
Other	34	37
	<u>\$ 220</u>	<u>\$ 218</u>

Other non-current liabilities are summarized as follows:

(In millions)	September 30, 2022	December 31, 2021
Product warranty and recall accruals	\$ 19	\$ 20
Deferred income	16	15
Income tax reserves	8	8
Restructuring reserves	4	2
Royalty agreements	3	5
Derivative financial instruments	—	13
Other	13	12
	<u>\$ 63</u>	<u>\$ 75</u>

NOTE 8. Debt

The Company's debt consists of the following:

(In millions)	September 30, 2022	December 31, 2021
Short-Term Debt:		
Current portion of long-term debt	\$ 9	\$ —
Short-term borrowings	—	4
	<u>\$ 9</u>	<u>\$ 4</u>
Long-Term Debt:		
Term debt facility, net	<u>\$ 340</u>	<u>\$ 349</u>

As of December 31, 2021, the Company had an amended credit agreement ("Credit Agreement") which included a \$350 million Term Facility maturing March 24, 2024 and a \$400 million Revolving Credit Facility.

On July 19, 2022, the Company entered into a new amendment to the Credit Agreement to, among other things, extend the maturity dates of both facilities. The amended Revolving Credit Facility and Term Facility will mature on July 19, 2027. The amendment changed the method the Term Loan and Revolving Credit Facility accrue interest from a LIBOR-based rate to a Secured Overnight Financing Rate ("SOFR") based rate.

In connection with amending both the Term Facility and Revolving Credit Facility, the Company recorded \$1 million of interest expense. The Company also deferred \$2 million of costs as a non-current asset and \$1 million of costs net of Long-term debt. The deferred costs will be amortized over the term of the debt facilities.

Short-Term Debt

Terms of the amended credit facility require a quarterly principal payment equal to 1.25% of the original term debt balance. The first required payment is due during the second quarter 2023.

Short-term borrowings at December 31, 2021 are related to subsidiary borrowings.

As of September 30, 2022, the Company has no other short-term borrowings, including at the Company's subsidiaries. The Company's subsidiaries have access to \$178 million of capacity under short-term credit facilities.

Long-Term Debt

The Company has no outstanding borrowings on the Revolving Credit Facility as of September 30, 2022.

Interest on the Term Facility and Revolving Credit Facility accrue interest at a rate equal to a SOFR-based rate plus an applicable margin of between 1.00% and 1.75%, as determined by the Company's total gross leverage ratio.

The Credit Agreement requires compliance 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 3.50:1.00. During any period when the Company's corporate and family ratings meet investment grade ratings, certain of the negative covenants are suspended.

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 borrowings. Any amount of the facility utilized for letters of credit or swing line loans outstanding will reduce the amount available under the existing Revolving Credit Facility. The Company may request increases in the limits under the Credit Agreement and may request the addition of one or more term loan facilities. 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 principle 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.

All obligations under the Credit Agreement and obligations with respect to certain cash management services and swap transaction agreements between the Company and its lenders are unconditionally guaranteed by certain of the Company's subsidiaries. Under the terms of the Credit Agreement, any amounts outstanding are secured by a first-priority perfected lien on substantially all property of the Company and the subsidiaries party to the security agreement, subject to certain limitations.

Other

The Company has a \$5 million letter of credit facility, whereby the Company is required to maintain a cash 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, 2022. Additionally, the Company had \$3 million of locally issued bank guarantees and letters of credit as of September 30, 2022, to support various tax appeals, customs arrangements and other obligations at its local affiliates.

NOTE 9. Employee Benefit Plans

The Company's net periodic benefit costs for all defined benefit plans for the three month periods ended September 30, 2022 and 2021 were as follows:

(In millions)	U.S. Plans		Non-U.S. Plans	
	2022	2021	2022	2021
Costs Recognized in Income:				
Pension service (cost):				
Service cost	\$ —	\$ —	\$ —	\$ (1)
Pension financing benefits (cost):				
Interest cost	\$ (5)	\$ (5)	\$ (2)	\$ (1)
Expected return on plan assets	10	9	2	2
Amortization of losses and other	—	—	—	(1)
Total pension financing benefits:	5	4	—	—
Net pension benefit (cost)	\$ 5	\$ 4	\$ —	\$ (1)

The Company's net periodic benefit costs for all defined benefit plans for the nine month periods ended September 30, 2022 and 2021 were as follows:

(In millions)	U.S. Plans		Non-U.S. Plans	
	2022	2021	2022	2021
Costs Recognized in Income:				
Pension service (cost):				
Service cost	\$ —	\$ —	\$ (1)	\$ (1)
Pension financing benefits (costs):				
Interest cost	\$ (15)	\$ (13)	\$ (5)	\$ (4)
Expected return on plan assets	30	28	6	6
Amortization of losses and other	—	(2)	(1)	(2)
Total pension financing benefits:	15	13	—	—
Net pension benefit (cost)	\$ 15	\$ 13	\$ (1)	\$ (1)

Pension financing benefits are classified as Other income, net on the Company's condensed consolidated statements of comprehensive income.

During the nine months ended September 30, 2022, cash contributions to the Company's defined benefit plans were \$5 million related to its non-U.S. plans. The Company estimates that total cash contributions to its non-U.S. defined benefit pension plans during 2022 will be \$6 million.

NOTE 10. Income Taxes

During the nine month period ended September 30, 2022, the Company recorded a provision for income tax of \$24 million which reflects income tax expense in countries where the Company is profitable, accrued withholding taxes, and the inability to record a tax benefit for pretax losses and/or recognize expense for pretax income in certain jurisdictions, including the United States ("U.S."), due to valuation allowances. Pre-tax losses in jurisdictions where valuation allowances are maintained and no income tax benefits are recognized totaled \$16 million and \$48 million for the nine month periods ended September 30, 2022 and 2021, respectively, resulting in an increase in the Company's effective tax rate.

The Company's provision for income taxes in interim periods is computed by applying an estimated annual effective tax rate against income before income taxes, excluding equity in net income of non-consolidated affiliates for the period. Effective tax rates vary from period to period as separate calculations are performed for those countries where the Company's operations are profitable and whose results continue to be tax-effected and for those countries where full deferred tax valuation allowances exist and are maintained.

The 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 Company evaluates its deferred income taxes quarterly to determine if valuation allowances are required or should be adjusted.

During the third quarter of 2022, there were no material changes in unrecognized tax benefits. The long-term portion of uncertain income tax positions (including interest) of \$8 million is included in other non-current liabilities on the condensed consolidated balance sheet, while \$3 million is reflected as a reduction of a deferred tax asset related to a net operating loss included in other non-current assets on the condensed consolidated balance sheet. Outstanding income tax refund claims, related primarily to India and Brazil jurisdictions, total \$6 million as of September 30, 2022 and are included in other non-current assets on the condensed consolidated balance sheets.

NOTE 11. Stockholders' Equity and Non-controlling Interests*Non-Controlling Interests*

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

(In millions)	September 30, 2022	December 31, 2021
Shanghai Visteon Automotive Electronics, Co., Ltd.	\$ 43	\$ 45
Yanfeng Visteon Automotive Electronics Co., Ltd.	32	33
Changchun Visteon FAWAY Automotive Electronics, Co., Ltd.	17	20
Other	2	2
	<u>\$ 94</u>	<u>\$ 100</u>

Accumulated Other Comprehensive Income (Loss)

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

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Changes in AOCI:				
Beginning balance	\$ (265)	\$ (305)	\$ (229)	\$ (304)
Other comprehensive income (loss) before reclassification, net of tax	(29)	(7)	(66)	(11)
Amounts reclassified from AOCI	—	2	1	5
Ending balance	<u>\$ (294)</u>	<u>\$ (310)</u>	<u>\$ (294)</u>	<u>\$ (310)</u>
Changes in AOCI by Component:				
<i>Foreign currency translation adjustments</i>				
Beginning balance	\$ (206)	\$ (131)	\$ (149)	\$ (115)
Other comprehensive income (loss) before reclassification, net of tax (a)	(45)	(13)	(102)	(29)
Ending balance	<u>(251)</u>	<u>(144)</u>	<u>(251)</u>	<u>(144)</u>
<i>Net investment hedge</i>				
Beginning balance	18	(5)	4	(15)
Other comprehensive income (loss) before reclassification, net of tax (a)	5	5	20	18
Amounts reclassified from AOCI	—	(1)	(1)	(4)
Ending balance	<u>23</u>	<u>(1)</u>	<u>23</u>	<u>(1)</u>
<i>Benefit plans</i>				
Beginning balance	(79)	(162)	(81)	(165)
Other comprehensive income (loss) before reclassification, net of tax (b)	2	1	3	1
Amounts reclassified from AOCI	—	1	1	4
Ending balance	<u>(77)</u>	<u>(160)</u>	<u>(77)</u>	<u>(160)</u>
<i>Unrealized hedging gain (loss)</i>				
Beginning balance	2	(7)	(3)	(9)
Other comprehensive income (loss) before reclassification, net of tax (c)	9	—	13	(1)
Amounts reclassified from AOCI	—	2	1	5
Ending balance	<u>11</u>	<u>(5)</u>	<u>11</u>	<u>(5)</u>
Total AOCI	<u>\$ (294)</u>	<u>\$ (310)</u>	<u>\$ (294)</u>	<u>\$ (310)</u>

(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, 2022 and 2021.

(c) There were no income tax effects related to unrealized hedging gain (loss) for either period due to the valuation allowance.

NOTE 12. 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 calculated 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,	
	2022	2021	2022	2021
(In millions, except per share amounts)				
Numerator:				
Net income (loss) attributable to Visteon	\$ 44	\$ 5	\$ 90	\$ 10
Denominator:				
Average common stock outstanding - basic	28.1	28.0	28.1	27.9
Dilutive effect of performance based share units and other	0.4	0.4	0.4	0.4
Diluted shares	28.5	28.4	28.5	28.3
Basic and Diluted Per Share Data:				
Basic earnings (loss) per share attributable to Visteon	\$ 1.57	\$ 0.18	\$ 3.20	\$ 0.36
Diluted earnings (loss) per share attributable to Visteon:	\$ 1.54	\$ 0.18	\$ 3.16	\$ 0.35

NOTE 13. 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 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 condensed 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, Brazilian real, 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, 2022 the Company had no foreign currency economic derivative instruments. At December 31, 2021, the Company had economic foreign currency derivative instruments with notional amounts of \$32 million and an aggregate fair value of a liability of less than \$1 million.

Cross Currency Swaps: During the first nine months of 2022, the Company terminated existing cross currency swaps and received \$9 million upon settlement. During the third quarter 2022, subsequent to terminations, the Company executed cross-currency swap transactions with aggregate notional amounts of \$200 million intended to mitigate the variability of U.S. dollar value investment in certain of its non-U.S. entities. These transactions are designated as net investment hedges. There was no ineffectiveness associated with such derivatives as of September 30, 2022, and the fair value of these derivatives is an asset of \$3 million.

As of December 31, 2021, the Company had cross currency swaps with an aggregate notional value of \$250 million. The fair value of these derivatives was an asset of \$2 million and a non-current liability of \$9 million.

Interest Rate Swaps: During 2022, the Company terminated existing interest rate swaps and received less than \$1 million upon settlement. Subsequent to these terminations, during the third quarter, the Company executed new interest rate swap instruments. 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, 2022 the Company had interest rate swaps of \$250 million. The fair value of these derivatives is an asset of \$11 million as of September 30, 2022. As of September 30, 2022, a gain of less than \$1 million is expected to be reclassified out of accumulated other comprehensive income into earnings within the next twelve months.

As of December 31, 2021, the Company had interest rate swaps with an aggregate notional value of \$300 million. The fair value of these derivatives was a non-current liability of \$4 million.

Financial Statement Presentation

Gains and losses on derivative financial instruments for the three and nine months ended September 30, 2022 and 2021 are as follows:

(In millions)	Recorded Income (Loss) into AOCI, net of tax		Reclassified from AOCI into Income (Loss)		Recorded in (Income) Loss	
	2022	2021	2022	2021	2022	2021
Three months ended September 30,						
Foreign currency risk - Cost of sales:						
Foreign currency derivative instruments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest rate risk - Interest expense, net:						
Interest rate swaps	9	—	—	(2)	—	—
Cross currency swaps	5	5	—	1	—	—
	<u>\$ 14</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ —</u>
Nine months ended September 30,						
Foreign currency risk - Cost of sales:						
Foreign currency derivative instruments	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ 1
Interest rate risk - Interest expense, net:						
Interest rate swaps	13	(1)	(1)	(5)	—	—
Cross currency swaps	20	18	1	4	—	—
	<u>\$ 33</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ 3</u>	<u>\$ 1</u>

Items Not Carried at Fair Value

The Company's fair value of debt was \$323 million and \$354 million as of September 30, 2022 and December 31, 2021, 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 in the fair value hierarchy.

Concentrations of Credit Risk

Financial instruments including cash equivalents, derivative contracts, and accounts receivable, expose the Company to counterparty 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 GM and their affiliates. Ford represents 16% and 18% of the Company's balance as of September 30, 2022 and December 31, 2021, respectively. GM represents 12% and 8% of the Company's balance as of September 30, 2022 and December 31, 2021, respectively.

NOTE 14. Commitments and Contingencies

Litigation and Claims

In 2003, the Local Development Finance Authority of the Charter Township of Van Buren, Michigan issued approximately \$28 million in bonds finally maturing in 2032, the proceeds of which were used at least in part to assist in the development of the Company's U.S. headquarters located in the Township. During January 2010, the Company and the Township entered into a settlement agreement (the "Settlement Agreement") that, among other things, reduced the taxable value of the headquarters

property to current market value. The Settlement Agreement also provided that the Company would negotiate in good faith with the Township, pursuant to the terms of the Settlement Agreement, in the event that property tax payments were inadequate to permit the Township to meet its payment obligations with respect to the bonds. In October 2019, the Township notified the Company that the Township had incurred a shortfall under the bonds of less than \$1 million and requested that the Company meet to discuss payment. The parties met in November 2019 but no agreement was reached. On December 9, 2019, the Township commenced litigation against the Company in Michigan's Wayne County Circuit Court claiming damages of \$28 million related to what the Township alleges to be the current shortfall and projected future shortfalls under the bonds. The Company disputes the factual and legal assertions made by the Township and intends to defend the matter vigorously. The Company is not able to estimate the possible loss or range of loss in connection with this matter.

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 \$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 the Company 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 \$9 million for claims aggregating \$56 million in Brazil as of September 30, 2022. 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.

The adverse impacts of the COVID-19 pandemic led to a significant reduction in vehicle production in the first half of 2020, which was followed by increased consumer demand and vehicle production schedules in the second half of 2020, particularly in the fourth quarter. Because semiconductor suppliers have been unable to rapidly reallocate production to serve the automotive industry, the surge in demand has led to a worldwide semiconductor supply shortage. The Company's semiconductor suppliers, along with most automotive component supply companies that use semiconductors, have been unable to fully meet the vehicle production demands of our customers due to events which are outside the Company's control, including but not limited to, the COVID-19 pandemic, the global semiconductor shortage, a fire at a semiconductor fabrication facility in Japan, significant weather events impacting semiconductor supplier facilities in the southern United States, and other extraordinary events. The Company is working closely with suppliers and customers to attempt to minimize potential adverse impacts of these events. Certain customers have communicated that they expect the Company to absorb some of the financial impact of their reduced production and are reserving their rights to claim damages arising from supply shortages, however, the Company believes it has a number of legal defenses to such claims and intends to defend any such claims vigorously. The Company has also notified semiconductor suppliers that it will seek compensation from them for failure to deliver sufficient quantities. The Company is not able to estimate the possible loss or range of loss in connection with this matter at this time.

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

As part of 2015 divestitures involving the Company's former climate and interiors businesses, the Company continues to provide lease guarantees to divested Climate and Interiors entities. As of September 30, 2022, the Company has \$2 million and \$2 million of outstanding guarantees, related to the divested Climate and Interiors entities, respectively. The guarantees represent the maximum potential amount that the Company could be required to pay under the guarantees in the event of default

by the guaranteed parties. The guarantees will generally cease upon expiration of current lease agreement which expire in 2026 and 2024 for the Climate and Interiors entities, respectively.

The Company also guarantees certain lease obligations of affiliates. Expiration dates vary and guarantees will terminate on payment and/or cancellation of the underlying obligation.

Product Warranty and Recall

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

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

(In millions)	Nine Months Ended September 30,	
	2022	2021
Beginning balance	\$ 50	\$ 64
Provisions	13	12
Changes in estimates	1	1
Currency	(6)	(3)
Settlements, net	(11)	(16)
Ending balance	<u>\$ 47</u>	<u>\$ 58</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; customs and international trade regulations; product recalls; product liability claims; 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 paragraphs where losses are deemed probable and reasonably estimable. It is possible, however, that some of the matters discussed in the foregoing paragraphs 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, 2022 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.

NOTE 15. Segment Information and Revenue Recognition

The Company's single reportable segment is Electronics. The Company's Electronics segment provides vehicle cockpit electronics products to customers, including instrument clusters, information displays, infotainment systems, audio systems, telematics solutions, head-up displays, as well as battery monitoring systems. As the Company has one reportable segment, total assets, depreciation, amortization, and capital expenditures are equal to consolidated results.

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-U.S. GAAP financial measure, as defined below), and operating assets.

Adjusted EBITDA

The Company defines Adjusted EBITDA as net income attributable to the Company adjusted to eliminate the impact of depreciation and amortization, non-cash stock-based compensation expense, provision for income taxes, net interest expense, net income attributable to non-controlling interests, restructuring and impairment expense, equity in net income of non-consolidated affiliates, 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 U.S. 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. The Company uses Adjusted EBITDA as a factor in incentive compensation decisions and to evaluate the effectiveness of the Company's business strategies. In addition, the Company's credit agreements use measures similar to Adjusted EBITDA to measure compliance with certain covenants.

Segment Adjusted EBITDA and reconciliation to net income (loss) attributable to Visteon is as follows:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss) attributable to Visteon Corporation	\$ 44	\$ 5	\$ 90	\$ 10
Depreciation and amortization	27	27	79	82
Provision for income taxes	9	4	24	20
Non-cash, stock-based compensation expense	6	4	19	13
Restructuring and impairment	1	(2)	12	(2)
Interest expense, net	2	2	7	6
Net income (loss) attributable to non-controlling interests	5	2	5	5
Equity in net income of non-consolidated affiliates	1	(2)	(3)	(2)
Other	—	2	12	4
Adjusted EBITDA	<u>\$ 95</u>	<u>\$ 42</u>	<u>\$ 245</u>	<u>\$ 136</u>

Revenue Recognition

Disaggregated net sales by geographical market and product lines is as follows:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Geographical Markets				
Europe	\$ 335	\$ 212	\$ 929	\$ 707
Americas	308	158	828	519
China Domestic	180	145	431	384
China Export	72	51	166	148
Other Asia-Pacific	175	94	439	309
Eliminations	(44)	(29)	(101)	(80)
	<u>\$ 1,026</u>	<u>\$ 631</u>	<u>\$ 2,692</u>	<u>\$ 1,987</u>

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Product Lines				
Instrument clusters	\$ 481	\$ 309	\$ 1,286	\$ 958
Information Displays	122	86	376	301
Infotainment	141	86	357	281
Cockpit domain controller	130	60	313	149
Body and security	58	25	127	88
Telematics	14	15	51	49
Other	80	50	182	161
	<u>\$ 1,026</u>	<u>\$ 631</u>	<u>\$ 2,692</u>	<u>\$ 1,987</u>

During the nine months ended September 30, 2022, revenue recognized related to performance obligations satisfied in previous periods represented less than 1% of consolidated net sales. The Company has no material contract assets, contract liabilities, or capitalized contract acquisition costs as of September 30, 2022.

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, 2021 filed with the Securities and Exchange Commission on February 17, 2022 and the financial statements and accompanying notes to the financial statements included elsewhere herein.

Executive Summary

Strategic Priorities

Visteon is a global automotive technology company serving the mobility industry, dedicated to creating more enjoyable, connected, and safe driving experiences. Our platforms leverage proven, scalable hardware and software solutions that enable the digital, electric and autonomous evolution of our global automotive customers. The automotive mobility market is expected to grow faster than underlying vehicle production volumes as the vehicle shifts from analog to digital and towards device and cloud connected, electric vehicles, and vehicles with more advanced safety features.

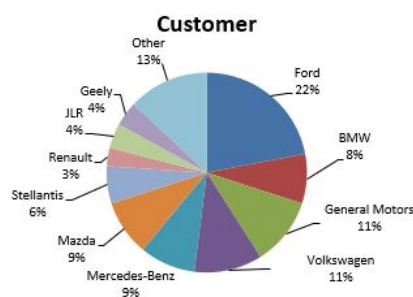
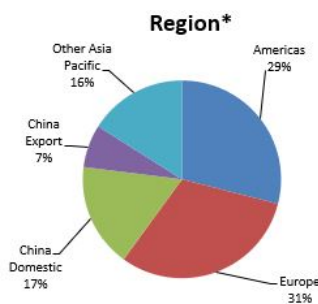
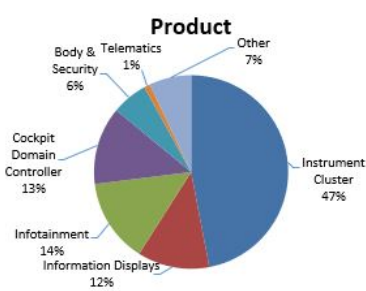
The Company has laid out the following strategic priorities:

- *Technology Innovation* - 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, the industry's first wireless battery management system, and the development of the DriveCore™ advanced safety platform positions Visteon to support these macro trends in the automotive industry.
- *Long-Term Growth* - The Company has continued to win business at a rate that exceeds current sales levels by demonstrating product quality, technical and development capability, new product innovation, reliability, timeliness, product design, manufacturing capability, and flexibility, as well as overall customer service.
- *Enhance Shareholder Returns While Maintaining a Strong Balance Sheet* - The Company has returned approximately \$3.3 billion to shareholders since 2015. In addition, the Company has continued to maintain a strong balance sheet to withstand near-term industry volatility while providing a foundation for future growth and shareholder returns.

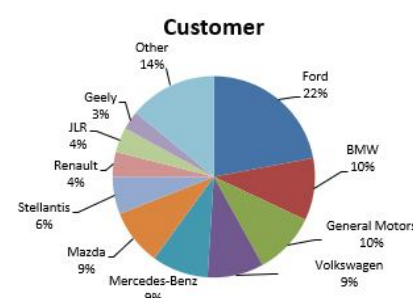
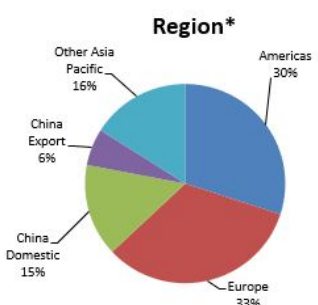
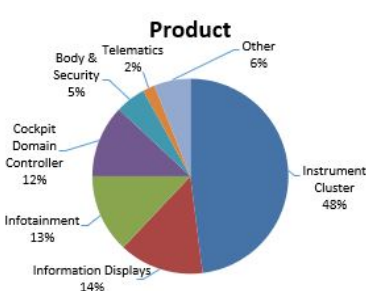
Financial Results

The pie charts below highlight the net sales breakdown for Visteon for the three and nine months ended September 30, 2022.

Three Months Ended September 30, 2022



Nine Months Ended September 30, 2022



*Regional net sales are based on the geographic region where sales originate and not where customer is located (excludes inter-regional eliminations).

Global Automotive Market Conditions and Production Levels

The automotive industry has been negatively impacted by the COVID-19 pandemic and the ongoing semiconductor shortage. Industry vehicle volumes have increased in 2022 however remain at historically low levels despite strong consumer demand due to the ongoing semiconductor shortage. Vehicle production volumes will continue to be negatively impacted by the on-going shortages of semiconductors, disruptions caused by the geopolitical situation in Eastern Europe, and the COVID-19 related lockdowns in China through mid-2023. The magnitude of the impact on the financial statements and results of operations and cash flows will depend on the evolution of the semiconductor supply shortage, plant production schedules, and supply chain impacts.

Results of Operations - Three Months Ended September 30, 2022 and 2021

The Company's consolidated results of operations for the three months ended September 30, 2022 and 2021 were as follows:

(In millions)	Three Months Ended September 30,		
	2022	2021	Change
Net sales	\$ 1,026	\$ 631	\$ 395
Cost of sales	(922)	(584)	(338)
Gross margin	104	47	57
Selling, general and administrative expenses	(47)	(42)	(5)
Restructuring and impairment	(1)	2	(3)
Interest expense, net	(2)	(2)	—
Equity in net income of non-consolidated affiliates	(1)	2	(3)
Other income, net	5	4	1
Provision for income taxes	(9)	(4)	(5)
Net income (loss)	49	7	42
Less: Net (income) loss attributable to non-controlling interests	(5)	(2)	(3)
Net income (loss) attributable to Visteon Corporation	\$ 44	\$ 5	\$ 39
Adjusted EBITDA*	\$ 95	\$ 42	\$ 53

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

Net Sales, Cost of Sales and Gross Margin

(In millions)	Net Sales	Cost of Sales	Gross Margin
Three months ended September 30, 2021	\$ 631	\$ (584)	\$ 47
Volume, mix, and net new business	319	(250)	69
Currency	(43)	34	(9)
Customer pricing	125	—	125
Engineering costs, net *	—	(9)	(9)
Cost performance, design changes and other	(6)	(113)	(119)
Three months ended September 30, 2022	\$ 1,026	\$ (922)	\$ 104

*Excludes the impact of currency.

Net sales for the three months ended September 30, 2022 totaled \$1,026 million, representing an increase of \$395 million compared with the same period of 2021. Volumes and net new business increased net sales by \$319 million. Unfavorable currency decreased net sales by \$43 million, primarily attributable to the euro, Chinese renminbi, and Japanese yen. Favorable customer pricing increased net sales by \$125 million primarily driven by customer pricing recoveries related to material cost increases.

Cost of sales increased by \$338 million for the three months ended September 30, 2022 compared with the same period in 2021. Volume, mix and net new business increased cost of sales by \$250 million. Foreign currency decreased cost of sales by \$34 million, primarily attributable to the euro, Chinese renminbi, and Japanese yen. Net engineering costs, excluding currency, increased cost of sales by \$9 million. Unfavorable cost performance, design changes, and other increased cost of sales by \$113 million primarily due to material cost increases.

A summary of net engineering costs is shown below:

(In millions)	Three Months Ended September 30,	
	2022	2021
Gross engineering costs	\$ (83)	\$ (80)
Engineering recoveries	25	28
Engineering costs, net	\$ (58)	\$ (52)

Gross engineering costs relate to forward model program development and advanced engineering activities and exclude contractually reimbursable engineering costs. Net engineering costs of \$58 million for the three months ended September 30, 2022, including the impacts of currency, were \$6 million higher than the same period of 2021. This increase is primarily related to lower engineering recoveries during the third quarter of 2022.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses was \$47 million for the three months ended September 30, 2022. The increase of \$5 million as compared to the three months ended and 2021 is primarily due to increased employee related expenses.

Restructuring and impairment

During the third quarter 2022, the Company recorded \$1 million of restructuring expense primarily related to employee severance.

Interest Expense, Net

Interest expense, net, for the three months ended September 30, 2022 and 2021 was \$2 million. Interest expense for these periods is primarily related to the Company's term debt facility.

Equity in Net Income of Non-Consolidated Affiliates

Equity in net income of non-consolidated affiliates was \$1 million loss and \$2 million income for the three months ended September 30, 2022 and 2021, respectively. The decrease in income is primarily attributable due to decreased volumes at the Company's non-consolidated affiliates.

Other Income, Net

Other income, net of \$5 million and \$4 million for the three-month periods ending September 30, 2022 and 2021 is primarily due to net pension financing benefits.

Income Taxes

The Company's provision for income taxes of \$9 million for the three months ended September 30, 2022 represents an increase of \$5 million compared with \$4 million in the same period of 2021. The increase in tax expense is attributable to the overall year over year increase in profit before tax excluding equity income, including changes in the mix of earnings and differing rates between jurisdictions.

Adjusted EBITDA

Adjusted EBITDA (a non-GAAP financial measure, as defined in Note 15, "Segment Information") was \$95 million for the three months ended September 30, 2022. The increase of \$53 million, when compared to \$42 million for the same period of 2021 was primarily driven by higher sales volumes.

The reconciliation of net income (loss) attributable to Visteon to Adjusted EBITDA for the three months ended September 30, 2022 and 2021, is as follows:

(In millions)	Three Months Ended September 30,		
	2022	2021	Change
Net income (loss) attributable to Visteon Corporation	\$ 44	\$ 5	\$ 39
Depreciation and amortization	27	27	—
Provision for income taxes	9	4	5
Non-cash, stock-based compensation expense	6	4	2
Net income attributable to non-controlling interests	5	2	3
Interest expense, net	2	2	—
Restructuring and impairment	1	(2)	3
Equity in net income of non-consolidated affiliates	1	(2)	3
Other	—	2	(2)
Adjusted EBITDA	\$ 95	\$ 42	\$ 53

Results of Operations - Nine Months Ended September 30, 2022 and 2021

The Company's consolidated results of operations for the nine months ended September 30, 2022 and 2021 were as follows:

(In millions)	Nine Months Ended September 30,		
	2022	2021	Change
Net sales	\$ 2,692	\$ 1,987	\$ 705
Cost of sales	(2,438)	(1,832)	(606)
Gross margin	254	155	99
Selling, general and administrative expenses	(134)	(131)	(3)
Restructuring and impairment	(12)	2	(14)
Interest expense, net	(7)	(6)	(1)
Equity in net income of non-consolidated affiliates	3	2	1
Other income, net	15	13	2
Provision for income taxes	(24)	(20)	(4)
Net income (loss)	95	15	80
Less: Net (income) loss attributable to non-controlling interests	(5)	(5)	—
Net income (loss) attributable to Visteon Corporation	\$ 90	\$ 10	\$ 80
Adjusted EBITDA*	\$ 245	\$ 136	\$ 109

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

Net Sales, Cost of Sales and Gross Margin

(In millions)	Net Sales	Cost of Sales	Gross Margin
Nine Months Ended September 30, 2021	\$ 1,987	\$ (1,832)	\$ 155
Volume, mix, and net new business	501	(389)	112
Currency	(76)	66	(10)
Customer pricing	288	—	288
Engineering costs, net *	—	5	5
Cost performance, design changes and other	(8)	(288)	(296)
Nine Months Ended September 30, 2022	\$ 2,692	\$ (2,438)	\$ 254

*Excludes the impact of currency.

Net sales for the nine months ended September 30, 2022 totaled \$2,692 million, representing an increase of \$705 million compared with the same period of 2021. Volumes and net new business increased net sales by \$501 million. Unfavorable currency decreased net sales by \$76 million, primarily attributable to the euro, Chinese renminbi, and Japanese yen. Favorable customer pricing increased net sales by \$288 million primarily driven by customer pricing recoveries related to material cost increases.

Cost of sales increased by \$606 million for the nine months ended September 30, 2022 compared with the same period in 2021. Volume, mix, and net new business increased cost of sales by \$389 million. Foreign currency decreased cost of sales by \$66 million, primarily attributable to the euro, Chinese renminbi, and Japanese yen. Net engineering costs, excluding currency, decreased cost of sales by \$5 million. Unfavorable cost performance, design changes and other increased cost of sales by \$288 million primarily due to material cost increases.

A summary of net engineering costs is shown below:

(In millions)	Nine Months Ended September 30,	
	2022	2021
Gross engineering costs	\$ (245)	\$ (246)
Engineering recoveries	98	88
Engineering costs, net	\$ (147)	\$ (158)

Gross engineering costs relate to forward model program development and advanced engineering activities and exclude contractually reimbursable engineering costs. Net engineering costs of \$147 million for the nine months ended September 30, 2022, including the impacts of currency, were \$11 million lower than the same period of 2021. This decrease is primarily related to increased engineering recoveries during 2022.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses was \$134 million for the nine months ended September 30, 2022. The increase of \$3 million as compared to the nine months ended 2021 is primarily due to increased employee related expenses.

Restructuring and impairment

During 2022, the Company approved and recorded \$5 million of restructuring expense, primarily impacting Europe, in order to improve efficiencies and rationalize the Company's footprint, including the indefinite suspension of operations in Russia. As of September 30, 2022, \$4 million remains accrued related to these actions.

During the nine months ended September 30, 2022, due to the current geopolitical situation in Eastern Europe the Company indefinitely suspended operations in Russia beginning in the second quarter 2022. As such, the Company recognized a non-cash impairment charge of \$2 million to fully impair property and equipment and a non-cash \$2 million charge to reduce certain inventory in Russia to its net realizable value as of September 30, 2022.

Interest Expense, Net

Interest expense, net, for the nine months ended September 30, 2022 and 2021 was \$7 million and \$6 million, respectively. Interest expense for these periods is primarily related to the borrowings on the Company's term debt facility.

Equity in Net Income of Non-Consolidated Affiliates

Equity in net income of non-consolidated affiliates was \$3 million and \$2 million for the nine months ended September 30, 2022 and 2021, respectively. The increase in income is primarily attributable due to increased sales at the Company's non-consolidated affiliates.

Other Income, Net

Other income, net of \$15 million and \$13 million for the nine-month periods ending September 30, 2022 and 2021 is primarily due to net pension financing benefits.

Income Taxes

The Company's provision for income taxes of \$24 million for the nine months ended September 30, 2022 represents an increase of \$4 million compared with \$20 million in the same period of 2021. The increase in tax expense includes approximately \$7 million primarily attributable to the overall increase in pretax earnings, including changes in the mix of earnings and differing tax rates between jurisdictions. These increases were partially offset by the non-recurrence of a \$2 million provision for income taxes related to uncertain tax positions attributable to certain related party transactions and the \$1 million decrease in withholding taxes driven primarily by favorable exchange.

Adjusted EBITDA

Adjusted EBITDA (a non-GAAP financial measure, as defined in Note 15, "Segment Information") was \$245 million for the nine months ended September 30, 2022. The increase of \$109 million when compared to \$136 million for the same period of 2021 was primarily driven by higher sales volumes.

The reconciliation of net income (loss) attributable to Visteon to Adjusted EBITDA for the nine months ended September 30, 2022 and 2021, is as follows:

(In millions)	Nine Months Ended September 30,		
	2022	2021	Change
Net income (loss) attributable to Visteon Corporation	\$ 90	\$ 10	\$ 80
Depreciation and amortization	79	82	(3)
Provision for income taxes	24	20	4
Non-cash, stock-based compensation expense	19	13	6
Restructuring and impairment	12	(2)	14
Interest expense, net	7	6	1
Net income (loss) attributable to non-controlling interests	5	5	—
Equity in net income of non-consolidated affiliates	(3)	(2)	(1)
Other	12	4	8
Adjusted EBITDA	<u>\$ 245</u>	<u>\$ 136</u>	<u>\$ 109</u>

Liquidity

The Company's primary sources of liquidity are cash flows from operations, existing cash balances, and borrowings under available credit facilities. As we continue to evaluate ongoing impacts of the COVID-19 pandemic including the semiconductor supply shortage and other supply chain impacts, the Company believes funds generated from these sources will continue to sufficiently sustain ongoing operations and support investment in differentiating technologies. The Company will continue to closely monitor its available liquidity and maintain access to additional liquidity to weather these challenging conditions. The Company's intra-year needs are normally impacted by seasonal effects in the industry, such as mid-year shutdowns, the ramp-up of new model production, and year-end shutdowns at key customers. The ongoing COVID-19 pandemic and related semiconductor supply shortage may exacerbate the intra-year 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 other 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.

Access to additional capital through the debt or equity markets is influenced by the Company's credit ratings. As of September 30, 2022, the Company's corporate credit rating is BB- by Standard & Poor's. See Note 8, "Debt" for a 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 may be utilized by the Company's local subsidiaries and consolidated joint ventures, had availability of \$178 million and the

Company had \$400 million of available credit under the revolving credit facility, as of September 30, 2022. As of September 30, 2022, the Company was in compliance with all its debt covenants.

Cash Balances

As of September 30, 2022, the Company had total cash and cash equivalents of \$365 million, including \$3 million of restricted cash. Cash balances totaling \$280 million were located in jurisdictions outside of the United States, of which approximately \$27 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

During the nine months ended September 30, 2022, cash contributions to the Company's defined benefit plans were \$5 million related to its non-U.S. plans. The Company estimates that total cash contributions to its non-U.S. defined benefit pension plans during 2022 will be \$6 million.

During the nine months ended September 30, 2022, the Company paid \$12 million related to restructuring activities. Additional discussion regarding the Company's restructuring activities is included in Note 3, "Restructuring Activities."

The Company committed to make a \$15 million investment in two funds managed by venture capital firms principally focused on the automotive sector pursuant to limited partnership agreements. As of September 30, 2022, the Company contributed \$10 million toward the aggregate investment commitments. As a limited partner in each entity, the Company will periodically make capital contributions toward this total commitment amount.

The Company may be required to make significant cash outlays related to its unrecognized tax benefits, including interest and penalties. As of September 30, 2022, the Company had unrecognized tax benefits, including interest and penalties, that would be expected to result in a cash outlay of \$8 million. Given the number of years, jurisdictions and positions subject to examination, the Company is unable to estimate the period of cash settlement, if any, with the respective taxing authorities.

Cash Flows

Operating Activities

The Company provided \$2 million of cash from operating activities during the nine months ended September 30, 2022. The increase in cash from operations of \$14 million is primarily attributable to an increase in Adjusted EBITDA (a non-GAAP financial measure, as discussed in Note 15, "Segment Information") partially offset by increased outflows in working capital of \$83 million primarily driven by the timing of customer pricing recoveries and higher inventory levels due to uneven supply of semiconductors.

Investing Activities

Net cash used by investing activities during the nine months ended September 30, 2022 totaled \$44 million as compared to cash used of \$50 million during the nine months ended September 30, 2021. The decreased use of cash was primarily due to the settlement of net investment hedges of \$9 million.

Financing Activities

Cash used by financing activities during the nine months ended September 30, 2022 was \$7 million as compared to the use of cash of \$26 million during the nine months ended September 30, 2021. The decreased use of cash was primarily due to non-recurrence of dividend payments to non-controlling interests during the third quarter 2022.

Debt and Capital Structure

See Note 8, "Debt" to the condensed consolidated financial statements included in Item 1.

Significant Accounting Policies and Critical Accounting Estimates

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

Fair Value Measurements

See Note 13, "Fair Value Measurements and Financial Instruments" to the condensed consolidated financial statements included in Item 1.

Recent Accounting Pronouncements

See Note 1, "Summary of Significant Accounting Policies" to the accompanying condensed 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:

- Significant or prolonged shortage of critical components from Visteon's suppliers including, but not limited to semiconductors and those components from suppliers who are sole or primary sources.
- Continued and future impacts related to the conflict between Russia and the Ukraine including supply chain disruptions, reduction in customer demand, and the imposition of sanctions on Russia.
- Continued and future impacts of the coronavirus ("COVID-19") pandemic on the Visteon's financial condition and business operations including global supply chain disruptions, market downturns, reduced consumer demand, and new government actions or restrictions.
- Significant changes in the competitive environment in the major markets where Visteon procures materials, components, or supplies or where its products are manufactured, distributed, or sold.
- Visteon's ability to 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 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.
- 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.
- 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.
- 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, changes in fuel prices, and disruptions of 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.
- Disruptions in information technology systems including, but not limited to, system failure, cyber-attack, malicious computer software (malware), unauthorized physical or electronic access, or other natural or man-made incidents or disasters.
- 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.

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, market conditions, and prevailing 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 euro, Chinese renminbi, Brazilian real, Indian rupee, and Bulgarian lev. 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 foreign currency risk related to its foreign operations. The Company has not entered 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 \$19 million and \$29 million for currency derivative financial instruments as of September 30, 2022 and December 31, 2021, respectively. These estimated changes assume a parallel shift in all currency exchange rates and include the gain or loss on financial instruments used to hedge 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 13, "Fair Value Measurements and Financial Instruments" to the condensed 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 Senior Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2022, an evaluation was performed under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Senior Vice President 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 Senior Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2022.

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, 2022 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 14, "Commitments and Contingencies," to the condensed consolidated financial statements which is incorporated herein by reference.

Item 1A. Risk Factors

Except as set forth below, as of September 30, 2022, there have been no material changes to the risk factors that were previously disclosed in Item 1A in the Company's Form 10-K for the year ended December 31, 2021 filed with the SEC on February 17, 2022.

We are currently operating in a period of significant macro-economic uncertainty, including supply-chain disruptions and COVID-related lockdowns and increasing inflationary pressures and component costs. Although we have minimal operations in Russia, the conflict in Ukraine and the current COVID-related lockdowns in China are exacerbating component cost increases, supply chain challenges including the availability of natural resources used in production by our suppliers, and volatility with our customers' production schedules. If the conflict in Ukraine continues for a lengthy period or spreads or the COVID-related lockdowns in China continue for a lengthy period or spread, it may have a materially negative impact on our business and results of operations.

The macro-economic uncertainty has been exacerbated by the conflict in Ukraine. Although the length and impact of the ongoing conflict is highly unpredictable, it has exacerbated the availability, and volatility in prices, of commodities and components, inflationary pressures, credit markets, foreign exchange rates and supply chain disruptions. Furthermore, governments in the United States, United Kingdom, Canada and European Union have each imposed financial and economic sanctions on certain industry sectors and parties in Russia. These sanctions include controls on the export, re-export, and in-country transfer in Russia of certain goods, supplies, and technologies, including some that we use in our business in Russia. Existing or additional sanctions could further adversely affect the global economy, lead to litigation related to compliance with such sanctions, or further disrupt the global supply chain. Inflation is also currently high world-wide and may continue for an unforeseen time.

The negative impact of the conflict in Ukraine and the current COVID lock-downs in China may exacerbate cost increases in raw material, transportation, energy, and commodities. Although we are negotiating with our customers with respect to these additional cost increases, commercial negotiations with our customers may not be successful or may not offset all of the adverse impact of higher transportation, energy and commodity costs. Additionally, even if we are successful with respect to negotiations with customers relating to cost increases, there may be delay before we recover any increased costs. These may have a material negative impact on our business and results of operations.

For additional information see Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on February 17, 2022. See also, "Forward-Looking Statements" included in Part I, Item 2 of this Quarterly Report on Form 10-Q.

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 2022.

Item 6. Exhibits

The exhibits listed on the "Exhibit Index" on Page 35 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 27, 2022.
31.2	Rule 13a-14(a) Certification of Senior Vice President, Chief Financial Officer dated October 27, 2022.
32.1	Section 1350 Certification of Chief Executive Officer dated October 27, 2022.
32.2	Section 1350 Certification of Senior Vice President, Chief Financial Officer dated October 27, 2022.
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/ Abigail S. Fleming

Abigail S. Fleming

Vice President and Chief Accounting Officer

Date: October 27, 2022

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

I, Jerome J. Rouquet, 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 27, 2022

/s/ Jerome J. Rouquet
Jerome J. Rouquet
Senior 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, 2022 (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 27, 2022

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 Senior 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, 2022 (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/Jerome J. Rouquet
Jerome J. Rouquet

October 27, 2022